

## **Annual Governance Statement – 2017/18 Financial Year**

1. Oxford City Council (“the 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, the 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 the Council meets the requirements of The Accounts and Audit (England) Regulations 2015. Regulation 6(1) requires all relevant authorities to prepare an Annual Governance Statement.

### **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 the 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 the Council for the year ended 31<sup>st</sup> March 2018 and up to the date of the approval of the accounts.

### **Policies, Procedures, Laws and Regulations**

7. The Head of Law and Governance is designated as the Council’s Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
8. The financial management of the authority is conducted in accordance with the relevant provisions of the Constitution and the Council’s Financial Rules. The

Council has designated the Head of Finance as the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972.

9. The Council has robust policies and procedures relating to the use of resources and the corporate governance framework, including Finance Rules, Contract Rules, scheme of delegation, IT strategy, Avoiding Bribery Fraud and Corruption Policy and Whistleblowing Policy

## **The Governance Framework**

10. The Corporate Plan 2016-2020 reaffirms the 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 Oxfordshire 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 re-adopted by Council on 13<sup>th</sup> February 2018 and sets out the changed policy and financial contexts in which the Council is working and the Council's response to this changed environment.
11. 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 Council has adopted and published a consultation framework.
12. The Council's priorities 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.

13. The Council has embedded its use of CorVu as a tool for the recording, reporting and analysis of performance, budget and risk. CorVu holds all of the Council's corporate, service and team level performance targets, corporate and service level risk registers and is used to track and report on all internal and external audit recommendations.
14. 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.

15. A number of Programme Boards were in place throughout 2017/18 and provided effective oversight of the large number of projects on-going. The Council continued to use the principles of Projects In Controlled Environments (“Prince 2”) in its approach to programme and project management. Prince 2 is a project management method which is process-based and is owned by the Cabinet Office. It is a methodology widely used in government and the public sector.
16. The Capital Gateway framework was consolidated during the year with on-going involvement in programme delivery. The Capital Gateway framework 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.
17. There have been a number of changes during 2017/18 including the formation of the Direct Services Local Authority Trading Company and on-going work to deliver homes through the Oxford Housing Company that have continued to be managed through the existing Programme Board structure. Alongside this there are significant private and public sector investment proposals as well as the new Housing and Growth Deal. As a result, a refresh of the Programme Boards structure, governance and reporting arrangements is planned for 2018/19. It aims to build on best practice and ensure a consistent, robust corporate approach to project delivery that can respond to the emerging challenges and opportunities the Council faces.
18. During the Council year 2016/17 the Council created three wholly-owned companies which together formed its housing group of companies. The Council year 2017/18 saw these three companies – Oxford City Housing Limited, Oxford City Housing (Investment) Limited and Oxford City Housing (Development) Limited begin to consolidate and move towards their objective of becoming a significant provider of housing within Oxford and elsewhere. The principal operational activities of the companies during the year have been preparing to take and manage the social housing at the new Barton Park development, developing a series of small to medium Council-owned housing sites, and purchasing vacant Housing Revenue Account properties (within the permitted limits) to facilitate further housing development of these sites.
19. The companies hold Board meetings on a monthly basis, and throughout the year have been developing arrangements with the Council under which necessary staff resources can be made available to the companies under Service Level Agreements. These arrangements are expected to continue and develop. The Council as the sole shareholder of the housing group of companies is represented by the shareholder group, which comprises members of Council, as determined by the Leader, and meets to consider the progress and development of the companies on a quarterly basis. The Shareholder group appoints the directors of the companies, and under the Shareholder’s

Agreement has reserved to it the right to determine key structural and operational matters. The activities of the Shareholder group are scrutinised by the Council's companies scrutiny panel.

20. In April 2017 the Council created two further wholly-owned companies, Oxford Direct Services Limited ("ODSL") and Oxford Direct Services Trading Limited ("ODSTL"). Throughout the Council year 2017/18 the Council was preparing for the transfer of its entire direct services operation to these two new companies. Under these arrangements, commencing on 1<sup>st</sup> April 2018, the Council would contract with ODSL in regard to the fulfilment of all its statutory and related "direct services" activities, while ODSTL would trade exclusively with third parties on a wholly commercial basis. ODSL was created as a "Teckal" company, which allowed the Council to enter into these arrangements outside the requirements of the public procurement regulations. As a companion to the significant long-term Service contract to be let by the Council to ODSL, a second support services agreement has been drafted, under which the Council would provide a wide range of support services to both ODSL and ODSTL.
21. As with the housing group of companies, the Council; as sole shareholder of both ODSL and ODSTL is represented by the shareholder group, which holds meetings with the directors of the direct services companies to monitor and direct the companies' activities on a quarterly basis. The Articles of Association of the companies set out their basic objects, while the two Shareholder's Agreements set out the key matters which are reserved to the shareholder, including the approval of the business plan and the appointment of Board directors. The activities of the Shareholder group are scrutinised by the companies scrutiny panel. The letting of the Service contract to ODSL on 1<sup>st</sup> April 2018 will trigger the TUPE transfer of all Council staff engaged in the direct services operations (some 670 members of staff) to ODSL.
22. A major focus of during the year has been the preparation for the new General Data Protection Regulation (GDPR) and the implementation of the Data Protection Act 2018 which received Royal Assent on 23<sup>rd</sup> May 2018 with its main provisions coming into force on 25<sup>th</sup> May 2018..A programme of works commenced during 2017/18 to ensure any significant gaps in terms of compliance with GDPR were fully addressed, including:
  - Information asset registers and record retention schedules have been developed identifying the data held by teams, how long this data needs to be held for and outlining the procedures for disposing of data records;
  - Privacy Notices and Terms and Conditions have been updated;
  - Training sessions have been held for all staff and members and included in the induction process; and
  - Engagement with suppliers to update terms and produce a risk assessment of the activities the carry out on the Council's behalf.
23. In the last year the Council:

- Introduced a blue bin recycling league;
  - Upgraded the Agresso Financial Management System;
  - Set up accounting controls for the Council's Local Authority Trading Company and the Housing Company;
  - Implemented the Universal Credit roll out;
  - Implemented the "All pay" system;
  - Introduced "Connect and serve" e billing;
  - Introduced a new "Contact Us" page, which includes "webchat" deployment on the website;
  - Upgraded some sports pavilions, East Oxford Community Centre, Barton Neighbourhood Centre, Horspath Sports Ground, Bullingdon Community Centre, the Museum of Oxford and Florence Park tennis courts; and
  - Continued to upgrade its IT infrastructure
24. The Council's constitution is reviewed annually to take account of changes to legislation and other developments. It sets out clear schemes of delegation for Council and executive functions stipulating which decisions must be taken by full Council, the City Executive Board, regulatory committees and officers. The constitution also provides clear opportunities for public and member engagement in Council decision making and policy formulation.
25. 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. The Council has retained a Standards Committee and appointed four Independent Persons to advise the Monitoring Officer and Standards Committee in relation to complaints of breaches of the Code of Conduct for Members.
26. The Council has a comprehensive induction and training process in place for elected members based on an established framework. Feedback from members is collected and analysed to inform the content and delivery of training members are offered.
27. All newly elected members are required to attend an induction session that includes training on the Members' Code of Conduct and the signing of their declaration of acceptance of office.
28. An annual programme of compulsory and optional training is offered to all members. Compulsory training is provided annually to all members on the Code of Conduct, planning, and for members on licensing committees; licensing. More advanced compulsory sessions are delivered in non-election years which are aimed at further developing members' knowledge and skills. Compulsory training is complemented by a programme of optional training which is designed to be more specific to the specialist roles members undertake.

29. Council has collectively agreed that any members who fail to attend compulsory induction or training sessions will have a reduction applied to their allowance.
30. Council officers are also encouraged to access internal training courses as well as specific professional development. All new starters are required to understand key policies on data protection, code of conduct and ICT security, as well as to undertake safeguarding awareness training as a minimum. Appraisals are conducted in relation to the performance of each member of staff on an annual basis.
31. All decision reports presented to members are subject to a robust clearance procedure to ensure that the legal, financial and other risks and implications of proposals are identified and properly articulated. All decision reports to the City Executive Board are accompanied by a risk register and, where equalities impacts are identified, an equality impact assessment.
32. The Council has a mature Scrutiny function which benefits from the positive engagement of members, dedicated officer resource and a supportive organisational culture. Each year the Scrutiny Committee develops and follows an annual work programme which remains flexible and responsive to emerging issues and decisions throughout the year. In this and other respects, the Scrutiny function is aligned with recognised best practice promoted by bodies such as the Centre for Public Scrutiny. Scrutiny has an active role both in scrutinising decisions before they are taken by the City Executive Board and in considering and reviewing priority topics and issues that affect the city and its people. In-depth review topics have included devolution options for Oxfordshire and the Oxford Living Wage, as well as annual reviews of the Council's budget and medium term financial plan.
33. The Council has an established Audit and Governance Committee with terms of reference that comply with the Chartered Institute of Public Finance and Accountancy ("CIPFA") guidance. The Audit and Governance Committee is responsible for setting the Council Tax base, approving the Annual Statement of Accounts, reviewing quarterly risk management reports and noting and commenting on the work plans and reports of the Council's internal and external auditors. The Committee monitors the implementation of audit actions. In 2017/18 the Committee also received update reports from officers following internal audit reports on fraud investigation activities, ICT service transformation and business continuity and disaster recovery.
34. 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 City Executive Board.
35. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2017/18 financial year.

36. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer. It will be reviewed in 2018/19.
37. The Council also operates a corporate complaints, comments and compliments system ("the 3 Cs"). 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.
38. There were no formal Public Interest Reports issued and no complaints were upheld by the Local Government and Social Care Ombudsman against the Council in this year. One complaint against the Council was upheld by the Housing Ombudsman. It related to the Council's failure to follow its recharge policy for works to void properties (Council owned homes that have become empty) and a delay in installing a rear fence. The recharge policy and procedure has been reviewed and updated, partly because of this determination.
39. The Audit and Governance Committee receives quarterly reports on all allegations of fraud or corruption once any on-going investigation is complete as well as those Ombudsman complaints for which a Public Interest Report is issued.

### **Review of Effectiveness**

40. 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.
41. 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
  - 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

42. 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.
43. The weaknesses identified in the Council's Business Continuity Planning ("BCP") process in 2016/17 are being addressed through the action plan that was prepared in conjunction with the Council's insurers, Zurich Municipal. Service Area Business Continuity Plans have been reviewed and Zurich Municipal provided a realistic and challenging test of the Business Continuity Plans (and the Corporate BCP) in October 2017 so that the Council could be confident that the plans were broadly effective. A review and update of the Corporate BCP following the test is nearing completion.

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

44. 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 the Council 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, Oxford West End Development 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. Deputising for the CFO on matters of financial accounting is undertaken by the Financial Accounting Manager and Management Accountancy Manager, with additional posts taking responsibility on matters relating to Procurement and Revenues.

### **Awards/Recognition**

45. The Council wishes to ensure that it remains up to date with best practice and standards of performance so it regularly enters competitions against its peers and has achieved standards and won awards as set out in Appendix 1 to this statement.

### **Significant Governance Issues**

46. 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.
47. Business Continuity Planning was considered in the internal audit work programme in 2016-17. This work identified a number of inadequacies in this area. Subsequent work undertaken by the Council to address these issues has been undertaken including testing of all service BCPs in a staged scenario and also testing of the ICT disaster recovery plan. The result of this work was reported to Audit and Governance Committee in January 2018.
48. The Council's internal auditors are BDO LLP and are required to provide the Audit and Governance Committee, and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.
49. Overall the annual report from the Council's internal auditors, which will be reported to the Audit and Governance Committee in July 2018, provides that, based on the evidence of the audits conducted there are no signs of significant weaknesses in the framework of financial control, governance arrangements or the management of risk.
50. In giving their opinion BDO have stated that assurance can never be absolute and that the internal audit service provides Oxford City Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2017/8. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and

effective. In assessing the level of assurance to be given, the internal auditors have taken into account:

- All internal audits undertaken by BDO LLP during 2017/18
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Oxford City Council
- Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on their work.

## **Appendix 1**

### **Awards/Recognition for 2017/18**

The awards/external accreditations earned by the Council in the year April 2017 – March 2018 are as follows:

- The Institute of Revenues, Ratings and Valuation Excellence in Innovation award was won by the Council's Investigation Team
- The Council's Recycling Team was the Local Authority Recycling Advisory Committee Best Team of the Year
- The Council's Streetscene Team won the Association of Public Service Excellence award for Best Service Team of 2017 in the Street Cleansing and Streetscene category
- Oxfordshire Environment Partnership of which the Council is part won the Best Food Waste Reduction and Collection System 2017
- Investors In People Gold (2017);
- Customer Service Excellence accreditation for the entire organisation;
- The legal team within Law & Governance retained its LEXCEL accreditation;
- Direct Services retained 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;
- Business Improvement retained Payroll Quality Partnership and the Payroll Assurance Scheme;
- QUEST for the Council's Leisure Centres;

## **Statement of Overall Opinion**

It is our opinion, based upon the content of this AGS that the Council's governance framework is robust and that the governance arrangements have proved to be highly effective during 2017/18.