

## **Annual Governance Statement – 2016/17 Financial Year**

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of The Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### **The Purpose of the Governance Framework**

4. The governance framework comprises the systems, processes, cultures and values by which the authority is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31<sup>st</sup> March 2017 and up to the date of the approval of the accounts.

### **The Governance Framework**

7. The Corporate Plan 2016-2020 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the County Council. It also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and

providing excellent value for money. This Corporate Plan was adopted by Council and sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment. Previously the 2016-20 plan was in place.

8. The City Council's priorities for the next four years are:
  - A vibrant and sustainable economy
  - Meeting housing needs
  - Strong and active communities
  - A clean and green city
  - An efficient and effective council

The Council has also adopted and published targets for the Corporate Plan measures.

9. The Council has embedded its use of CorVu as a tool for the recording, reporting and analysis of performance and risk. The Council continues to use CorVu for financial reporting and for integrated financial, performance and risk reporting to the City Executive Board on a quarterly basis.
10. A number of Programme Boards were in place throughout 16/17 and provided effective oversight of the large number of projects on-going. The Council continued to use the principles of Prince 2 in its approach to programme and project management.
11. During 2016/17 the Council further embedded the Capital Gateway framework that is intended to enhance both Project Sponsors' and Project Managers' compliance with excellent project management practices, together with ensuring greater successful delivery of the Council's capital projects. Project Managers and other officers involved with the delivery of the Council's Capital Programme are required to attend Capital Gateway training so that they are familiar with both the documentation required and the tasks demanded at each stage (gateway) of delivery.
12. A wholly-owned housing company, or more precisely a small group of three housing companies, the principal company being wholly owned by the Council, with two subsidiaries (an investment company and a development company) being wholly owned by the principal company were established during the year. In terms of governance, the three companies (collectively "Oxford City Housing Limited - OCHL") are subject to their Articles of Association and the Shareholder's Agreement. These set out the matters over which the company directors are given authority, and those matters over which the shareholder has control, and which cannot be implemented without the shareholder's consent. The intention is to ensure that a balanced position is reached, whereby the Council as shareholder can be confident it holds adequate control over the activities of its company, while the directors of the company are satisfied that they hold sufficient autonomy to operate on a day to day basis and meet the company's objectives.

13. Shareholding is an executive function, and so to represent the Council as shareholder of OCHL a Shareholder Group has been formed by the Leader of the Council. This group comprises all the members of the City Executive Board, and will have formal meetings with the Company's Board of Directors (at least) twice a year. At its first meeting, the Shareholder Group formally agreed the Shareholder's Agreement, noted the Business Plan, appointed (or reappointed) the directors, determined the company's auditors and received a progress and finance report. While the Shareholder's meeting with the company is a private meeting, the Council's Scrutiny Committee is able to (and does) scrutinise the activities of the Shareholder Group and in this way can have its own input into and overview of the affairs of OCHL.
14. The year 2017/18 will see the creation and implementation of two further wholly-owned companies. These will be companies created to carry out the activities currently discharged by our Direct Services' area including trading for profit with private and public sector organisations. One company will trade wholly or primarily with the Council (carrying out the various statutory functions of the Council, e.g. domestic waste collection, street cleansing, building works and car parks management), under a Teckal exemption arrangement. To be Teckal compliant there are two key tests:
  - **The control test** – the authority must control all of the shares in the company and must also exercise effective day to day control over its affairs: in other words the same as the relationship between the council and one of its internal directorates.
  - **The functional test** – at least 80% of the turnover must be for its public sector owners.
15. The other "Trading" company will provide services to external customers on a commercial basis. The governance arrangements will be very similar to those of OCHL, with the Shareholder Group exercising and monitoring the Council's rights under the Articles and the Shareholder's Agreement, twice annual formal Shareholder meetings, and an opportunity for the Scrutiny Committee to oversee the activities of the Shareholder Group.
16. In the last year the Council:
  - introduced selective licensing for the private rented sector;
  - undertook a Home Choice pilot project;
  - implemented a Local Enterprise Partnership Community Grants programme;
  - implemented the Unlocking Potential in Oxfordshire programme;
  - resurfaced many of the Council owned car parks
  - carried out the Great Estates parking scheme
  - rolled out food waste collections from flats
  - completed a new leadership and management development scheme;
  - updated its Financial Management System
  - continued to market its Investigation Services;

- introduced various E-projects – E-claim, RBV and E billing for Non Domestic Rates and Council Tax;
  - implemented its Customer Contact Strategy;
  - renovated many of its Sports pavilions
  - resurfaced and updated its tennis courts
  - resurfaced and updated its Multi-Use Games Areas
17. Clear schemes for delegation for Council, the City Executive Board and Officers are set out in the Council's constitution. The role, purpose and terms of reference for the Scrutiny Committee and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information. The constitution is reviewed annually.
  18. The Council has adopted a Code of Conduct for Officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Council also adopted a Code of Conduct for Members (in cooperation with all of the Oxfordshire Authorities) and local complaint handling arrangements in response to legislative changes introduced to the ethical standards regime within local government. The Council has retained a Standards Committee and appointed Independent Persons to advise the Monitoring Officer and Standards Committee in relation to complaints of breaches of the Code of Conduct for Members.
  19. The Council has an induction and training process in place for both Members and Officers joining the Council. During 14/15 the authority undertook a detailed review in two areas of member support: training and provision of information and the results of this review were implemented in 2015/16.
  20. The framework agreed covers a rolling four year period with basic training happening every two years (in election years) and training in other years set to enhance members' skills. 2016/17 was an election year so induction and basic training was delivered for all councillors with an element of enhancement for returning or sitting councillors. Feedback from members was "good" and "very good" across all areas. Officers have also commissioned enhanced training for 17/18 which will be delivered throughout the year rather than over a limited period. This was in response to feedback from members.
  21. A significant change for 17/18 is that the Council has agreed to reduce the deduction to basic allowances (made by collective agreement) to 10% from 15% for non-attendance at this compulsory training and to make induction training only compulsory for councillors new to the Council at election.
  22. A "Member Guarantee" was also developed and delivered. This provides for a monitored process guaranteeing members a response to their enquiries within five days. The outcomes from this are being monitored at Director level.
  23. A broad internal training programme of courses is run each year for officers as well as specific professional training. Compliance with continuing professional development requirements of staff is monitored by individual officers; the Council provides sufficient resources to fund this.

24. Council and the Executive review annually their schemes of delegation and the terms of reference of their committees (if any). All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified and articulated. There are comprehensive contract, financial and employment rules in the Constitution. Each report to the City Executive Board is accompanied by a risk register and an equality impact assessment (where appropriate).
25. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.
26. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting are underpinned by the prioritisation and savings plans which are regularly reviewed and updated by the Executive.
27. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2016/17 financial year.
28. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its Customer Relationship Management system so as to ensure the consistent capturing and reporting of customer feedback.
29. There were no formal Public Interest Reports issued by the Local Government Ombudsman against the Council in this year but in three cases complaints against the Council were upheld. Two of those related to failure to deal with repairs and one related to a failure to deal with anti-social behaviour.
30. The Audit and Governance Committee receives quarterly reports on all allegations of fraud or corruption as well as those Ombudsman complaints for which a Public Interest Report is issued.
31. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

## **Review of Effectiveness**

32. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
33. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:
  - Risk Management
  - Business Performance and Development
  - Projects and project management
  - Financial management
  - Fraud
  - Procurement and contract management
  - Human resources
  - Equality and Diversity
  - Data quality and security
  - Health and safety
  - External accreditations
  - Review and documentation of business critical processes
34. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.
35. Business Continuity Planning has been highlighted as a risk at a meeting of the Audit & Governance Committee and a series of improvements are planned to address the weaknesses.

## **CIPFA Statement on the Role of the Chief Financial Officer**

36. In assessing the effectiveness of the Council's Annual Governance Statement the Chief Financial Officer is required to review how their role in the authority meets the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Key to this assessment are a number of principles:
  - The Chief Financial Officer ("CFO") in a local authority is a key member of the leadership team, helping it to develop and implement strategy. In Oxford City the CFO is a key member of the Corporate Management Team with direct access to the Chief Executive, members, Audit & Governance Committee and internal and external audit

- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy. In Oxford the CFO is responsible for Risk Management, has the ability to influence decisions through meetings and reporting to members and also has a statutory requirement to advise members of the robustness of estimates and the level of reserves and balances
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The CFO has a personal responsibility for financial stewardship and their prime responsibility is to the citizens to manage resources prudently, both within the authority and extending into partnerships, joint ventures and companies in which the council has an interest e.g. Oxford Direct Services Group, Oxford City Housing Limited, OxWED and Barton LLP
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose. In Oxford the CFO currently has sufficient resources to undertake the Finance function and this is subject to review
- The CFO in a local authority must be professionally qualified and suitably experienced. The CFO and a number of key staff within the Finance Team are suitably qualified

### **Awards/Recognition**

37. The following awards/external accreditations were earned by the Council in the year April 2016 – March 2017:

- Investors In People Gold (2014);
- Customer Service Excellence accreditation for the entire organisation;
- The legal team within Law & Governance retained its LEXCEL accreditation;
- Business Improvement gained Payroll Quality Partnership and the Payroll Assurance Scheme;
- Housing and Property Services gained ISO9002;
- The Environmental Sustainability team gained ISO 9001 and ISO14001;
- Green Flag status, ISO9001 and ISO 14001 for Blackbird Leys, Bury Knowle, Cutteslowe & Sunnymead, Florence and Hinksey Parks and St Sepulchre Cemetery;
- QUEST for the Council's Leisure Centres;
- Direct Services gained the following accreditations: The Gas Safe Register (formerly CORGI), NICEIC (the electrical accreditation body), BM TRADA ISO9001:2008, BM TRADA ISO14001, Constructionline and has a registered MOT and ATF Testing Station;

- The Youth Ambition Team won Best Sports Development Project at the Oxfordshire Sports Awards
- Silver prize in the Local Authorities Best Practice Category of the Green Apple Environment Awards
- Best Recycling/Waste project in the Public Sector Sustainability Awards
- The Tenant Involvement Team won Team of the Year (Southern Region) in the Tenant Advisory Service Awards;
- The Tenant Involvement Team achieved a “gold resident engagement accreditation” from the Tenant Advisory Service;
- The Tenant Involvement Team was given a Partnership Award by the (RBC) Annual Tenant Participation Awards;
- Oxford City Council became one of the first organisations in the UK to receive the Go Ultra Low Company status;
- The Sport and Physical Activity Team achieved an “excellent” rating from Quest, Sport England;
- The Council won ten platinum grade and eight gold grade awards from the Loo of The Year Awards
- The Council’s Deputy Leader was awarded the District Councillor of the Year award by the Local Government Information Unit (LGiU) Councillor Achievement Awards;
- Oxford City Council’s Low Carbon Oxford Week was highly commended in the Community category of the Green Gown Awards;
- The Rosehill Community Centre won the “New Build” Oxford Preservation Trust Award;
- Project ERIC was awarded the Residential Building Energy Project of the Year in the Energy Award;
- The Council won Excellence in Corporate Fraud in the IRRV Awards;
- The Westgate Oxford dig won the Best Archaeological Project Award from the British Archaeological Awards;
- Oxford City Council won a gold standard award for the quality of its address data (the list of addresses we hold for all land and property within Oxford City Council all linked together with a Unique Property Reference Number);

### **Significant Governance Issues**

38. The control framework described above facilitates the identification of any areas of the Council’s activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk.
39. The Council has received a report from its internal auditors BDO on its Business Continuity Planning which was critical of the Council’s arrangements. An action plan has been prepared and the Council is working with its insurers Zurich Municipal to update its Business Continuity Plans and to test them over the coming year. This plan has been shared with and will be monitored by BDO.
40. Overall the annual report from the Council’s internal auditors, which will be reported to the Audit and Governance Committee in June 2017, provides that, based on the evidence of the audits conducted, moderate assurance can be

given that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming that view the internal auditors have taken into account that:

- Whilst there has been a proportionate increase in the number of Limited Opinions for control effectiveness, the majority of reviews when taking into account Control Design is Moderate. The number of high recommendations has proportionately decreased too.
- Implementation of recommendations could be more timely, with 19 currently outstanding (out of a total of 60+ recommendations).
- The Council has achieved its budget for 2016-17 and has plans in place to ensure that the budget gap is addressed in future years. The Council has recognised the reduction of government funding in its future financial plans.