

Annual Governance Statement 2020/21

INTRODUCTION

1. This is Cherwell District Council's Annual Governance Statement for 2020/21. It provides:
 - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
 - A review of the *effectiveness* of the Council's governance arrangements during 2020/21;
 - A *conclusion* in relation to the effectiveness
 - A review of the *action plan* completed in 2020/21
 - An *action plan* for 2021/22
 - An *annex* summarising our governance framework

The Annual Governance Statement is required by law¹ and follows the best practice guidance from the Chartered Institute of Public Finance and Accounting (CIPFA). This year, as in the previous year, the Statement also highlights the governance issues posed by the continuing COVID-19 pandemic.

STATEMENT OF OPINION

2. It is our opinion that the Council's governance arrangements in 2020/21 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2021/22. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

SIGNATURES

Signed on behalf of Cherwell District Council:

.....	Date	Date
Yvonne Rees		Cllr Barry Wood	
Chief Executive		Leader of the Council	

¹ Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015

REVIEWING OUR EFFECTIVENESS DURING 2020-21

This review looks at:

- Effectiveness of our governance – generally and in relation to COVID-19
- Conclusion about this effectiveness
- Internal Audit function during 2020/21
- Our statutory governance roles
- Review of actions 2020/21
- Actions for 2021/22
- Outline of our governance

Overview

3. We have reviewed our overall effectiveness both in general and with regard to the COVID-19 pandemic challenges faced and those which we continue to face during recovery.

Generally:

All action points for 2020/21 were completed as outlined in Annex 1. Specific action points for 2021/22 are set out in Annex 2.

The weakening of the procurement team at the Council accelerated in 2020/21 following the separation from South Northamptonshire Council and the gravitation of procurement staff to that authority. However, it was able to benefit from the County Council's over-arching review of the procurement service which, in turn, resulted in a procurement and contract management service for both authorities.

4. Here are some ways in which our governance has proved effective during 2020/21
 - ❖ Introduced democratic decision-making virtually, via MS Teams
 - ❖ In partnership with Oxfordshire County Council, the Council continues to deliver [a joint senior management structure](#) across both authorities.
 - ❖ .
 - ❖ The Council appointed a Director of Law & Governance and Monitoring Officer and also a Head of Legal Services.
 - ❖ Implemented a revised Constitution following a structured review by the Overview & Scrutiny Committee and Full Council; also establishing an annual review process
 - ❖ Actions within last year's governance statement were tracked to completion.
 - ❖ The Interim Monitoring Officer provided an [annual overview and scrutiny report](#) on his view of the Council's governance arrangements. This review was formally reported to, and endorsed by, the Council on 20 July 2020.
 - ❖ The Director of Law & Governance and Monitoring Officer submitted a report to the Accounts, Audit & Risk Committee on 17 March 2021 which recommended changes to the Terms of Reference for the Committee. The proposed Terms of Reference extended the areas that would be reported to

the Committee and the amendments were aligned to current best practise and based on the Chartered Institute of Public Finance and Accountancy (CIPFA) model template. The revised Terms of Reference were subsequently approved by Council on 19 May 2021.

During COVID-19

5. Common with other authorities, we acted swiftly during the initial outbreak of COVID-19 to meet the demands of the pandemic and continued to do so throughout 2020/21. We are confident that we were able to do so without compromising good governance and democratic accountability. Our reaction benefited from:
 - Clear leadership structure
 - Dedicated Gold and Silver Command structures
 - Partnership working with Oxfordshire County Council
 - COVID-19 risk assessments for our services
 - Flexible and reactive approach.
 - Regular engagement with the administration and Political Group Leaders so as to aid transparency of actions being taken
 - Regular and timely communications with councillors, staff and stakeholders
 - Continuation of political decision-making with Executive, Council and Committees meeting virtually by MS Teams

Impact

6. Lockdown and social distancing rules necessitated **democratic decision-making** be moved to a virtual setting. The council was able to facilitate online decision-making through MS Teams. This also allowed members of the public to take part in virtual meetings e.g. for questions and the presentation of petitions. A **revised Constitution and protocol** ensured the application of the Constitution's key principles of openness, transparency and accountability. The councillor constituency voice was also maintained through the designation of a specific email address for councillors to raise COVID-19 related issues on behalf of their communities.
7. The prolonged impact of COVID-19 required sustained business continuity activity to ensure the delivery of services in a largely uninterrupted fashion. Cherwell District Council's Human Resources and ICT Teams have, throughout 2020/21, facilitated working from home whilst ensuring that the workforce is supported in doing so.
8. Financial management practices have had to adapt to the prolonged impact of COVID on financial management. A Financial Cell was established as part of the COVID response strategy to support related decision making.
9. Clearly some services, were required to implement additional COVID-19 specific processes which will have impacted on normal business for those services, such as the Revenues and Benefits team (at CSN Resources) and Finance. The Council had to respond quickly, and implement new processes in response to the government's requirement to provide COVID-19 grants to

qualifying local businesses. The Council also had to introduce discretionary schemes and the associated checks and balances to ensure grants were paid to appropriate qualifying businesses in need of support.

Command structure

10. The Council's **Gold and Silver Command** were put into place and worked well during the initial outbreak. The Command structures enabled the Council to keep visibility of services and how best to prioritise actions e.g. community and voluntary sector co-ordination, the supply of personal protective equipment; the flow of communications to support for businesses; and business continuity. Plugging this into the wider **regional structures** (e.g. **Thames Valley Local Resilience Forum**) ensured the flow of essential information and experience. Regular Gold sessions for Oxfordshire's Chief Executives and Leaders were also an integral part of the command structure in co-ordinating our response. Annex 3 is a one-page illustration of the Command structure and how it fits within its local and regional setting.

Beyond COVID-19

11. The Council's reaction to the pandemic has **fast-tracked the development** of key governance issues and has continued to do so throughout 2020/21. This has been through the safe and reactive deployment of technology (to enable almost seamless homeworking and virtual meetings); business continuity awareness and practices; working without silos, service-planning becoming more aware of the cross-cutting interplay of services; reviewing the portfolio of property; enhanced focus on security, wellbeing and health and safety; and the deepening of the Cherwell District Council/Oxfordshire County Council partnership, with the whole pandemic management being undertaken jointly through the Gold and Silver command structures.

12. The resource implications of the pandemic posed a challenge for the local government sector. The Council's governance experience of COVID-19, alongside that of its partner, Oxfordshire County Council, shaped future planning as we managed the delivery of quality services and democracy under COVID-19 conditions:

- Use of buildings and remote working
- Business continuity, risk assessment and project planning
- Fluidity and accountability of decision making
- Smart use of technology and digital engagement and solutions
- Financial management

13. The Council approved (jointly with Oxfordshire County Council) a robust recovery strategy – "**Restart Recover Renew**". It recognised the opportunity to learn from our experience and to transform our services for the better as we move along the Roadmap.

Internal audit in 2020/21

14. The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” outlines the principles that define the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor as follows:

- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- championing best practice in governance and commenting on responses to emerging risks and proposed developments.
- be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
- lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
- be professionally qualified and suitably experienced.

15. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The self-assessment against the standards is completed on an annual basis. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This is next due in 2022.

16. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2021, there is **satisfactory** assurance regarding Cherwell District Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.

17. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and reported to the Accounts, Audit & Risk Committee. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Financial Management Code

18. A key goal of the Financial Management Code of Practice (launched by CIPFA in November 2019) is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of COVID-19 has tested that financial resilience in 2020/21 and will continue to do so in coming years. 2020/21 was a ‘shadow year’ for implementing the Code with authorities expected to work towards full compliance from April 2021. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes. As such, Annex 5 sets out the outcomes

of the initial assessment of compliance with the Code. As you will see, the picture is positive, with the RAG (Red-Amber-Green) rating of compliance showing as Green in all but one of the 19 standards. A column showing 'Further Work' gives an indication of improvements that can be made over the current year. For example, to bring the amber rated standard to green the action is to "Embed budget monitoring to include key balance sheet items including reserves and balances and debtors".

Our statutory governance roles

19. The Council is required to appoint to three specific posts, each of which oversees a key aspect of the Council's governance:

- **Head of the Paid Service (HOPS)** role – which is our Chief Executive, Yvonne Rees: how the Council's functions are delivered, the appointment and proper management of staff
- **Monitoring Officer** – in early 2020/21 this was Nick Graham, Director of Law and Governance: responsible for the Council's Constitution, the lawfulness and integrity of its decision-making and the quality of its ethical governance. Steve Jordan, Corporate Director for Commercial Development, Assets and Investment, was appointed interim Monitoring Officer until the appointment of Anita Bradley to the post of Director of Law and Governance and Monitoring Officer in January 2021.
- **'Section 151 Officer'** – the Chief Finance Officer, throughout 2020/21 has been and remains Lorna Baxter: responsible for the financial management of the authority.

20. Each of the postholders is an integral member of the Council's most senior leadership team (CEDR – Chief Executive Direct Reports). As such, they are fully sighted on all of the Council's objectives, workstreams and emerging plans; and their perspectives and voices continue to be heard in, and to influence, this senior forum.

21. The Chief Finance Officer and the Monitoring Officer both have open access to the Chief Executive at all times. They carry a statutory responsibility to report issues to Full Council, if needed. As such, the posts remain pivotal to the Council's good governance.

Governance Actions – Review of 2020/21 and priorities for 2021/22

22. The following two annexes summarise:

Annex 1: updates on the priority actions for 2020/21

Annex 2: actions identified for 2021/22

23. The Actions for 2020/21 in Annex 2 will be monitored by the Corporate Governance Assurance Group and the Accounts, Audit and Risk Committee. The Actions for 2020/21 in Annex 1 highlight certain aspects of emerging governance that might not otherwise be apparent from work regularly reported to the Council's Accounts, Audit & Risk Committee. As such, progress reports on these actions will be reported to the Committee through the year.

24. Other governance and audit activity across the Council will continue to be reported to [Accounts, Audit and Risk Committee](#) through its normal work programmes

Governance in Outline

25. Annex 4 sets out the Council's governance framework in outline.

ANNEX 1 - SIGNIFICANT GOVERNANCE ISSUES

Actions identified for 2020/21 - Update

26. This is a review of the progress during 2020/21 on the priorities for that year.
The actions identified were completed in-year

Actions that were planned for 2020/21	Original Timescale	Outcome
<p>Alignment of Annual Governance Statement preparation – Oxfordshire CC and Cherwell District Council: achieving a more streamlined approach to AGS preparation across both authorities which:</p> <ul style="list-style-type: none"> • engages senior managers and is clearly aligned to corporate objectives • achieves revised and more meaningful Directors Certificate of Assurance process • establishes a joint Corporate Governance Assurance Group of key governance officers with a view across both authorities • becomes a ‘living, year-round activity’ not simply one about producing a ‘document’ • reviews the current arrangement of ‘lead statements’ and establishing a corporate governance lead for Property & Security • establishes a relevant Local Codes of Corporate Governance which better reflects the Councils’ 	<p>June – September 2020</p> <p>June-July 2020</p> <p>June 2020</p> <p>Ongoing</p> <p>September 2020</p> <p>September 2020</p>	<p>The partnership between this Council and Oxfordshire County Council has allowed the development of a much more aligned approach to each authority’s Annual Governance Statement.</p> <p>In addition to sharing a common structure, this year, the actual preparation for the Statements has been more integrated. A Joint senior management team arrangement for both authorities has enabled the Corporate Governance Assurance Group to work closely with the service leads in developing a common approach to the twin aspects of the Annual Governance Statement.</p> <p>This has resulted in reviewing of the effectiveness of current arrangements and the identifying areas of improvement.</p>

Actions that were planned for 2020/21	Original Timescale	Outcome
current work		
<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> • Corporate Governance Assurance Group to keep under review the Council's governance as we emerge from COVID including: • Linkage to any ongoing Gold-Silver command activity/experience • Lessons for key governance activities across the Corporate Lead areas – e.g. business continuity, risk, procurement, democratic decision making, ICT security, health and safety and property management; financial management. 	Ongoing June 2020– March 2021	<p>The Corporate Governance Assurance Group continued to monitor, support and engage with Corporate Lead areas so as to ensure that they are able to continue with effective governance arrangements.</p> <p>Corporate Leads continued to deliver services within the context of COVID and are likely to do so into 2021/22 as restrictions move in response to COVID. The Corporate Governance Assurance Group has and will continue to review the Council's governance, including its internal controls, policies and transparency arrangements.</p>

ANNEX 2 - SIGNIFICANT GOVERNANCE ISSUES

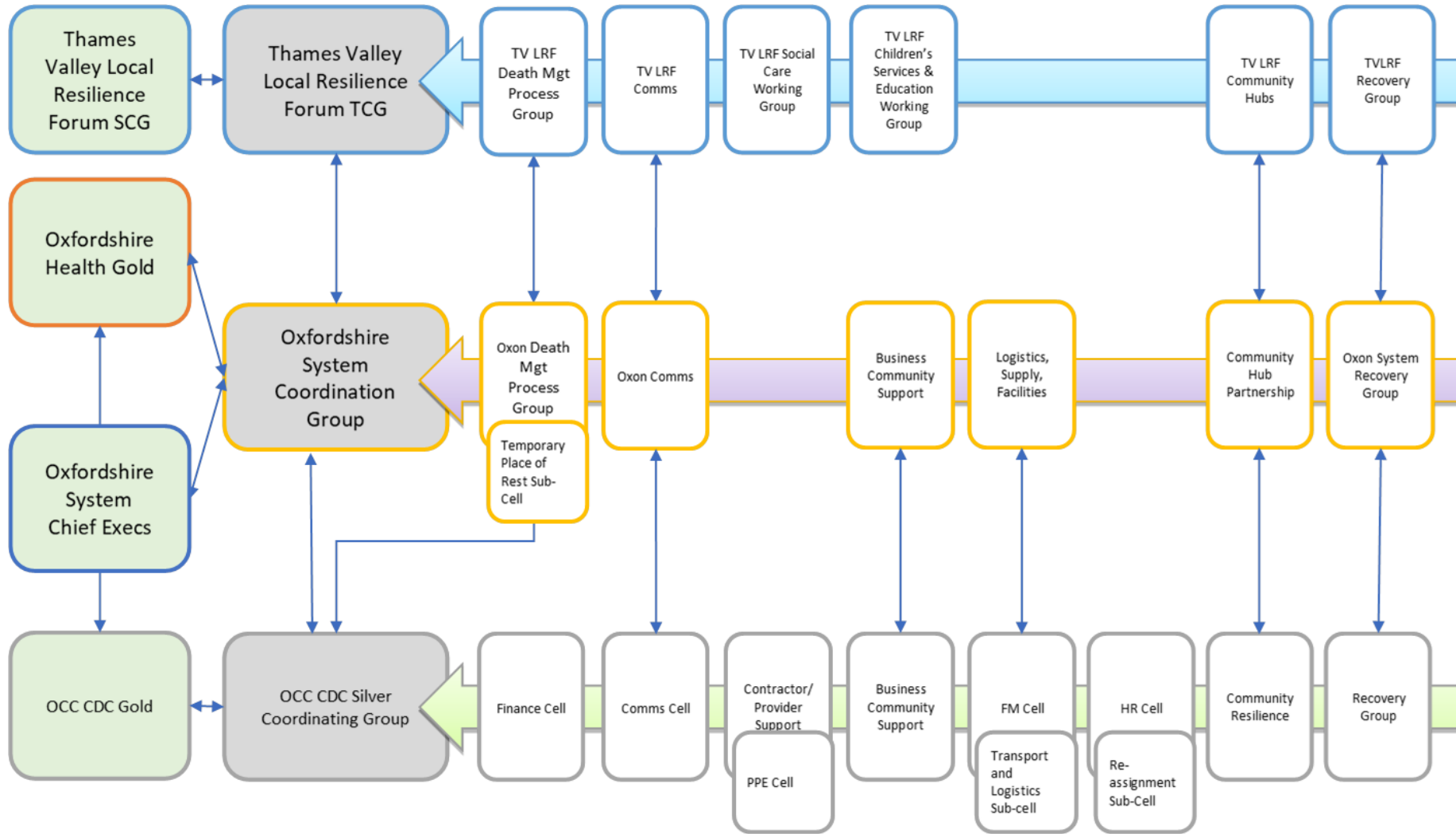
Actions identified for 2021/22

	Action now planned for 2020/21	Timescale for Completion	Responsible Officer	Monitoring Body
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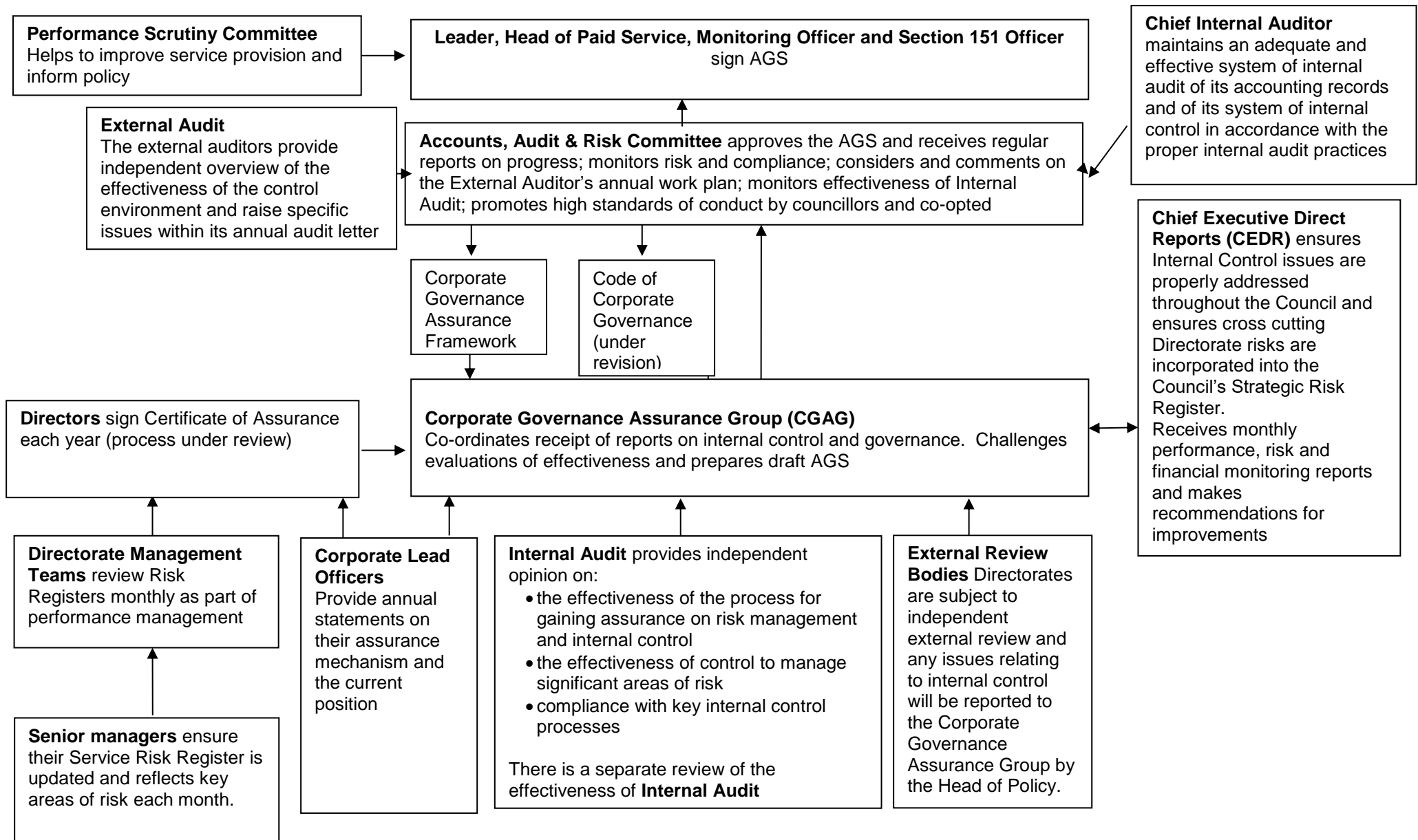
2	<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> The Corporate Governance Assurance Group will continue to monitor, support and engage with Corporate Lead areas so as to ensure that they are able to continue with effective governance arrangements. The Corporate Governance Assurance Group will continue to review the Council's governance, including its internal controls, policies and transparency arrangements. 	<p>Ongoing throughout 2021/2022</p> <p>Monthly review by Corporate Governance Assurance Group</p> <p>Paper to ELT and CEDR in Q.2 and each Quarter thereafter to update on progress</p> <p>Local Code of Corporate Governance reviewed by ELT in Q2 for consideration by Accounts, Audit and Risk Committee in September or November.</p> <p>Report to Accounts, Audit and Risk Committee at September, November, January and March meetings on emerging governance issues post-COVID.</p>	Corporate Governance Assurance Group	Corporate Governance Assurance Group
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<p>3</p>	<p>Constitution Review Undertake an Annual Review of the Constitution, as agreed by Council in 2020, to take place during the Autumn</p>	<p>The Overview and Scrutiny Committee to agree the scope and means of achieving the Annual Review of the Constitution (October 2021).</p> <p>Review to take place October-November</p> <p>The Scrutiny Committee (Nov 2021) to make recommendations for any substantive change to Council (December 2021).</p>	<p>The Monitoring Officer</p>	<p>Overview and Scrutiny Committee</p>
<p>4</p>	<p>Financial Management Implement budget monitoring that considers balance sheet items including reserves and outstanding debt</p>	<p>Begin monitoring of balance sheet items in Period 2 of 2021/22.</p> <p>As the closedown process finishes enhance the process throughout the year.</p>	<p>S151 Officer</p>	<p>Budget Planning Committee</p>

Annex 3 – COVID-19 Command and Control Structure



Annex 4 Overview of Corporate Governance Assurance Framework



Annex 5 – Summary Financial Management Code Assessment

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
1. Responsibilities of the CFO and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price..	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.	Set out clear statement of roles and responsibilities of CFO, CEDR and the Exec.	
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.	CGAG to continue to establish itself and enhance its workload including driving consistency across the partnership between the County Council and CDC.	
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through CGAG.	
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	them to deliver services that are financially sustainable.	
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2021/22 – 2025/26 Report	Continue to update CEDR and the Executive throughout year and within Budget/MTFS documents	
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee.	Develop a profiled three-year capital programme. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five year MTFS.	Ensure services aware of future savings plans committed to and savings are implemented.	
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Significant consultation on the 2021/22 budget proposals as well as ensuring carry out the statutory business rate payers consultation.	Continue with corporate and directorate consultation – consider developing clear priorities that focus on providing services within	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
			resources available.	
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.	Agree consistent business case templates from outline through to full across the partnership between the County Council and CDC for both revenue and capital schemes.	
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CEDR and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Developing processes to monitor key balance sheet items.	Embed budget monitoring to include key balance sheet items including reserves and balances and debtors.	
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom”	The annual accounts are produced in compliance with the CIPFA Code.		
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CEDR and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		