

Annual Governance Statement 2018/19

Scope of responsibility

1. South Oxfordshire District Council ensures that its business is conducted legally and to proper standards, and that public money is safeguarded, accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 the council makes arrangements for continuous improvement, with a view to economy, efficiency and effectiveness. The council must make arrangements for the governance of its affairs, facilitating effective exercise of functions, including the management of risk.
2. The council has corporate governance arrangements and has adopted a local code of governance. This code is consistent with the “*Delivering Good Governance in Local Government*” publication by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives, published in 2007.
3. This Annual Governance Statement explains how the council has complied with its code of governance, and how it met the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to an annual review of the effectiveness of the council’s systems of internal control, and the preparation and approval of this statement.
4. Our website at www.southoxon.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
South Oxfordshire District Council
135 Eastern Avenue
Milton Park
Milton
OX14 4SB

Tel. 01235 422520

Email: democratic.services@southandvale.gov.uk

The purpose of the governance framework

5. The governance framework comprises the systems, processes, culture and values which direct and control the council, and activities through which it accounts to, engages with, and leads the community. The framework enables the council to monitor achievement of its strategic objectives and consider whether appropriate and cost-effective services have been delivered by those objectives.
6. The system of internal control is designed to manage risk to a reasonable level. All risk of failure to achieve the council's objectives cannot be eliminated and therefore the framework can only provide reasonable and not absolute assurance of effectiveness. An ongoing internal control process is employed, which is designed to identify and prioritise risks to the achievement of the council's objectives, to evaluate the likelihood of those risks, and mitigate their impact.
7. The council has had the governance framework described below in place for the year ended 31 March 2019 and up to the date of approval of the 2018/19 statement of accounts in July 2019.

The governance framework

8. Full Council is responsible for directing and controlling the organisation through the governance framework, doing the right things, in the right way, for the right people, and in a timely manner. Full Council's responsibilities include agreeing the Constitution and key governance documents, and agreeing the policy framework and the budget.
9. The council has executive arrangements in place consisting of a cabinet, a scrutiny committee and a joint scrutiny committee with Vale of White Horse District Council. Cabinet is responsible for proposing the budget and policy framework and implementing them once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.
10. The Chief Executive advises councillors on policy and procedures to drive the aims and objectives of the council. As head of paid service, the Chief Executive oversees the employment and conditions of staff. The Chief Executive leads a senior management team, shared with Vale of White Horse District Council. Mark Stone was appointed as permanent Chief Executive from 1 January 2018. The chief finance officer, the Monitoring Officer and other heads of service are responsible for advising Cabinet and scrutiny committees on legislative, financial and other policy considerations to achieve the council's objectives. These officers are responsible for implementing councillors' decisions.
11. The governance framework for 2018/19 was based on the council's code of governance. This aims to meet the principles of good governance in all aspects of its work, with careful attention to the following main principles:
 - Focusing on the council's purpose and on outcomes for the community and creating and implementing a vision for the local area

- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions, which are subject to effective scrutiny
- Managing risks
- Developing the capacity and capability of councillors and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

Review of effectiveness of the governance framework

12. The council has responsibility for reviewing, at least annually, the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of managers who have responsibility for the upkeep of the governance environment, the audit manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
13. In previous years the Annual Governance Statement has been a lengthy document in a narrative form. The format has been amended this year to provide a more readable document. The following section sets out tables showing:
 - the governance issues affecting the council;
 - how the council has tackled these issues in 2018/19 and the controls it has in place to ensure good governance; and
 - any actions identified to improve the council's governance.

The strategic planning framework

Ref.	Governance issue	Controls in 2018/19	Actions
1	How does the council ensure it undertakes its responsibilities correctly?	The strategic planning framework incorporates residents' and service-providers' views, as well as national and local priorities. The council conducts a biennial residents' survey to ensure the council's objectives reflect residents' priorities. The last survey was conducted in 2017/18.	To conduct the next biennial residents' survey, proposed for 2019/20.
2	Where are the council's corporate priorities?	<p>The council's strategic objectives and corporate priorities are set out in the Corporate Plan 2016-2020, which was adopted on 14 April 2016. The Corporate Plan is published to the council's website.</p> <p>The Corporate Plan guides decisions on how the council invests financial and staffing resources and determines the types of projects the council supports through grant funding. Arising from the Corporate Plan, there is a detailed corporate delivery plan, identifying how services undertake specific activities to deliver the council's priorities.</p>	<p>To deliver the actions in the Corporate Plan 2016-2020 scheduled for 2019/20.</p> <p>To review the Corporate Plan during 2019/20 and adopt it for the period 2020 to 2024.</p>
3	How does the council address issues beyond its legal control and geographic limits?	<p>The council works with partners to address local issues. This is done through either formal partnerships or more informal liaison with other service providers. Examples of the formal partnerships include:</p> <ul style="list-style-type: none"> • Oxfordshire Growth Board • Oxfordshire Local Enterprise Partnership • South and Vale Community Safety Partnership 	
4	What other key strategic planning strategies does the council have?	<p>The council has a Local Plan, which sets out the planning framework under Town and Country Planning legislation. Part 2 of the local plan has been submitted to the Secretary of State under Regulation 19 of the Town and Country (Local Planning) (England) Regulations 2012.</p> <p>The council has also taken part in the development of the draft Oxfordshire Plan 2050 with other councils across Oxfordshire through the Oxfordshire Growth Board. The draft plan was subject to consultation under Regulation 18 during 2018/19.</p>	

The performance management framework

Ref.	Governance issue	Controls in 2018/19	Actions
5	How does the council set performance targets to achieve its strategic objectives?	<p>In the Corporate Plan 2016-20, the council has set performance targets to achieve its strategic objectives and corporate priorities. A corporate delivery plan ensures that the council meets targets and achieves objectives.</p> <p>The council shares its Senior Management Team and staff with Vale of White Horse District Council. This brings efficiencies for the council. The management structure currently includes two Acting Deputy Chief Executive posts. The Chief Executive will review the effectiveness of this management structure.</p> <p>Service areas have service plans to implement these objectives and meet the targets. Staff have individual workplans and targets, ensuring that a <i>golden thread</i> aligns the council's top-level objectives to the work of each council officer. Managers are responsible to ensure these have been met.</p>	
6	How does the council monitor performance against key targets?	The Senior Management Team and Cabinet receive regular board reports, which monitor performance of key measures. Analysis of the board report demonstrates that the council is meeting most of the key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.	To ensure the presentation of the board report is kept under review to measure performance against the strategic objectives.
7	Does the council monitor its performance against others?	An annual board report benchmarks the council's performance against other relevant district councils.	To continue to review the council's performance in the annual board report.
8	How does the council monitor its contractors' performance?	The council operates a formal framework for monitoring contractors' performance and has officers monitoring performance on a regular basis. For the major contracts, monitoring reports are submitted to the Joint Scrutiny Committee and a report is made to the relevant Cabinet member.	

The legal framework

Ref.	Governance issue	Controls in 2018/19	Actions
9	How does the council ensure it is acting lawfully?	The council employs a Monitoring Officer, who is responsible for ensuring the council acts lawfully. The Monitoring Officer will report directly to full Council or to Cabinet where it is considered that any proposal, decision or omission would give rise to unlawfulness, or to the Joint Audit and Governance Committee, if any decision or omission has given rise to maladministration.	
10	How does the council ensure lawful decision-making? Does it have proper procedures in place?	<p>The council's Constitution sets out how it is managed and guides decision-making towards objectives and includes a set of procedure rules that govern how the council conducts its business. The Constitution also includes protocols covering the disclosure of interests in contracts and the relationship between officers and councillors.</p> <p>The Monitoring Officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. The Constitution sets out the terms of reference to each committee and the level of delegated authority to officers. A full review and update of the Constitution was undertaken during 2016/17, it was further reviewed in 2017/18.</p>	To review the Constitution in 2019/20.
11	Does the council have a leader and a cabinet?	The Council appoints a leader, having adopted the 'strong leader' model under the Part 3 of the Local Government and Public Involvement in Health Act 2007. The leader has delegated authority to Cabinet members to make decisions within a given remit. Individual Cabinet member decisions are recorded and published with a 'wet signature'. Any key decisions taken by Cabinet, an individual Cabinet member or an officer are subject to the council's scrutiny call-in procedure, which is set out in the council's Constitution.	
12	Do officer reports to council meetings contain legal advice?	All officer reports to the Council, Cabinet or committee meetings contain a section on the legal implications of taking a decision. All draft reports are subject to consultation with Senior Management Team, legal and finance officers before publication.	
13	How does the council ensure councillors uphold strong ethical standards?	The council's Constitution incorporates the Councillors' Code of Conduct, which requires high standards of conduct. The Monitoring Officer provides training to district councillors and parish and town councils on compliance with the Councillors' Code of Conduct.	To monitor the outcome of the government's consultation on a

Ref.	Governance issue	Controls in 2018/19	Actions
		<p>The council has appointed two independent persons to advise the Monitoring Officer and councillors on Code of Conduct complaints.</p> <p>The Monitoring Officer presented an annual report to the Joint Audit and Governance Committee on the operation of the Councillors' Code of Conduct for the 2017/18 municipal year. This set out how councillors' compliance with the code is monitored. No significant issues were raised. However, the government is currently consulting on a revision to the code of conduct; if amended, the revision will need to be embedded in a revised code.</p>	<p>revision to the code of conduct, and if revised, to ensure the council's Councillor Code of Conduct is updated with the required changes.</p>
14	Does the council's legal team meet the high-quality standards?	Lexcel is the Law Society's accreditation quality mark. This has been awarded to the council's legal team, which undergo a rigorous independent assessment each year to ensure that it meets the required standards of excellence in areas such as customer care, case management and risk management. The legal team received this accreditation again in 2018/19.	

The financial framework

Ref.	Governance issue	Controls in 2018/19	Actions
15	How does the council ensure correct financial procedures?	The council appoints a Section 151 Officer, who is responsible for the overall management of its financial affairs. The Section 151 Officer determines all financial systems, procedures and supporting records of the council, after consultation with Heads of Service. Any new or amended financial systems, procedures or practices are agreed with the Section 151 Officer before implementation.	
16	How do councillors and officers work together to ensure financial accountability?	Cabinet and the Senior Management Team exercise collective responsibility for financial matters. All members of the Senior Management Team accept individual and collective responsibility for the use of resources and financial accountability. Senior Management Team supports Cabinet in the budget-setting process before Cabinet recommends the budget to full Council.	

Ref.	Governance issue	Controls in 2018/19	Actions
17	Who approves the budget?	<p>Full Council is responsible for setting the budget and the council tax. The budget setting includes the revenue budget for the forthcoming year, and the capital programme for the forthcoming five-year period. The Council also approves a medium term financial plan for the next five years and a capital strategy for the forthcoming ten-year period. This ensures better long-term financial planning.</p> <p>The Section 151 Officer reports to Council on the robustness of the budget of the financial estimates and the adequacy of reserves.</p>	
18	Does the council share resources to save costs?	To save costs, the council shares its staff and office resources with Vale of White Horse District Council. The council has several joint contracts to achieve efficiency savings.	
19	How does the council manage its financial investments?	Full Council is responsible for approving the Treasury Management Strategy. This governs the operation of the council's treasury function and is reviewed at least annually or when otherwise necessary. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity. The Joint Audit and Governance Committee and Cabinet review the draft strategy proposals before they are recommended to Council. The Joint Audit and Governance Committee and Cabinet review the operation strategy of the current strategy with mid-year and end of year monitoring reports.	
20	Once the budget is set, how is it implemented?	<p>Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans. It is authorised to make financial decisions, subject to these being consistent with the budget and policy framework and the Constitution. Cabinet receives periodic budget monitoring reports. Heads of service are required to provide reasons for budget variances; these recorded in the budget monitoring report.</p> <p>Senior Management Team considers requests for budget virements; the Constitution sets out the formal approval process. This ensures that the council is able to realign resources to ensure that over- or underspends do not impact on its ability to deliver other services.</p>	To present regular budget monitoring reports to Scrutiny Committee and Cabinet.

Ref.	Governance issue	Controls in 2018/19	Actions
21	How are finances managed at service level?	Heads of Service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records, and data within their service area.	
22	Is the management of budgets subject to audit?	Internal Audit conducts a periodic review of the council's budgetary control. This was last audited in 2017/18 and is included in the 2019/20 audit plan.	To conduct an audit of the council's budgetary control in 2019/20/
23	Do officer reports to council meetings contain financial advice?	All officer reports to the Council, Cabinet or committee meetings contain a section on the financial implications of taking a decision. All draft reports are subject to consultation with Senior Management Team, legal and finance officers before publication.	
24	How are the council's accounts approved?	The council prepares a set of financial statements each year, which are submitted to the Joint Audit and Governance Committee for approval. In 2018, the accounts were submitted later than planned. The committee tasked the Chief Executive with investigating why the accounts were submitted late and what lessons could be learned. A new process has been established involving more regular communication between the Financial Accountancy team, the committee's co-chairs, and the external auditor.	To monitor the effectiveness of the new arrangements for the preparation of the statement of accounts in 2019/20.
25	Are the accounts audited?	The council's financial statements are audited by its external auditor, EY. Each year's accounts and EY's annual Audit Letter are available to the public and are published on the council's website.	
26	How does the council ensure it follows the correct accountancy practices?	Officers keep up to date with the latest accounting developments, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the Chartered Institute of Finance and Accountancy's (CIPFA) finance advisory network and officers regularly attend these network events, enabling them to prepare for changes to accounting requirements.	

The risk management framework

Ref.	Governance issue	Controls in 2018/19	Actions
27	How does the council assess risks to ensure services are not disrupted?	<p>Risk management is important to the successful delivery of the council's objectives. It identifies and assesses risks, decides on appropriate responses, and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the Chief Executive, supported by the Senior Management Team. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks in a corporate risk register.</p> <p>Councillors are made aware of how these risks are being managed through reports to the Joint Audit and Governance Committee. The council employs a risk and insurance officer to implement the risk management strategy.</p> <p>A revised risk management strategy and supporting framework 2017-19 were approved by the Joint Audit and Governance Committee on 25 September 2017. Regular monitoring reports are submitted to the committee.</p>	To review risk management arrangements to ensure they are up to date, including conducting a review of the risk management strategy and supporting framework beyond 2019.
28	How does management monitor risks?	<p>Risk champions have been identified for each service area, and operational risk registers are in place for these and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. A monthly meeting reviews the operational risk registers and 'horizon scans' future risks.</p> <p>All line managers are responsible for implementing strategies at team level through adequate communication, training and the assessment and monitoring of risks. All officers must consider risk as part of everyday activities and provide input to the risk management process.</p>	
29	Does the council have any business	The council has business continuity management arrangements in place to ensure continuation of priority services in the event of an unforeseen disruption.	To ensure business continuity

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	continuity arrangements?		arrangements are regularly reviewed.
30	Do officer reports to council meetings advise on risk?	Risk management has been incorporated into officer reports to Council, Cabinet and committee meetings, where officers are required to detail the risks that the council faces in making its decision.	

The management development framework

Ref.	Governance issue	Controls in 2018/19	Actions
31	How does the council help new councillors in their roles?	Councillors are offered a comprehensive induction programme after their election. This includes a welcome event, a councillor's guide, a briefing on essential issues affecting the council, and targeted training sessions on planning and licensing law, and effective scrutiny. There will be a further assessment of ongoing training needs. Members of the Joint Audit and Governance Committee will also have a training programme.	To implement the councillors' induction programme during 2019/20, following the district council elections in May 2019.
32	Does the council have an audit committee?	<p>The council has a Joint Audit and Governance Committee with Vale of White Horse District Council. The purpose of the joint committee is to ensure a consistent approach, avoid duplication of resources and improve joint working between both councils. The Joint Audit and Governance Committee undertakes the core functions of an audit committee, as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).</p> <p>Each council continues to have an individual audit and governance sub-committee to agree procedures for handling individual code of conduct complaints against district, town and parish councillors.</p>	To continue to embed the Joint Audit and Governance Committee into the new council following the May 2019 district council elections and ensure its membership is trained appropriately.
33	Does the council have a scrutiny function?	The council has a Joint Scrutiny Committee with Vale of White Horse District Council and a separate Scrutiny Committee to consider its own matters. The scrutiny committees continue to help develop council policy. They also review performance in meeting council objectives, and the council's own Scrutiny Committee holds Cabinet to account for its decisions. The scrutiny committees can set up task groups to look into issues and suggest improvements.	To continue to embed the Joint Scrutiny Committee following the May 2019 district council elections and ensure scrutiny members

Ref.	Governance issue	Controls in 2018/19	Actions
			are trained appropriately.
34	Does the council have a management training programme?	The development opportunities for senior officers includes support towards a nationally recognised qualification. They can also attend other strategic leadership programmes. Attendees evaluate these programmes, provide feedback and line managers review training as part of the development and performance review and the formal one to one process.	To continue the management development training programme in 2019/20 to consolidate management development through refresher and follow-up sessions.

Internal Audit

Ref.	Governance issue	Controls in 2018/19	Actions
35	How does the council audit its functions?	<p>Internal Audit is the council's independent assurance function that provides an objective assessment on the effectiveness of the council's services. It assists the council by evaluating the adequacy of governance, risk management, internal controls and use of resources through its planned audit work, and recommends improvements where necessary.</p> <p>The internal audit manager reviews the entries in the gifts and hospitality register and regularly reminds councillors and officers of the requirements of the gifts and hospitality policy.</p> <p>Internal Audit provides assurance that it has complied with the relevant Internal Audit Standard setters. These include the Chartered Institute of Public Finance and Accountancy's Public Sector Internal Audit Standards, which came into effect on 1 April 2013. From 1 April 2017 these standards encompassed the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework.</p>	To continue to provide a regular reminder of the requirements of the gifts and hospitality policy to councillors and officers in 2019/20.

Ref.	Governance issue	Controls in 2018/19	Actions
36	Does the council pro-actively combat fraud?	<p>Internal Audit's rolling audit plan includes a pro-active anti-fraud review each year to test the effectiveness of management controls to prevent/detect fraud within the key financial and IT processes. The profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy have been raised by increased visibility resulting from inclusion on the council's website.</p> <p>The council actively participates in the national anti-fraud initiative, publicises successful cases against fraud, and shares intelligence with relevant partner organisations such as the Police, the Department for Work and Pensions, and the Housing Benefit Matching Service. The council prosecutes those committed of fraud. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.</p> <p>The internal control arrangements include the council's Constitution, the provision of an internal audit service, reports to the Joint Audit and Governance Committee when necessary, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.</p> <p>The council has an anti-money laundering policy and procedure and has designated the Section 151 Officer to be the council's anti-money laundering reporting officer.</p> <p>While the risk of money laundering to the council remains low, the council remains vigilant. The council has in place an anti-fraud, bribery and corruption policy and a whistleblowing policy.</p>	<p>To provide anti-fraud and corruption training for councillors and officers in 2019/20 and to include this in the induction programme for councillors elected in the May 2019 elections.</p> <p>To update and embed anti-money laundering arrangements in 2019/20.</p>

External sources of assurance

Ref.	Governance issue	Controls in 2018/19	Actions
37	How does the council respond to issues	Issues raised by the council's external auditor, and other external inspectors are used to identify improvement areas in our governance	

Ref.	Governance issue	Controls in 2018/19	Actions
	raised by its external auditor?	<p>arrangements. EY was appointed as the council's external auditor by the Public Sector Audit Appointments to continue to act as external auditors to South Oxfordshire District Council from 2018/19.</p> <p>The council prepares its accounts under International Financial Reporting Standards and EY issued an unqualified opinion on the council's 2017/18 financial statements in September 2018.</p> <p>In January 2019, the Joint Audit and Governance Committee considered the annual certification report 2017/18 from EY. This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. EY had certified the council's claim; no qualification letter was issued.</p> <p>The Local Government Ombudsman provided a summary information on complaints about the council to enable it to incorporate any feedback into service improvement. During 2017/18 the Local Government Ombudsman determined 6 complaints. The ombudsman upheld three of the complaints. The Joint Audit and Governance Committee considered the ombudsman's findings at its meeting in March 2019. The Senior Management Team has used the ombudsman's feedback to review service provision.</p>	

Current governance issues

Ref.	Governance issue	Controls in 2018/19	Actions
38	How does the council monitor its contract under the Five Councils Partnership?	The council has a contract for some of its corporate services with a contractor, through the Five Council Partnership with Hart District Council, Havant Borough Council, Mendip District Council, and South Oxfordshire District Council. The council entered into an inter-authority agreement with the other partner councils to cover the procurement and the governance of the future partnership. In addition, a joint client team and a joint committee oversee the delivery of the contract. The Joint	To keep the corporate services contract under review in 2019/20.

Ref.	Governance issue	Controls in 2018/19	Actions
		<p>Scrutiny Committee with South Oxfordshire District Council undertakes the scrutiny role.</p> <p>A review of the contractual and inter-authority arrangements was carried out during 2018/19. During the year, the management accountancy service was brought back in-house, as was the benefits fraud team.</p> <p>A new inter-authority agreement has been negotiated and revised governance arrangements were put in place in 2018/19. The five councils' partnership joint scrutiny committee is no longer active, and district scrutiny committees have taken on this responsibility.</p>	
39	Does the council monitor the effectiveness of individual projects?	<p>During 2018/19, some governance control weaknesses were brought to the attention of the Joint Audit and Governance Committee co-chairmen. In response, the co-chairmen commissioned a programme governance review with the agreement of EY and the Chief Executive. This looked at some projects commenced between 2010 and 2016. The Joint Audit and Governance Committee received progress reports in January and March 2019. Once completed, the findings were reported to the committee. Action had been taken by officers and councillors to address the findings from the reviews and to ensure that appropriate and ongoing changes were made to the councils' governance framework. A further report would be made to the committee in July.</p>	To implement the actions of the programme governance reviews during 2019/20.

Conclusion

14. The council proposes over the coming year to take steps to address the actions above. These will further enhance governance arrangements. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature		Date	
	Mark Stone, Chief Executive		
Signature		Date	
	Councillor Sue Cooper, Leader of the Council		

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