

## URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

### Accounts, Audit and Risk Committee

26 June 2013

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
6.	(Pages 1 - 18)	Annual Governance Statement Approval	Head of Finance and Procurement	Item was not available when the Agenda was Published.

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Cherwell District Council

## Annual Governance Statement 2012-13

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### Executive Summary

Governance is about how local government bodies ensure that they are doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The Annual Governance Statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

This document describes our governance arrangements and assesses how closely we align with good practice. In overall terms this is a positive statement for the financial year 2012/13. This document relies on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, the work of the Accounts, Audit and Risk Committee, the overview and scrutiny process and external audit.

External audit is now undertaken by the Ernst and Young and provides assurance on the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The Council received an unqualified audit opinion on its 2011/12 accounts, the latest published.

The statement reports positive progress on the significant issue that arose as part of last year's statement and a plan to address the one area identified in 2012/13.

In common with all local authorities, the Council faces an extremely challenging year in 2013/14 as it seeks to manage the implications of the local government resource review, welfare reform changes, budget reductions, increasing demand for key services and new ways of working. In order to manage this, the Council has developed a transformation programme, which through working in partnership with other local authorities, aims to deliver significant savings whilst protecting frontline services.

Other issue(s) facing the Council in 2013-14 and listed in our business plan are:

- Complete the local plan along with the Master Plans for Banbury and Bicester as the foundation for economic growth in the district.
- Deliver 150 affordable homes in the district and support opportunities for self build and developing self build skills
- Start work onsite for the initial housing development at Northwest Bicester.
- Continue working with our partners to provide support to the most vulnerable individuals and families in the district, building on the Brighter Futures in Banbury programme.

- Support the local health sector in building a new community hospital in Bicester
- Secure cashable savings of at least £500,000 to help meet the medium term financial deficit and continue to identify non cashable savings in procurement.

As this statement will show the Council has a strong system of internal control and action plans are in place to address the above issues and progress against these will be monitored during the course of 2013-14.

## **1.1 Scope of Responsibility**

Cherwell District 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, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cherwell District Council is responsible for implementing arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Cherwell District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government. A copy of the code is on our website at [www.cherwell-dc.gov.uk](http://www.cherwell-dc.gov.uk).

In 2010/11 new accounts and audit regulations have been laid before parliament. The *Accounts and Audit (England) Regulations 2011* replace the Accounts and Audit regulations 2003 which were amended in 2006 and 2009.

These regulations make it clear that the review of the effectiveness of the annual system of internal control must lead to the production of an Annual Governance Statement, which must be approved separately to the Statement of Accounts.

The independence of the Annual Governance Statement from the formal Statement of Accounts is confirmed as the regulations require the statement to *accompany* the published accounts, to make clear that the statement is not part of the accounts.

Another important change to the regulations is that the role of the internal audit process has been strengthened. The regulations now apply to all aspects of the internal audit function and not just the systems used by internal audit.

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

The system of internal control 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.

## **1.3 The Governance Framework**

The following sections align to the 'Delivering Good Governance in Local Government Framework' (CIPFA/SOLACE) and provide evidence against each of sections contained within that document.

### **1.3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

The Council's long term strategic objectives are set out in the Corporate Plan. These objectives are derived directly from the Cherwell Sustainable Community Strategy 'Our District, Our Future' and its supporting medium term strategies. Progress is monitored via the Council's Corporate Performance Framework which integrates financial and service planning. Our annual financial planning process is driven by the Council's medium term financial strategy to ensure our future priorities and ambitions are resourced.

The Council identifies and communicates the vision of its purpose and intended outcomes for citizens and service users through a variety of media including its website, Cherwell Link magazine and consultation documents. The Council chairs the Cherwell Local Strategic Partnership (LSP) for Cherwell. Membership of the LSP includes members from the county, district, town and parish councils, the faith, business and voluntary communities. As part of the development of the Community Strategy, the LSP undertook a significant policy and evidence review and consultation with stakeholders to set a vision and objectives for the long term. The strategy sets out a vision for the district with four ambitions addressing community development, environment and infrastructure planning, economic development, community leadership and engagement.

The Council's corporate plan sets out the organisation's vision and key strategic priorities. This is refreshed on an annual basis and the updated version published. It sits alongside the budget as a key corporate document and is subject to the same public consultation process.

The Council's service and financial planning process incorporates substantial consultation with all sections of the community. At the corporate level this includes an annual customer satisfaction survey which identifies areas of customer satisfaction and priorities for improvement, and a budget consultation process that is focused on qualitative research with stakeholders. In addition we target harder to reach groups (older people, younger people, people with disabilities and people from minority ethnic communities) to ensure that all sections of the community are able to participate in the budget consultation. We also use booster samples to ensure our customer satisfaction survey responses include harder to reach groups.

At the service level, individual service areas and teams undertake public consultation. The Council has a consultation and engagement strategy, toolkit and web based portal to support this. During 2012/13 the Council, working with its partners, continued to facilitate the Disability Forum and Faith Forum to further improve opportunities for public consultation feedback to help set and test strategic direction.

The corporate agenda is communicated to staff through regular briefings for all staff from the Chief Executive, a "cascade" system and the staff magazine as well as through staff engagement in the service planning process. Additional communications activities are also undertaken in relation to key projects such as shared services.

### **1.3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements**

The Council reviews its vision and the implications for its governance arrangements by regularly updating its Corporate Plan and major strategy documents. The Council has a medium term financial strategy in place to ensure future ambitions are resourced, and in November 2009 a new sustainable community strategy for the district was adopted by the Cherwell Local Strategic Partnership in which the Council plays a leading role. The governance of the local strategic partnership has been reviewed and strengthened to enhance its capacity to deliver the action plans related to the new strategy.

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document. It is driven by our Corporate Plan and the four strategic priorities which lie at the heart of it:

- Cleaner, Greener
- District of Opportunity
- Safe and Healthy and Thriving
- Accessible Value for Money

This strategy sets clear targets to eliminate the Council's revenue dependency on investment income and focus resources on front line services in a time when government funding has been reduced.

The Council agreed on the 8<sup>th</sup> December 2010 to joint working arrangements with South Northamptonshire Council and these arrangements were confirmed with the appointment of the Shared Chief Executive in May 2011. This was followed up by the appointment of three directors and eight heads of service in October 2011. Further joint working arrangements have either been implemented or are being investigated by directorate, based on individual business cases, to deliver further savings whilst protecting frontline services.

Cherwell District Council and South Northamptonshire Council will remain separate independent entities, retaining their sovereignty. Elected members of both councils will remain in charge of decision making in line with their visions, strategic aims, objectives and priorities.

### **1.3.3 Measuring the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources**

Mechanisms are in place to measure the quality of services for users, ensuring they are delivered in accordance with Cherwell District Council's objectives and that they represent the best use of resources. The Council continues to improve performance management within the organisation. Service quality and best use of resources is ensured via:

- Performance Plus (a performance management system for monitoring and recording performance indicator data and business plans) responsibility of managers to exception report
- Quarterly Review of Financial Performance Reports
- Transformation and Shared Service Programme

The Council recognises that to drive improvement it needs to closely monitor and review its performance. The Council routinely monitors its spend against budgets, and its performance against Performance Indicators and also against service plans and strategies. This is encapsulated in the Performance Management Framework.

Financial reports comparing budget to actual and projections to end of year are distributed to all key officers on the first working day of each month, with access/drilldown facilities appropriate to role and responsibilities. This reporting tool, known as the dashboard, includes the reasons/actions to be taken for all red flagged items. Within a further five working days, a

projections module is available which includes a detailed analysis prepared by each Head of Service and Service Accountant relating to full year outturn projection.

Financial reporting is effectively delivered through the financial dashboard which is produced and distributed on a monthly basis. This provides a robust mechanism for closely monitoring budgets and effectively challenging or addressing the variances identified with the relevant Heads of Service.

The dashboard provides comprehensive and timely budget monitoring, producing a year end outturn with no unexpected variances against budget. It has also enabled funds to be reallocated within year to alternative Council priorities.

The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. The Council encourages staff involvement in the improvement process and actively uses the findings of external agencies and inspections and the national efficiency framework, to drive improvement. Every report to members carries a paragraph that assesses what efficiency savings the proposal might generate.

The annual audit letter gave an unqualified Value for Money conclusion in September 2012. This means that the Audit Commission is satisfied that the Council has adequate arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

#### **1.3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

A clear statement of the respective roles and responsibilities of the executive, the members and the senior officers are held within:

- The Constitution (available on the Council's website)
- Officer job descriptions

The budget and policy framework is determined by full Council. The Executive has delegated authority to take most decisions within that framework other than regulatory and staffing matters excluded by the Local Government Act 2000. Executive decisions are subject to scrutiny. All meetings are open to the public unless confidential items, as defined by the Local Government Act 1972 as amended, are discussed. All Executive meetings are webcast and are available in archived format for six months from the date of the meeting.

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern.

This work is delivered by the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board. Both of the Committees can establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The Standards Committee has responsibility for ensuring the highest standards of councillor behaviour. As required by the Localism Act the Standards Committee was re-constituted with effect from 1 July 2012. A new code of councillors' conduct and arrangements for dealing with complaints of alleged councillor misconduct were also adopted from that date.

The Accounts, Audit and Risk Committee has responsibility for risk management and financial probity, and signs off the Council's annual Statement of Accounts.

The Corporate Governance Group (see membership in 1.5) reviews the governance arrangements of the Council and provides member input into this Annual Governance Statement. The senior officer management team is the Joint Management Team which meets formally once a fortnight.

### **1.3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The key documents and techniques used to develop the code of conduct and high standards of behaviour that we achieve within Cherwell District Council comprise:

- The Constitution
- Codes of conduct and associated protocols
- Employee Handbook
- Internal / External Communications Policy
- Whistle blowing policy
- Recruitment policy and Appraisal processes
- Registers of member interests
- Complaints policy and procedures
- Internal Audit work
- External Audit Reports
- Chief Executive briefings
- In Brief
- Staff Induction Programme
- Intranet and Website Messages

The Council has adopted codes of conduct for members and officers. The codes and protocols of the Council are in part three of the constitution. The new code of conduct for councillors is a mandatory requirement and includes provision for the registration and notification of disclosable pecuniary interests backed up by criminal sanction.

### **1.3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

Under the Local Government Act 1972, as amended, the Council is able to delegate decisions to committees or officers but is required to have a scheme of delegation setting this out. The scheme of delegation is part of the Council's constitution. There has been further work on the constitution this year by the Monitoring Officer and in October 2012 the Council adopted a joint scheme of officer delegations with South Northamptonshire Council so as to ensure that the shared management team members are working to substantially the same delegated powers at both Councils thereby mitigating the risk of misapplication of one Council's powers while acting for the other. In December 2012 the Council adopted joint Financial Procedure Rules and Contract Procedure Rules on a similar basis. An accurate up to date constitution reduces the risk of challenge to the Council's decisions.

One of the key aspects of the internal control environment is the management of risk. The Council has a risk management strategy which was reviewed in 2012/13, and Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. The Performance Team administer the risk management system (Performance Plus). All Heads of Service review and update their strategic, corporate and partnership risks online quarterly. For each risk noted on the register, responsible officers are required to identify controls that are in place to mitigate the risk.



A risk management workshop for the management team is held on an annual basis, the most recent being in February 2013. The purpose of these workshops is to review and revise the strategic risk register and provide an update on the Council's risk management strategy. Risks are categorised as either strategic, corporate, partnership or operational. All strategic, corporate and partnership risks are reviewed on a quarterly basis and integrated risk and performance reports are received by the Joint Management Team (JMT). In addition the Executive and the Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has also been updated and training has been provided for the Accounts, Audit and Risk Committee.

Operational risks may also be managed using the Performance Plus software and monitoring responsibility is at the departmental management team level. Where necessary, operational risks are escalated to JMT. It is expected that operational risks are reviewed on a quarterly basis.

Due to the recent joint working arrangements with South Northamptonshire Council, a Joint Risk and Opportunities Management Strategy has been drafted which will assist both Councils in achieving their objectives through pro-active risk management.

The risk register was considered by the Joint Management Team, and ensures that identification and consideration of risk corporately and across services is emphasised and highlighted. The South Northamptonshire Council's Audit Committee and the Cherwell District Council's Accounts, Audit and Risk Committee receive regular risk management updates and review the strategic risk register. This oversight of risk ensures there is senior officer level and political commitment to effective risk management.

The inclusion of risk registers within service plans and risk logs in key programmes and projects seeks to reinforce the importance of assessing and being aware of the risks associated with each service and major projects.

Risk registers are backed up by management assurance statements signed off by Heads of Service or Directors for the corporate risks. This reinforces the responsibilities of senior managers in managing risk. In 2012/13 all management assurance statements were signed.

Now joint working arrangements are in place, the following list summarises the key activities that were undertaken to ensure risk management is embedded across both councils.

1. A quarterly process of risk review covering both the strategic and operational risk registers.
2. Quarterly monitoring reports will be presented to relevant council committees to ensure Councillors have good access to risk information.
3. Risk management awareness training sessions will be facilitated for Councillors and employees. Members of the committees with specific responsibility for the management of risk will be offered dedicated training events. The potential of risk management awareness to be included on induction programmes will be explored.
4. An internal audit of risk management will take place annually.
5. The Joint Management Team takes responsibility for ensuring that management actions highlighted in the risk registers are implemented.
6. Support is available to risk owners when assessing new risks. The 'bow tie' risk analysis model is available to use as part of the process.

7. A process of annual review is undertaken by the Joint Management Team to ensure the risk register remains up to date and that obsolete risks are removed.
8. Officer working groups as required to embed, review or develop risk practices.
9. The councils will seek to learn from other organisations where appropriate, and to keep up to date with best practice in risk management.

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on to JMT on a monthly basis with any required corrective action identified and agreed upon. Proposals to increase or reduce expenditure will have a risk assessment as to the consequences. There are specific earmarked reserves to deal with identified non-insurable risks.

The Council has staff with specific responsibility for health and safety and a comprehensive policy covering all aspects of the Council's work. Quarterly monitoring reports are produced for Council and Employee Joint Committee.

The Investigation team aim to prevent, detect, investigate and sanction cases of fraud under the Council's Prosecution Policy. Internally, the Investigations Manager provides corporate and benefit fraud awareness training to all new staff via induction training, and briefings to members. More in-depth and frequent training is provided to front line staff and other staff where it is needed, such as Customer Services, Benefits, Human Resources and Elections. External training has also been delivered in 2011 to one of the Council's major partners, Sanctuary Housing Association.

**During 2012/13, 163 investigations were completed of which 75 offenders were sanctioned, with 15 prosecutions via the criminal courts. £196,534 of fraudulently obtained benefits was identified for recovery. £19,912 of this total relates specifically to single person discount fraud claimed falsely, as the team looks to actively counter the threat of this type of fraud. Using Local Government Finance Act legislation, the team fined three of the offenders for their actions and prosecuted one further offender. The strategy of publishing our prosecutions in the local papers acts as a deterrent against this type of abuse and gives assurance to Cherwell Residents that the Council is discharging its responsibility to protect public funds. In addition, these press releases advise how the public can access the Investigation team's service by way of the hotline number. 72 residents used the hotline, 20 sent anonymous letters and 11 used the website. From this, the Investigations team had 14 successful investigations leading to 9 sanctions during 2012/13.**

The Council participates in the National Fraud Initiative as well as the Housing Benefit Matching Service exercises. This process identifies potential cases of irregularities within Housing Benefits, Licensing and Payroll. Single Person Discount (SPD) matches were received in January 2012, following publication of the electoral roll, which is matched against it. However, Cherwell and all of the Oxfordshire authorities have entered into an enhanced SPD exercise, partly funded by the County Council. This involves not only electoral data, but in addition credit data.

### **1.3.7 The Authority's financial management arrangements do conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

In June 2009, CIPFA launched its 'Statement on the Role of the Chief Financial Officer (CFO) in Public Service Organisations'.

The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The statement advocates that the CFO in a public services organisation:

- Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- 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 risk are fully considered, and alignment with the organisation's financial strategy
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

CIPFA has issued its 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'. The statement draws heavily on the 'Statement of the Role of the Chief Financial Officer in Public Service Organisations' and applies the principles and roles set out in that document to local government.

With the implementation of joint working arrangements the Director of Resources is the Council's nominated CFO (section 151 Officer) and the Head of Finance and Procurement is deputy S151 officer to the CFO.

### **1.3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The Council's Accounts, Audit and Risk Committee undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. In particular it has an on-going role in ensuring a responsive and effective internal audit function and the effective management of the Council's risks and provides 'robust challenge' to the internal control and other governance arrangements of the Council. During 2012/13, the Committee has sought to increase its effectiveness through additional training and greater engagement with the internal audit function. These sessions include an overview of Local Government Finance, Treasury Management and Risk. The National Audit Office produces a checklist for audit committees, which is based on five good practice principles relating to:

- 1) the role of the committee
- 2) membership
- 3) skills
- 4) scope of work

5) communication.

This checklist has been completed for 2012/13 and this indicates that the audit committee is working effectively. This checklist will be completed annually and will form the basis for areas of improvement or training needs for the committee's work programme.

### **1.3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

Chief Officers and Service Heads take responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Every report to Members requires completion of financial, legal, equality and risk implications, signed off by an appropriate officer. All reports are vetted by the Chief Executive, Finance and Legal Services, to ensure there are no areas of non-compliance or policy conflicts.

The Head of Law and Governance is designated as the Council's Monitoring Officer and it is his responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with Council policies. He would have reported to the full Council if he believed, after appropriate consultation, that any proposal, decision or omission would give rise to unlawfulness, maladministration or breaches of the constitution.

During the 2012/13 financial year, the Director of Resources was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972, and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures. Financial management facilitates service delivery through the four-year Medium Term Strategy and the annual budget process, underpinned by the Treasury Management Strategy.

### **1.3.10 Whistle blowing and receiving and investigating complaints from the Public**

The Council has well-developed processes for whistle blowing and for receiving and investigating complaints both internally and from the public. The whistle blowing policy is available on the intranet and the corporate complaints procedure is available on the internet. All new members of staff receive a copy of the whistle blowing policy and a leaflet entitled 'Don't Turn a Blind Eye' in their induction packs.

The Council has a dedicated whistle blowing hotline which is publicised on the Council's website and intranet. There were no incidents of whistleblowing reported in 2012/2013.

Complaints can be made by telephone, in writing or by visiting the Council. The Council aims to resolve all complaints at the point of contact wherever possible. Where this is not achievable, the Council's complaints procedure (available on the website) outlines a formal process for rectifying issues. The definition of a complaint is:

- a service being delivered at a lower standard than is set out in council policy or SLAs
- the attitude of staff
- neglect or delay in responding to customers
- failure to follow agreed procedures/policies
- evidence of bias or unfair discrimination.

The council reports its performance on a quarterly basis and complaints including Ombudsman investigations) are included within this report. An annual summary is provided in the Council's Annual Report which is published in June/July each year.

### **1.3.11 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Member Development and Support Strategy was agreed by Executive in September 2009. The Strategy sets out the Council's commitment to member development and support. It explains the responsibilities of the Council in delivering effective support to members. All members are given a copy of the strategy upon election to the Council and it is available on the Council's website. The strategy has raised the profile of member development within the organisation. Executive responsibility for member development sits with the Leader of Council whose areas of responsibility include Democratic Services.

All members are offered an annual support interview which identifies their support and development needs and informs the member development programme. Members and officers are also invited to suggest topics for development sessions at any point during the year. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

**In 2012/13 there were 20 formal training sessions arranged by Cherwell District Council. The total attendance at all events was 200 Cherwell District councillors and 40 external attendees (other district councillors, town councillors, officers and partners). The training sessions are categorised to help members choose the appropriate training to suit their individual requirements. There are six training categories:**

- essential, which cover the broad skills for being a councillor, providing information on some of the basic principles of local government such as finance, and statutory issues around planning and licensing;
- internal knowledge, which provides information specific to Cherwell District Council;
- Committee skills, which are targeted at specific committees and roles;
- Portfolio Holder, which focus on the knowledge and skills required in these roles;
- engagement, which relate to members' responsibilities as community leaders;
- information, which refer to briefings on specific subjects as required.

In 2012/13 all of the categories were included in the Member Development programme. Sessions included planning training, meeting and chairing skills, recruitment training for Members of the Joint Personnel Committee responsible for interviewing candidates for the Joint Management Team, Local Government Finance and Neighbourhood Planning.

Training needs for all staff are discussed as part of the annual appraisal process, and all requests for training go through the Council's human resources team to monitor both cost and link to the Council's strategic priorities. In 2012-13 the Council retained its accreditation of the Investors in People programme and training is one of the key components of this assessment.

### **1.3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

There is a Corporate Consultation Framework with a toolkit for staff providing support, guidance and a statement of our standards. The Council has an online consultation portal which provides access to consultations that are underway and information about what consultations are planned. The Council undertakes a statistically representative annual satisfaction survey and has an annual budget consultation programme that underpins the service and financial planning process.

When procuring the corporate consultation programme, an evaluation criterion was set to ensure that the research contractors took steps to ensure harder to reach groups are not

excluded. Steps taken include recruiting a balanced citizens panel to ensure all sections of the community can participate in key pieces of corporate consultation.

In addition to the corporate consultation programme, the Council also holds a number of consultative forums including the Equality and Access Advisory Panel, and in partnership with other local public sector agencies, the Faith and Disability Forums.

We also hold formal bi-annual parish liaison events which provide clear channels of communication and engagement with the parish councils.

Partnership links exist between the communications teams of the Council, neighbouring Councils and other public sector organisations such as the Police and NHS. Joint communications activity has taken place on shared issues such as Bicester Vision, the eco town, Horton hospital and crime figures. Joint communications activity has also taken place with commercial partners such as Sainsbury's, to alert residents of our partnership approach to improving facilities across the district.

In the main accountability and consultation is achieved using the following methods:

- Website
- Committee Management Information System (Modern Gov) (where the public reports are available for inspection).
- Corporate Improvement Programmes
- Medium Term Financial Strategy
- Annual Report and Summary of Accounts
- Statement of Accounts
- Budget Book
- Customer Satisfaction Surveys
- Press releases
- Cherwell Link (residents magazine – 4 editions in 2011/12)
- Intranet
- Corporate Briefings
- Corporate Communications Strategy
- Performance Management Reports

### **1.3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Authority's overall governance arrangements**

The Council's aim is to fully exploit the opportunities for partnership working and strengthen the governance and performance management arrangements. The Council's key strategic partnerships are included as part of the performance management framework and performance is reported quarterly. There is also a partnerships protocol.

The LSP is a key partnership for the Council, the role of Chairman is held by the Leader of the Council and there are clear terms of reference in place to cover membership, roles and responsibilities and the objectives of the partnership. The LSP Board provides the leadership and decision making body for the partnership and is supported by a management group that plans the work programme of the board and coordinates performance management and action planning. The Management Group is chaired by the LSP Board member with the role of performance champion.

To ensure the partnership listens to the wider views of the local community, it holds an annual conference which is open to all stakeholders and provides an annual report of its activity. Where appropriate the LSP sets up sub-committees to co-ordinate work programmes,

examples include the Climate Change Partnership and the Brighter Future in Banbury Steering Group. Sub-partnerships have their own terms of reference, agreed by the LSP Board, and report back to the Board with performance and progress updates on a regular basis.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by relevant training and a process of annual review.

## **1.4 Review of Effectiveness of Governance**

The Council 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 the Joint Management Team which has responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Council uses the Corporate Governance Group to monitor the effectiveness of the Council's governance framework.

## **1.5 The Authority's Assurance Framework**

The review of the effectiveness of the system of internal control is underpinned by an Assurance Framework for internal control. The Framework is managed by the Corporate Governance Group, consisting of senior officers from a range of relevant disciplines, and seeks to provide assurance by adopting a dual approach, assessing information from a service perspective provided by service managers and a more corporate overview from each of the Group members.

The members of the Corporate Governance Group during the year were:-

- Director of Resources and Section 151 officer
- Head of Finance and Procurement
- Head of Law and Governance
- Corporate Performance Manager
- Chief Internal Auditor

Within the framework, individual service managers are required to complete a management assurance statement each year, in which they confirm the arrangements that they are operating to maintain internal control, and how effective they believe them to be. These assessments are then analysed centrally by the group to provide a picture of any local weaknesses and to help identify any corporate themes that may not be remarkable in one service, but may assume greater significance when exhibited across a range of services.

There is a process, whereby significant issues raised within the framework can be escalated, through the Corporate Governance Group, to Joint Management Team and/or the Executive. There have been no issues escalated during 2012/13.

## **1.6 The Constitutional Framework**

### **1.6.1 The Executive**

The Local Government Act 2000 sets out the functions which the Executive may perform. The Executive is not permitted to carry out any regulatory or staffing function. The Leader of the Council selects the Executive which is a maximum number of ten. 'Portfolios' are given by the Leader to the individual Members of the Executive.

### **1.6.2 Accounts, Audit and Risk Committee**

To monitor the audit and risk management processes of the Council and ensure they comply with best practice and provide value for money. To approve the Council's statement of accounts and respond to any issues raised by internal audit or the external auditor.

### **1.6.3 Overview and Scrutiny**

The Overview and Scrutiny Committee has overall responsibility for the performance of all overview and scrutiny functions (under the Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007) on behalf of the Council. In particular it is responsible for scrutinising decisions and decision making, developing and reviewing policy, exercising call-in procedures and investigating matters of local concern. This work is delivered by the Overview and Scrutiny Committee and the Resources and Performance Scrutiny Board. Both of the Committees establish 'Task and Finish' groups to undertake particular reviews in accordance with the annual overview and scrutiny work programme.

The role of scrutiny in following up recommendations: At every meeting of each scrutiny committee, there is a standard agenda item: 'Overview and Scrutiny Annual Work Programme'. This includes a follow up schedule for all previous scrutiny reviews. The committees normally review progress on the implementation of their recommendations at six month intervals, unless the nature of the review suggests a shorter or longer timescale is appropriate. The Lead Member and relevant Director and/or Service Head are asked to provide a written progress report and to attend the meeting to brief the committee. There were no call-ins during 2012/13.

### **1.6.4 Standards Committee**

The Localism Act 2011 required the Council to adopt new arrangements for ensuring the maintenance of high standards of councillor conduct, including a code of conduct which is consistent with the Nolan principles of good conduct in public life with effect from 1 July 2012. A new code was duly adopted and the Standards Committee was re-constituted so that its membership met the requirements of the 2011 Act. Two statutory independent persons were also appointed as part of the new arrangements. During 2012/2013 there have been no complaints heard by either the former or the current Standards Committee.

The code adopted at Cherwell is consistent with that adopted by Oxfordshire County Council and all other principal authorities in the County. This has been done under the auspices of the Oxfordshire Monitoring Officers Group which meets six times a year and includes as a standing item on its agenda matters relating to standards issues. The vast majority of parish councils in the Cherwell district have also agreed to adopt the same version of the code. This means that, with limited exceptions, councillors throughout the Council's district are covered by the same code of conduct thereby ensuring consistency of approach.

As Monitoring Officer, the Head of Law and Governance continues to review the relevance and effectiveness of the constitution. This is particularly in the light of the shared Joint Management Team with South Northamptonshire Council. As mentioned in section 1.3.6 above three key sections of the constitution have been redrafted and joined with South Northamptonshire Council to reflect the shared joint management team namely the scheme of officer delegations, the Financial Procedure Rules and the Contract Procedure Rules. Having common schemes and procedures such as these significantly mitigates the risk of any Joint Management Team members applying an incorrect rule with resultant unlawful action on the Council's behalf.



### 1.6.5 Chief Financial Officer

During the 2012/13 financial year, the Chief Financial Officer was designated as the person responsible for the administration of the Council's finances under section 151 of the Local Government Act 1972 and ensured the financial management of the Council was conducted in accordance with the Financial Regulations and Corporate Financial Procedures.

With the implementation of joint working arrangements the Director of Resources is the Council's nominated CFO (section 151 Officer) and the Head of Finance and Procurement is deputy S151 officer to the CFO.

### 1.6.6 Internal Audit

CIPFA's Audit Code of Practice requires that the Head of Internal Audit provides a written report to the Audit Committee, timed to inform the organisation's Annual Governance Statement. The purpose of this report is to present Internal Audit's view on the adequacy and effectiveness of Cherwell District Council's system of governance, risk management and control.

The draft Annual internal Audit Report was presented to the Accounts Audit and Risk Committee on 27<sup>th</sup> March 2013. In this report, Internal Audit concluded that:

**We have completed the program of internal audit work for the year ended 31st March 2013 with the exception of the reviews highlighted above. Our work identified 33 low, 16 moderate and 2 high rated findings. Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.**

For many of the areas reviewed in the year, the rating this year was either better or the same as last year. The number of internal audit findings and recommendations has increased slightly with a total number of 51 findings in 2012/13 compared to 42 in the previous year. This increase is in the low risk category and therefore should not raise any significant concerns when comparing to prior year. One serious control weakness was identified that internal audit considers warrants specific mention in the Annual Governance Statement.

**Creditors** - One high risk issue was noted relating to non purchase orders. Our audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood. The Council has written to all suppliers explaining that we require purchase orders. From 1<sup>st</sup> June the creditors team will not process invoices for payment without a purchase order. This risk and action has been highlighted in our significant governance issues in section 1.7.

The draft annual internal report was presented to Accounts, Audit and Risk Committee on 27<sup>th</sup> March 2013 and can be accessed on the website using the following link which will give the full content:

[http://modgov.cherwell.gov.uk/documents/s17562/INTERNAL%20AUDIT%20DRAFT%20ANNUAL%20REPORT%202012-13\\_CDC%20APPENDIX.pdf](http://modgov.cherwell.gov.uk/documents/s17562/INTERNAL%20AUDIT%20DRAFT%20ANNUAL%20REPORT%202012-13_CDC%20APPENDIX.pdf)

### **1.6.8 Performance and Value for Money**

Progress in meeting targets for Performance Indicators is reviewed quarterly by the Joint Management Team, and quarterly by the Executive as part of the Performance Management Framework. This ensures that senior managers know which targets are being met and that action is being taken where performance is not meeting targets. Financial performance is measured across a range of indicators that are reported to the Finance Scrutiny Working Group at each of its meetings. Budget monitoring is regularly reported to the Executive, Finance Scrutiny Working Group, Resources and Performance Scrutiny Board and the Joint Management Team on a regular basis.

The 2012/13 budget building blocks and shared service transformation programme contributed to the corporate pledge of identifying efficiency savings of at least £800, 000 for the 2013/14 budget.

### **1.6.9 Independent Assessment**

During 2012/13 the Council received independent assessments in relation to:

- **Investor In People re-accreditation**
- **Waste Services and Building Control – BS EN ISO 9001**
- **Legal Services – LEXCEL**
- **Leisure Centres – accredited by Quest**
- **Information Technology**
  - **Information Security – ISO 27001**
  - **PCI DSS compliance**

External audit is now undertaken by the Ernst and Young and provides assurance regarding the controls the Council has in place. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Audit and Inspection Letter. The 2011/12 letter (Audit Commission) was published in September 2012. The key messages from the Audit Commission's report were:

- The Council received an unqualified audit opinion on its 2011/12 accounts and an unqualified value for money conclusion on stating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.
- The Annual Audit Letter acknowledged that its review did not identify any significant weaknesses in the internal control arrangements.

## **1.7 Significant Governance Issues**

### **1.7.1 Issues arising from the 2012/13 Annual Governance Statement**

The Council faces an extremely challenging year in 2012/13 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The following represent the key issue to be addressed in relation to one significant governance issues:

No.	Issue	Action taken
1	<p><b>Creditors</b></p> <p>One high risk issue was noted relating to non purchase orders. Our audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.</p>	<p>Whilst progress has been made in this area as a result of it being a significant issue in last year's report – it is still not at a satisfactory level. An action plan has been developed to improve the use of purchase orders and we will also implement a no purchase order no payment policy from June 2013.</p> <p>This action plan will be monitored throughout the year.</p>

This document has described our governance arrangements and assessed how closely we align with good practice. In overall terms this is a positive statement for the financial year 2012/13. The Council has a good system of internal control and action plans in place to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2013/14.



**Sue Smith**  
**Chief Executive**  
**27 June 2013**



**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**27 June 2013**

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