

## **ANNUAL GOVERNANCE STATEMENT**

### **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 and 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 2010/11. 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 undertaken by the Audit Commission 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 2009-10 accounts, the latest published.

The statement reports positive progress on the significant issue that arose as part of last year's statement: the failed Icelandic Bank (Glitnir).

The Council faces an extremely challenging year in 2011/12 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously.

There are two significant issue(s) raised for the financial year 2010/11. These relate to the implementation of joint working arrangements with South Northamptonshire Council and an isolated design issue in the Council's firewall systems.

The Council has a strong system of internal control and action plans are in place to address the above significant governance issues and progress against these will be monitored during the course of 2011/12.

## **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).

For 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 now 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 for 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 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 ongoing 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 sections below 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 strategic objectives are set out in the Corporate Plan and Improvement Strategy. 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, the 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.

This piece of work included a significant amount of consultation where partners, community groups and stakeholders are asked to help us develop the new strategy. The strategy was also subject to a formal consultative phase where the draft strategy was available for full consultation on our consultation portal <http://consult.cherwell.gov.uk/portal>.

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 workshops 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. In 2010/11 the Council, working with its partners, also established a Disability Forum and a 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 magazine "Inside Cherwell", as well as through staff engagement in the service planning process.

### **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 actions plans related to the new strategy.

The Medium Term 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

- 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. These arrangements will commence in 2011-12 with a senior management team comprising joint/shared twelve posts: a Chief Executive, three Directors and eight Heads of Service. The final structure and responsibilities of the senior management team will be agreed between the shared Chief Executive and members of both councils before further appointments are made. The shared Chief Executive (Sue Smith) takes up her post on the 16th May 2011.

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, for ensuring they are delivered in accordance with the Authority's objectives and for 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
- VFM Review 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 National and Local 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 / addressing the variances identified with the relevant Heads of Service.

The dashboard has made budget monitoring far more comprehensive and timely than in previous years, 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 undertakes a continuous rolling programme of Value For Money (VFM) reviews which measure the quality of services for users, helps ensure they are delivered in accordance

with the Council's objectives and that they represent the best use of resources. In 2010/11 the VFM Review programme has identified and approved action plans to deliver efficiency savings totalling £1.9 million, including: £0.1 million from Housing, £0.1 million from ICT, £0.25 million from Customer Services, £0.2 million from Recreation and Sport, £0.7 million from Urban and Rural Services, £0.2 million from Culture and Heritage, £0.1 million from Democratic Services, the absorption of a £140,000 grant loss in Development Control, £50,000 from Planning Policy, £68,270 from Strategy and Performance.

The programme has improved the value for money of those services, released resources to support the delivery of the Council's objectives and supported the delivery of the Medium Term Financial Strategy. Annual customer surveys provide assurance and feedback to inform improvement through the Corporate Improvement Plans. The Council is constantly seeking to ensure that its resources are used economically, effectively and efficiently. An annual Corporate Improvement Plan provides a focus for improvement in those areas of activity that the Council has identified as priorities. 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.

#### **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 Council's constitution was comprehensively reviewed and that review was approved and adopted on 20th April 2009. In 2010 further updates were made in relation to new Contract and Financial Rules of Procedure as well as amendments to the Scheme of Delegation and the Proper Officer provisions.

Public speaking was introduced at planning committee and further changes to public speaking, to simplify the process, took effect from May 2010. Work has been undertaken this year to enable the constitution to support the shared services project with South Northamptonshire. This has entailed setting up a Joint Arrangements Steering Group, a Joint Personnel Committee and agreeing delegated powers for the shared Chief Executive.

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 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 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 behaviour and has undertaken an assessment role for all complaints about breaches of the code of conduct since 8th May 2008 (when this responsibility was transferred from the Standards Board for England). The Standards Committee produces an Annual Report which goes to full Council. The Localism Bill going through Parliament proposes the abolition of the Standards regime. The Standards Committee have agreed that if the Bill becomes law as drafted it will suggest to Council that the Standards Committee is abolished and remaining standards functions go to the Accounts Audit and Risk Committee.

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 Panel is made up of two members of Accounts Audit and Risk Committee and one member of the Standards Committee.

The Corporate Governance Panel (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 Corporate 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 and staff interests
- Complaints policy and procedures
- Internal Audit work
- External Audit Reports
- Chief Executive briefings
- Cascade
- 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 Localism Bill proposes the abolition of the standards regime which means Standards for England will not exist, the code of conduct will be voluntary but registration and declaration of interests will remain with failure to register, or declare, becoming a criminal offence. The district will not longer have responsibility for conduct in the parish councils. The Standards Committee met on 21<sup>st</sup> March 2011 to consider their response to the proposals. Ultimately the decision whether to have a code of conduct will rest with Council. The Standards Committee voted seven to one in favour of having a voluntary code. The Standards regime continues until the Localism Bill becomes law.

### **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. The scheme of delegation has required amendment to reflect changes to the management structure and changes to reflect the joint working with South Northamptonshire. 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 and Heads of Service are responsible for maintaining the risk management system and ensuring risks are appropriately mitigated and managed. The Performance and Risk Officer administers the risk management system (Performance Plus). All Heads of Service review and update their strategic, corporate and partnership risks online monthly. 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 Extended Management Team is held on an annual basis, the most recent being in February 2011. 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 monthly basis and integrated risk and performance reports are received by the Corporate Management Team (CMT). In addition the Executive and the Audit, Accounts and Risk Committee receive quarterly risk reports. The risk management handbook has also been updated.

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

Budget monitoring takes place monthly with all Heads of Service. Any variations to profile are reported on to CMT 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 Fraud Investigation team aim to prevent, detect, investigate and sanction cases of fraud under the Council's Prosecution Policy. Internally, the Benefit Investigations Manager provides corporate and benefit fraud awareness training to all new staff via induction training. More in-depth and frequent training is provided to front line staff and other staff where it is needed.

During 2010/11 189 benefit investigations were completed of which 58 offenders were sanctioned, with a third being prosecuted via the criminal courts. One hundred and seventy four thousand pounds of fraudulently obtained benefits were identified for recovery and 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.

Corporate Fraud investigations amounted to 4 cases involving electoral fraud, council tax fraud, theft of IT equipment and direct debit attacks against Cherwell District Council's main account. In all 4 cases, Investigations were able to report back that there was no further action to take and there were no weaknesses in our internal procedures that would leave the Council

open to fraudulent attack. The IT equipment was located, no direct debits were honoured and no electoral fraud was proven. The Council Tax and benefit offences were proven and taken down the appropriate route.

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. The Council will share data with Credit Reference Agencies for the prevention and detection of fraud. This is a Department of Work and Pensions funded data matching tool which throws up irregularities for investigation (such as claims for single persons discount when it appears there is more than one person living in the property). This is under investigation currently and this will continue at least until December 2011. Single Person Discount matches are anticipated in January 2012, following publication of the electoral role, which is matched against.

An up to date Anti-Money Laundering Policy is on the intranet under Policies & Procedures. This has been modified to take into account the comments of Audit following their report in 2011. The same can be said of the Whistle-blowing policy, which is specific to internal Whistle-blowing and not benefit fraud referrals. A separate referral form for alleged Benefit fraud offences is available on the intranet too. To comply with the Bribery Act 2010, a new policy has been drafted and reviewed by Internal Audit who has agreed it is fit for purpose. It is due to be presented to the Accounts, Audit & Risk Committee for approval in June 2011 alongside training on the Bribery Act 2010.

### **1.3.7 Ensuring the authority's financial management arrangements conform with 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.

For 11 months of 2010/11 (April to March), interim arrangements were in place for the discharge of the CFO role. This involved the provision of the statutory role by the S151 officer of neighbouring South Northamptonshire Council. This provision was for, on average, one day per week. Over this time the CFO, who was suitably qualified as outlined in the statement, worked closely with the Council's Head of Finance and reported directly to the Chief Executive. The CFO had access to the Corporate Management Team which is the Council's leadership team. As a result he was able to bring influence to bear, on all material business decisions. Therefore these key principles were met.

The interim arrangements did not involve him leading and directing the finance function but he worked very closely with the Head of Finance who did fulfil this requirement.

Part way through the year the Head of Finance successfully passed the required exams that enabled her to become the Council's CFO. This arrangement took place from 01 March 2011 as envisaged in the original proposal for CFO cover in the financial year. From this time the principles in the statement were fully met.

#### **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 ongoing 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 2010/11, 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, an overview of International Financial Reporting Standards and the impact on district councils and specific sessions with internal and external audit. The National Audit Office produces a checklist for audit committees which is based on 5 good practice principles relating to 1) the role of the committee, 2) membership, 3) skills, 4) scope of work and 5) communication. This checklist has been completed for 2010/11 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. The Monitoring Officer and Chief Financial Officer provide advice and participate in the quarterly reviews described below.

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 Legal and Democratic Services is designated as the Council's Monitoring Officer and it is her responsibility to ensure that the Council's business is conducted in a legal and proper fashion and in accordance with Council policies. She would have reported to the full Council if she believed, after appropriate consultation, that any proposal, decision or omission would give rise to unlawfulness, maladministration or breaches of the constitution.

During the 2010/11 financial year, the Chief Financial Officer (for the Period April to March) and the Head of Finance (for March) were designated as the people 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 five-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

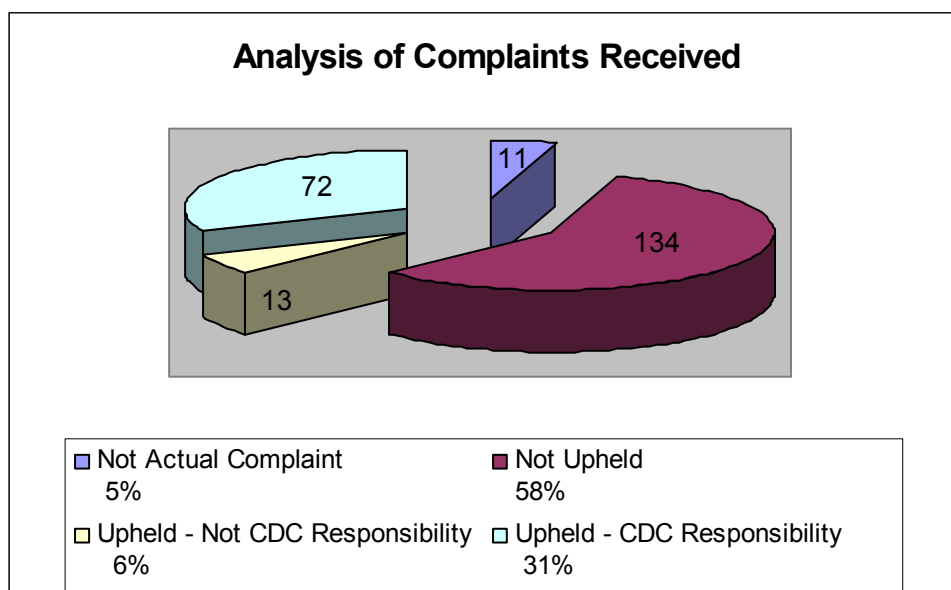
The Council has well-developed processes for whistle-blowing and for receiving and investigating complaints both internally and from the public. The whistle blowing policy is available on the intranet and the corporate complaints procedure is available on the internet. All new members of staff receive 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 reported in 2010/2011.

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



During 2010/11 the procedure for recording and responding to complaints was centralised and the role of Complaints Manager incorporated into the Customer Service Manager role. During the year the recording process, monitoring and reporting has been built into the corporate customer relationship management system. 230 complaints were recorded in 2010/11 of which 45% were either not a complaint or not upheld.

The analysis of complaints is monitored regularly to identify common themes / trends and development needs

The Local Government Ombudsman received twelve new enquiries and complaints in relation to Cherwell District Council during 2010/2011, all of which were investigated. Four of the new complaints investigated by the Local Government Ombudsman's investigative team related to Planning and Building Control, one to Housing, one to Local Taxation, one to Transport and Highways and three to other contacts, of which one was about taxi licensing.

The Local Government Ombudsman made ten decisions on complaints during 2010/2011. In seven cases the Council was found not guilty of maladministration, one complaint was resolved by way of a local settlement between the Council and the complainant, two complaints were not pursued at the Ombudsman's discretion and two complaints are still currently being investigated. The average number of days taken to respond to first enquiries from the investigative team was well within the required 28 days.

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

All members are offered an annual support interview which identifies their support and development needs. Personal plans are produced following these interviews which inform the member development programme. The development programme for elected members offers a range of formal and informal learning events including conferences, briefings, seminars, workshops and forums.

In 2010/11 there were 33 training sessions arranged by Cherwell District Council. The total attendance at all events was 322 Cherwell District councillors, 6 Cherwell co-opted members and 90 external attendees (other district councillors, town councillors, officers, partners e.g. Fire service). 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 planning and finance; 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; and, information, which refer to briefings on specific subjects as required. In 2010/11 all of the categories were included in the Member Development programme. Sessions included licensing training, planning training, code of conduct and governance, meeting and chairing skills, speed reading and briefings on the planning elements of the Localism Bill and the Eco Bicester project.

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 have been notified of the strategy which is available on the Council's website. The strategy has raised the profile of member development within the organisation.

In 2010/11 the Council reaffirmed its commitment to member development through the reappointment of a Portfolio Holder with specific responsibility for this area. The Council has

also signed up to the Charter for Elected Member Development (through South East Employers) and will be establishing a Member Development Steering Group in 2011/12 to support the achievement of the Charter.

Training needs for all staff are discussed as part of the annual appraisal process and all requests for training go through the Council's Learning and Development manager to monitor both cost and link to the Council's strategic priorities.

The annual appraisal process is monitored for % completion and a dip sample quality review is conducted. The appraisal process also partly informs an annual learning needs analysis that directs development of a corporate training schedule which is delivered mainly through an in-house L&D team. In addition, the council has a continuing management development initiative to promote high quality performance and change management. The latest thread has been the development and delivery of a modular management skills programme combined with an internal (qualified) coaching resource to support the development of managers at all levels. The council has recently enabled several selected staff to attend an 'Aspiring to be Head of Service' workshop to promote career development with LG.

### **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 actively recruiting and setting quotas for budget workshops to ensure participants are representative of the district, boosting samples for the postal survey in geographical areas with traditionally lower response rates, providing a shortened online version of the annual satisfaction survey, weighting data to ensure results reflect the make up of the local population and undertaking sub-group analysis of results to ensure different sections of the community are reflected in the research findings.

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

The Council has worked with other public agencies to establish six Neighbourhood Action Groups (NAGs) across the district where members of local communities have the opportunity to address quality of life issues at a local level. Each NAG includes both officers and elected members.

The Council also undertakes communication, consultation and engagement through partnership bodies including the Local Strategic Partnership (which holds an annual consultative conference) the Voluntary Organisations Forum and the Older People's Forum. There is also a programme of consultation with older and younger people.

We also hold formal twice yearly 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 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 (CMIS) (where the public reports are available for inspection).
- Corporate Improvement Programme
- 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 2010/11)
- Intranet
- Corporate Briefings (Cascade)
- Corporate Communications Strategy

#### **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. There is an established Partnerships Protocol and a Partnership Framework including a toolkit to ensure good governance arrangements in respect of partnerships and other groups. This incorporates the Audit Commission's report on the governance of partnership, and ensures their document is reflected in the Authority's overall governance arrangements. The Council includes county wide and district partnerships within its performance management framework and has a partnership risk register.

We undertake audits of partnership arrangements annually and prepare action plans to address weaknesses and ensure value for money. These form part of our annual audit programme.

In 2010/11 Internal Audit undertook a review of our significant Local Strategic Partnership.

They placed "high assurance" in the following areas:

- Arrangements for governance to ensure internal accountability between partners
- Arrangements for governing the partnership to ensure external accountability to the public
- Performance management arrangements and monitoring of progress against partnership objectives
- Financial performance is monitored and reflected upon on a regular basis;
- Identification and management of data sharing
- Data security management
- Clarity of roles and responsibilities.

The LSP is a key partnership for the Council, the role of Chair 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.

Performance of the Council's key partnerships (that is those who directly contribute to the Council's strategic objectives) is reported to the Executive on a quarterly basis through the Council's Performance Management Framework (PMF). This includes partnerships at both the county wide and district level. It reports achievements, issues and risks.

There are clear arrangements for Member roles on partnerships and outside bodies and this has been supported by training in 2010/11 and a process of annual review.

The Council's track record of strong partnership working has been recognised as part of previous Comprehensive Performance and Area Assessments. The Council is well placed to exploit the opportunities that are presented by partnership working at both the county and district level, whether with the private sector, other authorities and agencies or with the voluntary and community sector. This is particularly important with the increasing pressure on resources and funding arising from the economic downturn. Examples in 2010/11 include the, partnership approaches in response to addressing the impact of the recession and the establishment of a multi-agency Local Strategic Partnership sub-group to lead the Banbury Brighter Futures Project (project to break the cycle of deprivation).

#### **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 Corporate 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:-

- 2 members from Accounts, Audit and Risk Committee
- 1 member from Standard's Committee

- Chief Financial Officer (151 Officer)
- Head of Legal and Democratic Services (Monitoring Officer)
- Head of Human Resources
- Risk Management and Insurance Officer
- Chief Internal Auditor

Within the Framework, individual service managers are required to complete a detailed assessment at the end of each quarter, 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 Corporate Management Team and/or the Executive. Minutes of the group and recommendations from it are taken to Corporate Management Team and, where deemed necessary, to the Accounts Audit and Risk Committee, and are integrated with the Performance Management Framework.

The Council has a matrix-based framework for documenting adherence to the principles of good governance set out in the SOLACE/CIPFA code. The Chief Executive and Directors completed the matrices with their Service Heads at the close of 2010/11. They clearly evidence the mechanisms established to support the principles.

## **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 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. In 2010/11 the committees chose not to convene any task and finish groups preferring to adopt the select committee style for their reviews.

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 Portfolio Holder and Strategic Director and/or Service Head are asked to provide a written progress report and to attend the meeting to brief the committee.

There was one call-in during 2010/11. The subject matter was the Executive decisions of Monday 6 December 2010 regarding the proposals to increase Car Parking Fees, the extension of car parking hours, the introduction of parking fees for Blue Badge Holders and the decision to begin negotiations with regards to Watts Way, Kidlington. The meeting to hear the call-in was held on 5 January 2011. The Overview and Scrutiny Committee resolved that the proposals of the Executive to increase Car Parking Fees, the extension of car parking hours, the introduction of parking fees for Blue Badge Holders and the decision to begin negotiations with regards to Watts Way, Kidlington be referred back to the Executive and that in reconsidering the decision the Executive should take note of the concerns expressed at the Overview and Scrutiny Committee meeting and the following 5 points:

1. Ensure proper consultation on Watts Way, Kidlington
2. Request the Executive investigate alternative ways to find funds (e.g. £39k to offset the introduction of evening charges)
3. Investigate the feasibility of barrier parking/pay on exit
4. Study the economic impact of parking charges
5. Investigate the number of disabled bays across the district, the ratio of short to long stay spaces and motorcycle parking availability

#### **1.6.4 Standards Committee**

The Local Government Act 2000 required the creation of a Standards Committee to adopt and monitor compliance with the Councillors' Code of Conduct. Since 8th May 2008 the Standards Committee has been responsible for assessing all complaints about breaches of the code of conduct by any councillors, whether district, town or parish, within the administrative area of Cherwell. The Standards Committee has an Independent Chairman and Vice Chairman, and two other Independent members. There are two parish council representatives. All are fully trained and able to take part in Standards Committee meetings and to participate in assessments and reviews of assessments and hearings, when required. During 2010/2011 there has been one complaint heard by an Assessment subcommittee. All the complaints received by the Standards Committee since 2008 have been about parish or town councils.

The Council's major policy objectives flow principally from the Sustainable Community Strategy, which is subject both to mid-year monitoring and an annual progress review that is reported not only to the Cherwell Local Strategic Partnership, but also to the Council's Overview and Scrutiny committees and its Executive.

The range of priority projects and other initiatives in the Council's Corporate Improvement Plan has been monitored by the Corporate Management Team and by the Executive quarterly to ensure that improvement is being delivered.

The Head of Legal and Democratic Services, as Monitoring Officer, continues to review the relevance and effectiveness of the constitution. This was a major piece of work in 2008/2009 and updating continues to be done regularly. Amendments go to the relevant committee, for example Planning, Overview and Scrutiny or Standards then to the Executive. Any new legislation is identified, and implications, particularly financial, are reported to the Executive where relevant.

#### **1.6.5 Chief Financial Officer**

During the 2010/11 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.

The arrangement for 2010/11 was an arrangement whereby for the first 11 months of the financial year the S151 officer of neighbouring South Northamptonshire Council took on the role and for the final month of the year the Council's Head of Finance took over the role as originally planned.

The, now implemented, permanent arrangement is that the Head of Finance is the Council's Chief Financial Officer.

The permanent arrangements at the Council reflect the guidance contained in CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'.

#### **1.6.6 Internal Audit**

Following an extensive tender and selection process, PricewaterhouseCoopers were appointed to provide the Council's internal audit service, on a fully outsourced basis, with effect from 1st April 2009.

Internal Auditing standards, including the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (The CIPFA Code) require the Head of Internal Audit to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the Council's:

- Risk management
- Control
- Governance processes.

Collectively this is referred to as 'System of Internal Control'.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan (and graded as high, medium or low), and requires agreement or rejection by service manager and/or chief officers.

The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance – No control weaknesses were identified or there were some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore internal audit can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.

Moderate Assurance – There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.

Limited Assurance – There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational

objectives. However, there are discrete elements of the key system, function or process where internal audit has not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. Internal audit is therefore able to give limited assurance over certain discrete aspects of the system, function or process.

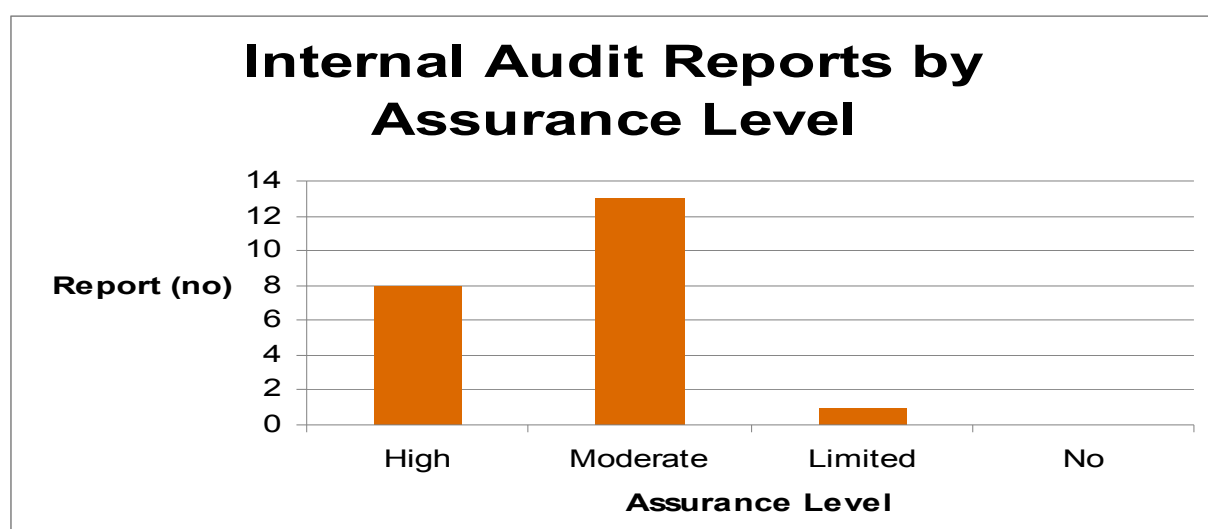
No Assurance – There are weaknesses in the design and/or operation of controls which (in aggregate) could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of the Council's objectives.

The Internal Audit service is subject to a review by the Council's external auditors, the Audit Commission, who place reliance on the work carried out by the service. Internal Audit also carries out an annual self-assessment that is reviewed by the Head of Legal and Democratic Services and external audit.

The Internal Audit Annual Report presented to the Accounts, Audit and Risk Committee on 22nd June 2011 included the following opinion on internal control from PWC:

"We have completed the program of internal audit work for the year ended 31 March 2011 and have identified 1 significant control weakness to be considered for inclusion in the Council's Annual Governance Statement. Our work on the Council's Firewalls identified 2 high risk issues around their design and configuration. We note however, that no security breaches occurred during the year, and none have been identified in recent years. However, given the significance of computer systems to the Council, we consider this control design issue to have a significant effect on the system of internal control. We recognise, however, the prompt action taken in response to the audit recommendations including the review of contracts with the firewall providers, which will address these issues.

In addition to the work in the audit plan we have provided additional support to both officers and members in respect of key issues facing the Council and the Local Government Arena (most notably in the areas of International Financial Reporting Standards and Risk Management). We look forward to continuing to support you in these areas during 2011/12. It should be noted that we have identified areas of good practice in relation to the operation of internal control systems within Finance, HR and Legal Services and have issued High Assurance in 8 reports.



On the basis of our conclusions noted we can offer MODERATE assurance on the internal control framework of the Council. We provide 'moderate' assurance in our annual opinion where we have identified mostly low and medium rated risks during the course of our audit

work on business critical systems, but there have been some isolated high risk recommendations. The level of our assurance will therefore be moderated by these risks and we cannot provide a high level of assurance.”

### **1.6.7 Risk Management**

The Risk Management Strategy was reviewed, updated and agreed by the Accounts, Audit and Risk Committee on 13 December 2010. The Strategy also formed part of the Executive report on the future of performance and risk management which was approved at the 7 March meeting.

The Strategic Risk Register was reviewed monthly by CMT and quarterly by Executive and any risks associated with the proposed action in committee reports were brought to the attention of Corporate Management Team. The Health and Safety Policy was kept under continuous review by the Health and Safety Officer, and safe working practice notes updated where appropriate.

The Accounts, Audit and Risk Committees received and considered reports on the management of strategic risks on a regular basis and agreed a new review programme. During 2010/11, all the Council's strategic, corporate, partnership and operational risks were redefined to ensure a greater focus on the most significant risks identified. During 2010/11 the Accounts, Audit and Risk Committee reviewed the CIPFA good practice guidance on risk management and received a briefing from the Council's internal auditors. This covered the auditor's approach to risk management and also the best practice on the 'top ten' governance risks identified by CIPFA for 2011.

All reports to the Executive and Committees include a section outlining any risk implications arising from the proposals, risk identification being approved by the Corporate Strategy and Performance Manager.

During 2010/11 two additional risks were identified and added to the register. These were the strategic risks associated with the programme of shared management with South Northamptonshire Council which has been assessed as a strategic risk and is owned by the Chief Executive. The rationale behind this is the impact failure of the programme will have on the delivery of the Council's Medium Term Financial Strategy and therefore the strategic objectives of the organisation. In addition Internal Audit reviewed the business plan for the new shared governance arrangements in year and found that effective procedures were in place to govern the transition and mitigate against the risk.

The second risk is corporate fraud, assessed as a corporate risk and owned by the Head of Finance/ Section 151 Officer. The rationale behind this is the impact failure to control this risk would have on the Council's reputation and possibly the delivery of key services or objectives.

Both of these risks were reviewed by the Council's Extended Management Team in February 2011 and they are monitored on a monthly basis. The Account, Audit and Risk Committee agree the additions of these risks to the register.

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

Progress in meeting targets for National and Local Performance Indicators is reviewed monthly by the Corporate 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 Corporate Management Team on a regular basis.

There is a yearly programme of VFM reviews, which target known areas of high comparative cost as a priority, but seek to include all areas of the council as part of a rolling programme. In 2010/11 the VFM Review Programme comprised 10 reviews which involved re-visits of previous high cost services as well as reviews of large areas of spend not previously subject to a review. The review areas included Housing, Recreation and Sport, Culture and Heritage, Planning Policy, Development Control, ICT, Urban and Rural Services, Democratic Services, Corporate Strategy and Performance and Customer Services.

The 2010/11 VFM Programme contributed to the corporate pledge of identifying efficiency savings of £0.8m for the 2011/12 budget. The Reviews identified action plans to deliver efficiency savings totalling £1.9million over the period of the Council's MTFS, including significant service improvements.

The 2011/12 Corporate Improvement Plan was agreed by Executive on 7 March 2011 comprising 14 projects and programmes, including;

- A VFM Review Programme of four reviews completing the coverage of all service areas
- The revision of the Medium Term Financial Strategy
- Joint work with South Northamptonshire District Council on sharing work and reducing costs
- the continuation of existing programmes of work such as Banbury Brighter Futures and Customer Service improvements.

The Corporate Improvement Plan will also address new areas that impact on value for money such as the Government's proposals on planning fees and charges and the New Homes Bonus.

The 2010/11 Annual Audit Letter due to be published after the audit of the financial statements will give an opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and financial resilience.

### **1.6.9 Independent Assessment**

During 2010/11 the Council received independent assessments in relation to:

- Building Control – BS EN ISO 9001
- Legal Services - LEXCEL
- Information Technology
  - Information Security – ISO 27001 – assessed by LQRA
  - Compliance with the Government code of Connect assessed by the government's inspectors
  - PCI DSS compliance assessed by Arsenal Security Group, RBS UK Merchant Compliance partner

External audit is undertaken by the Audit Commission 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 2009/10 letter was published in November 2010.

The key messages from the Audit Commission's report were:

- The Council faces some major challenges. These include responding to the government's Spending Review which requires every council across the country to make large financial savings. The Council has been anticipating the spending review for some time. It has made plans to make significant savings through its Medium Term

Plan and Financial Strategy. This includes a review of all services in conjunction with the Council's latest public consultation and residents priorities.

- The Council received an unqualified audit opinion on its 2009/10 accounts, the latest published.
- 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 2009/10 Annual Governance Statement

No.	Issue	Update
1	<p>Cherwell District Council has three deposits with the failed Icelandic bank Glitnir totalling £6.5 million. The bank was originally expected to confirm preferential creditor status to all UK local authorities meaning we would see the return of the full investment plus interest and costs during 2009/10.</p> <p>However the bank's winding-up board is treating all local authority demands as general unsecured claims which would mean a return of only 31 per cent of the original investment only. All local authorities that have invested with Glitnir have been working with the Local Government Association and law firm Bevan Brittan to resolve this issue over the last 18 months.</p>	<p>On 1 April 2011 the Council was successful in the Icelandic Court in securing preferential creditor status but there remains the possibility of an appeal against this decision to the Icelandic Supreme Court so the final position cannot yet be stated with certainty. The latest estimates provided by CIFPA in LAAP Bulletin 82 published in May 2011 indicate that total assets of the bank only equate to 29% of its liabilities. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 29p in the £ indicating a potential liability of £4.6 million. The Council has applied the capitalisation direction and written off £4.6million in the 2010/11 accounts – should the decision stand and 100% recovery is made then this will be treated as windfall income in 2011/12 accounts.</p> <p>We will continue to work with the Local Government Association and Bevan Brittan to achieve the best possible return from our investment within the shortest possible timescales. The risk will be retained as a significant issue and monitored in the 2010/11 action plan.</p>

### 1.7.2 Issues arising from the 2010/11 Annual Governance Statement

The Council faces an extremely challenging year in 2011/12 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 issues to be addressed in relation to significant governance issues;

No.	Issue	Action taken
1	<p><b>Joint working arrangements</b></p> <p>The Council agreed on the 8<sup>th</sup> December 2010 to joint working arrangements with South Northamptonshire Council. These arrangements will commence in 2011-12 with a senior management team comprising of twelve shared posts: a Chief Executive, three Directors and eight Heads of Service. The final structure and responsibilities of the senior management team will be agreed between the shared Chief Executive and members of both councils before further appointments are made. The shared Chief Executive (Sue Smith) took up her post on the 16th May 2011 and the plan is to implement the shared senior team by 30 September 2011.</p> <p>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.</p>	<p>The business case was reviewed by Internal Audit at both Councils and each Council's risk register now includes the implementation of the shared senior management team and progress against the financial benefits as a risk which will be monitored regularly.</p> <p>The resulting new structure will reduce management capacity and both Council's will need to ensure that key controls and governance arrangements continue to work effectively as the new structure settles in.</p>
2	<p><b>Council's Firewall Design and Configuration</b></p> <p>The subsequent report identified that there are a number of insecure configurations within the Council's firewalls which may expose the Council to the risk of unauthorised access to systems and networks from inside the council; the auditors were satisfied that sufficient controls were in place to prevent unauthorised access from external parties.</p>	<p>We requested this audit as part of our pursuance of best practice. Remedial actions proposed by Internal Audit both to address this isolated technical design issue, and reduce the likelihood of the risk recurring in the future, were implemented by March 31 2011.</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 2010/11. 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 2011/12.

**Ian Davies**  
**Interim Chief Executive (to 16 May 2011)**  
**June 2011**

**Cllr Barry Wood BSc ACMA**  
**Leader of the Council**  
**June 2011**