

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 Council during 2014-15 has reviewed the Corporate Plan.

The approach to Corporate Planning 2015-2020 was initially presented to members at the Strategic Away Day in May 2014 and approved at the Budget and Strategic Planning Working Group on the 11th June 2014. This approach has also taken into consideration the findings of the previous consultation exercise reported to the Governance Committee at its meeting held on 2nd April 2014 and a draft set of Corporate Priorities considered and endorsed by members at the Policy, Finance and Audit Committee on 15th April 2015

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 2015-2020 is also the basis upon which a corporate management and performance framework will be developed to monitor progress towards the defined objectives.

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.

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 The Council has reviewed its performance reporting framework to support the New Corporate Plan, which has resulted in a more focused approach, capturing the key outcomes that will be delivered. Performance indicators will be retained within services that assist in monitoring performance and service delivery
- 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.

EXTERNAL AUDIT

The Council's external appointed auditors were PWC until the end of the financial year 2014/15.

The current auditors are Ernst Young from 2015/16 onwards

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.

On a three yearly basis the Council reviews its engagement with Partnerships. This ensures that capacity and resources are being allocated to those partnerships which are most closely aligned with the Council's priorities and direction of travel, as well as those which through their Partnership organisation have the capacity to assist or are required for the appropriate approved delivery of services and/or approach to local people and businesses. A review was undertaken in 2014/15 and is reported to the appropriate Policy, Finance & Administration Committee in 2015/16.

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..

The Council also has a Business Continuity Plan in place to mitigate significant business risk. This is under continuous review and new information was incorporated in the course 2014/15 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. A Resilience Partnership is in place which provides further capacity to the Council and its Partners.

- 8 The Council has a Programme Board that oversees the management of change and transformation at a senior level. The Board receives regular highlight reports on progress and issues/problems to be resolved. The Programme identifies initiatives that it wants to prioritise with an overall view of assisting the Council to be a modern Council that is fit for purpose in the future. Moving forward the Council is considering arrangements for achieving benefits realisation as a result of change and transformation activities.

9 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.

Council Tax Support fraud is an area of focus in 2015/16. This will be developed as part of the Single Fraud Investigation Service (SFIS) rollout. The council however, is already in advanced talks with Leicester City Council in regards to the potential of partnership working and will incorporate this area into their planned 'Tackling Fraud' project.

As reported in last year's AGS the Council was a victim of a payment fraud during 2013/14, this has been resolved between the relevant parties during 2014/15 and the council has no remaining liability in this respect. In response to this issue all Council staff received training during 2014/15 on fraud awareness delivered by the internal auditors.

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 External Audit. The Governance committee then also receive the audited copy of the Accounts along with the Auditors 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.

10 PROCUREMENT

A procurement strategy is in place and this was updated and approved by the Policy Finance and Administration Committee during 2014/15.

In addition to the strategy, guidance notes covering all areas of procurement have been produced and made available to all staff. These have been updated following the approval of the new strategy and changes to procurement legislation and staff training is being undertaken during 2015/16 on the changes made.

11 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 2013/14 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 2013/14. Regular reviews of VFM are undertaken and reported to Management Team and Members as appropriate.

12. 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.

The Council has recently updated its Counter Fraud Strategy. The Whistle-Blowing Policy was reviewed and an updated version was approved by Governance Committee in 2015. 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. The Monitoring Officer is arranging specific further training on code of conduct and whistleblowing in conjunction with Internal Audit in summer /Autumn 2015. 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.

13. 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.

14. GOVERNANCE ISSUES ARISING

Internal Audit

Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on the Council's governance, risk and control framework is that Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice. The basis for this annual assurance opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.

The level of assurance remains at a consistent level from 2013/14. Controls relating to those key financial systems which were reviewed during the year were concluded to be generally at a level of Sufficient Assurance.

The implementation of audit recommendations during the year has generally been strong, with 94% of actions from 2014/15 reports which were due for implementation being completed in accordance with the agreed timescales.

The definition provided by the Consortium of Sufficient Assurance is that: 'the control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are some lapses and/or inconsistencies'.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

15. 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 was reported to Governance Committee in June 2014. Consideration of update review on the training available to staff is currently in hand.

16. EMERGING ISSUES

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

	Issue
1	Uncertainty and risks over the future government funding and the resultant impact on the Council's finances
2	Waste Management Services This is a key area of focus prior to the new contract.
3	Leisure Vision Project This a new project involving a large acquisition and complex finance and legal matters.
4	Debt Generation and collection Scrutiny required and area of focus planned.
5	Delivery of transformation, difficult interplay of channel and behaviour shift and various projects/IT resource needs/culture. Newly designed systems eg. Integrated Housing Management system based on insight and increasing approach to collaborative working in partnership.

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