

ANNUAL GOVERNANCE STATEMENT 2014/15

1. SCOPE

Local authorities are required to prepare and adopt a local code of Corporate Governance. A Code of Corporate Governance was updated and approved by members in January 2008 in order to comply with the CIPFA/SOLACE framework publication 'Delivering Good Governance in Local Government – Guidance Note for English Authorities'.

This framework is considered best practice, "*to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit*".

Risk management is a principal element within Corporate Governance, to this end a Risk Management Policy and Strategy is in place as previously approved by the Governance Committee and a report on risk management is considered annually by this committee.

The Code of Corporate Governance covers the principles underpinning governance at the Council, demonstrates how the Council intends to maintain these principles and assists the Council in reviewing its governance arrangements and its effectiveness against the published framework.

This Annual Governance Statement provides summarised details of the assurances and evidence that is in place in order to demonstrate compliance with the Code. A full version of the assurances and evidence is detailed in a document specifically created for that purpose which has been based on the Statement of Internal Control and CIPFA/Solace's guidance.

2. RESPONSIBILITIES

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and 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 in which its functions are exercised having regard to a combination of efficiency, effectiveness and economy.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of Corporate Governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The roles of the Chief Executive, the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within part 2-Article 11 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and reviewed on a regular basis by the Monitoring Officer.

Furthermore, the constitution also covers the scheme of delegation to both officers and members.

3. GOVERNANCE

The Council has adopted a Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA SOLACE publication.

Governance responsibilities are charged to the Governance Committee therefore the role of approving this Statement, and the responsibility for the approval of the Accounts and the subsequent Audit Commission Governance Report falls to this. The Council has an established officer Corporate Governance Group composed of the Head of Paid Service, S151, Monitoring Officer and Solicitor to the Council to oversee these matters.

In terms of guidance from CIPFA regarding the status of the Section 151 officer within the Council, Melton Borough Councils local arrangements are as follows. The Head of Central Services, S151 whilst not of Director level reports to the Chief Executive regularly on a direct basis and is a member of the Management Team. The Corporate Governance meetings attended by the Statutory Officers provide a further opportunity for any issues of significance to be raised directly.

4. POLICY AND DECISION MAKING

In discharging its statutory duties in the provision of Services the constitution provides details of the decision making process for the Council as a whole.

The Council's Constitution is available on the Council's website and is reviewed by the Monitoring Officer and Members on a regular basis and reports are received by Council relating to proposed changes. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

The facility for members of the public and Members to ask questions of the Council Members is also available. Members can attend meetings at which they are not members to provide constructive comment and feedback at the discretion of the Chairman.

5. ESTABLISHMENT AND MONITORING OF CORPORATE PERFORMANCE PLANNING AND SERVICE OBJECTIVES

The Corporate Plan is approved by Members on a regular basis and provides detail of the objectives for the Council for the forthcoming period. The Corporate objectives are set using feedback from the Council's various consultation mechanisms, and these objectives then feed down through to service plans and individual performance appraisals, constituting the 'Golden Thread' of line-of-sight alignment of all of the Council's activity with Corporate priorities.

The Corporate Plan sets the Council's priorities and values; these are then cascaded to service plans and section performance plans, and are time-specific. Performance is monitored by the Performance Management Information Task Group, Committees as required and requested and Full Council on a regular basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways:

- Through the use of service planning, which determines the service delivery models for the Council as a whole

- Through the Budget Away Day process, the Budget and Strategic Planning Working Group and Member Task Group
- Through a performance management process which is regularly reviewed and considered by a Performance Management Task Group.

6. INTERNAL AND EXTERNAL AUDIT

Audit Committee functions are discharged by the Governance Committee as set out in the Constitution.

INTERNAL AUDIT

The Council has a duty to maintain an Internal Audit service. This responsibility is discharged by the Head of Central Services through a service level agreement with the Welland Internal Audit Shared Service hosted by Rutland County Council. The scope of internal audits shall encompass the examination and evaluation of the adequacy and effectiveness of the Council's system of internal control and the quality of performance in carrying out assigned duties and responsibilities.

The Welland Internal Audit Service undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom. The outcome of audit results in a level of assurance opinion being reported to management. The outcome of audit reports to the Audit Committee is on an exception basis although Members are made aware of all published reports and can request copies.

A risk model is used to formulate an annual plan which is reported to, and agreed by Management Team and the Committee at the beginning of each financial year with progress reports being reported to the Committee on a regular basis where they are considered to a detailed level.

At the end of each year annual assurance statements are issued to each Member of the Management Team to provide assurances on the identification and assessment of risks, and that sound operational arrangements exist within their service. Following their return these raised issues which have been reflected in Section 13 of the AGS.

In addition the Committee receives an annual report from the Head of the Internal Audit Consortium providing details of the effectiveness of Internal Control with an annual opinion.

A review of internal audit was undertaken in 2013/14 as commissioned by the Welland Audit Board. The outcome of this review was reported to the Governance Committee during the year. A resulting improvement plan is in place and progress has been reported regularly to the governance Committee.

The Internal Audit Team has continued to suffer vacancies during the year which has impacted on the ability of the team to deliver fully in year against the approved audit plan. The current Head of the Consortium will be retiring in September 2014 and the board is currently recruiting a replacement. The structure of the team will then be reviewed in order to build in more resilience to the team and support the delivery of the audit plan.

EXTERNAL AUDIT

The Council's current external appointed auditors are PWC and they will remain as auditors until their last financial year 2014/15. Consultation on the appointment of auditors for the period 2015/16 and 2016/17 will be undertaken by the Audit Commission over the Summer and the term of the new auditors may extend for a further three financial years.

With the abolition of the Audit Commission council's will be free to appoint their own auditors when contracts come to an end

External Audit carry out reviews of the work of the Welland Internal Audit Section as well as auditing the Statement of Accounts, and carrying out a Value for Money assessment. No significant issues have been raised relating to issues arising from audit work undertaken to date.

7. RISK MANAGEMENT AND BUSINESS CONTINUITY

The Council has adopted a risk management strategy that sets out the roles of Members and Officers in the identification and minimisation of risk. The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed regularly during the year as part of service and strategic planning. The strategies themselves identify those service risks and categorise them as high and low probability and high and low impact on the authority. Services are then asked to put plans in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. To ensure that risk is considered all reports presented to Members must include a risk assessment of the actions within the report. This assessment also covers legal and financial and value for money considerations.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Partnership Management Practices are taken into take account for this wider working.

The Council's adopted Project Management system has developed following a period of use and the Project board and re-examined how best to oversee all significant projects, with a view to both resource planning and achieving objectives. This has resulted in updates to some of the paperwork and reporting mechanisms associated with system. In addition, training in respect of the system has been identified as a necessary element of the Corporate Training plan and regular sessions will be held to train prospective users of the system. Nominees for this training are identified through the Staff Performance and Development system.

The Council also has a Business Continuity Plan in place to mitigate significant business risk which was updated in 2012 and is in the process of continual review and we have been testing the Disaster Recovery arrangements that form an integral component part on an annual basis. This is being developed in collaboration with our partners and includes our Business Continuity responsibilities to them in the event of significant disruption.

8. FINANCIAL MANAGEMENT

In addition to Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Strategy (MTFS).

Budgetary control of both revenue and capital expenditure is carried out by Services on a regular basis as determined by a risk assessment of the budgets with reports covering the major areas of expenditure and income being presented to Committees their scheduled meetings and Management Team. These reports detail current and future variations and provide details of any management action to be taken where appropriate.

Our MTFS ensures longer term targets and assumptions about inflation and government grant are taken into account when annual budgets are established. The MTFS spans a four year period and provides a sustainable basis for the delivery of resources. This provides for the development and improvement of the Council's key services whilst

ensuring Council Tax increases are kept to reasonable levels and our financial reserves can be maintained at an appropriate level. The MTFS is regularly reviewed as part of the budget review process and when significant changes occur to ensure its assumptions and financial projections remain soundly based. The Council has risk assessed working balances in place for all of its funds in order to mitigate financial risks.

Internal Audit regularly reviews the financial accounting systems to ensure that adequate safeguards are in place in order to protect the Council from financial irregularity. In addition, the Council has a Benefits Investigation Team to investigate allegations of Benefits irregularities.

In addition to these constitutional rules and budgetary control guidance, the Council complies with statutory legislation relevant to financial issues which are communicated to the appropriate staff; these will include the Code of Practice on Local Authority Accounting which governs the production and format of the Statement of Accounts and the CIPFA guidance on Treasury Management and the Prudential Code.

The draft Statement of Accounts is approved by the PFA Committee in June/July each year prior to the Audit of the Accounts by the Audit Commission. The Governance committee then also receive the audited copy of the Accounts along with the Audit Commission's Annual Governance Report in September, if there are significant changes the accounts will also be re-presented to PFA.

The Council adopts an Investment Strategy and Treasury Management Strategy Statement in accordance with legislation as part of the annual budget setting process in February each year. The strategy incorporates the requirements of the Prudential Code. The purpose of this strategy will be to inform both Council Members and the Public of the authority's investment strategy for the forthcoming 12 months. An outturn report is reported to The Council each year.

During the year the council was the victim of a payment fraud which has been reported to both the Governance committee and the Policy Finance and Administration committee. Various actions taken as a result of this fraud have been regularly reported. The resulting Police investigation is on-going. A provision has been made in the council's accounts based on a realistic estimate of the potential loss. Liaison continues with the affected supplier. An internal review of procedures has been undertaken and whilst existing controls were strong improvements made. An external audit review approved by the Governance committee is underway the outcome of which will be reported when this is complete.

9. PROCUREMENT

A procurement strategy is in place. The contract procedure rules were updated in 2012/13.

In addition to the strategy, guidance notes covering all areas of procurement have been produced and made available to all staff. The strategy was approved in conjunction with a procurement tool kit which was updated in 2013/14 and training is being provided to key staff in 2014/15.

10. VALUE FOR MONEY

External audit have a responsibility to conclude whether the authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Following the auditors work in 2012/13 on the use of resources the auditors concluded that, in all significant respects, the Authority had put in place proper

arrangements to secure economy, efficiency and effectiveness in its use of resources. This opinion is set out in their Annual audit Letter for 2012/13

11. COMPLAINTS AND WHISTLE-BLOWING POLICIES

The Council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the Council's website. The procedure is well documented and complaints referred to the Local Government Ombudsman which result in a finding of maladministration are reported to Full Council by the Monitoring Officer.

The Council also has updated its Counter Fraud Strategy. The Whistle-Blowing Policy is currently being reviewed and it is anticipated will be reported to Governance Committee in Autumn 2014. Training is provided to all staff through the council's electronic training aide (MIKE), staff with limited access to IT will received training at team meetings. Staff are advised of the code as part of their induction training which has also been provided to staff as part of their team meetings, with reminders being included in the Corporate Messenger at regular intervals. In addition to these reminders staff are asked to confirm their awareness of these at their appraisal each year. In respect of ethical awareness a detailed guidance note is available on the intranet.

12. COMPLIANCE

The Council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the Council's Financial Procedure Rules and Contract Procedure Rules. Other policies or strategies covering both internal and external issues are available to staff and the public via the Council's intranet and internet sites respectively and can be found on the Council's website. These polices include:

- Anti-fraud Policy
- Benefits Anti-fraud Policy
- Confidential Reporting Code
- Freedom of Information
- Anti Money Laundering Policy
- Single Equality Scheme
- Bullying and Harassment Policy
- Child Protection Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each of the policies /strategies. The Counter Fraud Policy has been updated in 2014. The whistleblowing Policy is being reviewed and it is anticipated will be reported to Governance Committee in autumn 2014.

13. GOVERNANCE ISSUES ARISING

Internal Audit

It is the Head of Consortium's Opinion that the overall Assurance Level provided by the Council's internal control framework is Sufficient. Positive assurance was obtained from audits of key financial systems; arrangements for dealing with fraud risks; governance arrangements; and risks to service delivery.

When considering the overall level of assurance, the Head of Consortium took account of the fact that the new emphasis on a risk-based approach to audit planning and the design of individual assignments has meant that clients have been commissioning work in areas where they consider that controls may require attention. On that basis, it is to be expected that some assignments will deliver limited assurance.

The Internal Audit Opinion is based upon work undertaken by the Consortium to deliver the 2013/14 Internal Audit Plan. Reliance was also placed upon the results of a data matching exercise facilitated by the Audit Commission under the National Fraud Initiative. The information provided to the Council in 2013 identified no losses arising from non-benefit fraud; no evidence of inappropriate payments to employees or Members; and no evidence of losses arising from duplicate pay.

14. INFORMATION SECURITY

Information security is extremely important to the Council and its Partners. An officer group oversee this work being the Information Management Group (IMG) looking at day to day issues and changes to legislative arrangements. The Data Quality Policy and Data Protection Policy were updated in 2014. The Data Quality Framework has been completed and is being reported to Governance Committee in June 2014. The Information Asset register is currently being updated.

15. EMERGING ISSUES

The following areas have been identified for further action monitoring and review:

- The Cattle Market due to it being a strategic project with multiple risks and partners. A Project Management process is in place and a Project Manager will be appointed.
- Delivery of the transformation programme due to the difficult interplay of channel and behaviour shift and various projects/IT resource needs along with culture change. Difficult interplay requires careful; and organised planning, core meetings transformation board/programme board/committees in place to do this.
- Melton local plan development. Good system in place but needs integration into council services and planning. As part of comprehensive plan - reference groups/working groups/project board/full council. Much resource but difficult programme

In addition due to the on-going financial constraints due to the economy and reduction in central government funding and partnership funding the risk included in last year's statement relating to the finances are proposed to be included again for 2014/15 for monitoring purposes. This is also a risk recognised in the corporate risk register.

A detailed annual action plan is developed to oversee and manage these issues forward. They will regularly be reported to an appropriate Corporate Group for monitoring and review.

Councillor Byron Rhodes
Leader of the Council

Lynn Aisbett
Chief Executive