

ANNUAL GOVERNANCE STATEMENT 2012/13

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 as previously approved by the Policy, Finance & Administration Committee 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 established officer/Corporate Governance Group composed of the Head of Paid Service, S151, Monitoring Officer, Solicitor to the Council and Head of Communications 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/Lead 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.

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 14 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 for the 2011/12 financial year are PWC; they carry out reviews of the work of the Welland Internal Audit Section as well as auditing the Statement of Accounts, and carrying out a Use of Resources assessment. No significant issues have been raised relating to issues arising from audit work undertaken to date.

With the abolition of the Audit Commission council's will be free to appoint their own auditors. This is not due to come into effect until 2017 and in the meantime PWC have been appointed by the audit commission to continue as the council's auditors until the new arrangements come into force.

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.

In addition to this during 2011/12 our risk profile was reviewed in consultation with the Council's risk management consultants. Member Champions are in place and training is undertaken. The strategy and policy have been subject to review and a revised document approved by the Governance committee in June 2012. The risk register will be revised in 2012/13 following the revision to the policy and strategy.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Partnership Management Practices (which has recently been reviewed) are currently being updated to take account of this wider working.

A revised Project Management system is in the process of being developed in order to assist with one of the corporate risks relating to project management. This will be fully developed and implemented in 2012/13. This assist the Council in managing its reduced resources and achieve its strategic plans.

The Council also has a Business Continuity Plan in place to mitigate significant business risk which was updated in 2012 and we have been testing on an annual basis. This has been 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 three 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.

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. They also then receive the audited copy of the Accounts along with the Audit Commission's Annual Governance Report in September.

Whilst there is significant financial risk for many council's from the proposals arising out of the Finance bill and the changes this brings to the local retention of business rates and localisation of council tax benefit, the Council is in a good financial position with the recent substantial capital receipt enabling the Council to go debt free on its general fund. In addition significant revenue savings are anticipated as a result of the retendering of the Waterfield Leisure Pool contract.

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 PF & A Committee in each year.

9. PROCUREMENT

The Council's corporate procurement strategy has been reviewed by the Welland Procurement Unit following the extensive developments in this area. 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.

10. USE OF RESOURCES

The previous Assessment covered five themes: financial reporting, financial management, financial standing, internal control and value for money. The Council was assessed on its 2007/08 performance in September 2008 and achieved an overall score of 3 out of 4 which was defined as 'performing well'.

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 most recent report identified maladministration in respect of the taking of a decision on a planning application in 2008 and which has now been resolved.

The Council also has updated its Counter Fraud Strategy and Whistle-Blowing Policy. Training is provided to all staff through the council's electronic training aide (MIKE), staff with limited access to IT will receive 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 policies 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.

13. GOVERNANCE ISSUES ARISING

Internal Audit

During 2009/10 Internal Audit identified two particular areas of concern with regards to the systems and controls in the payment of benefit deeming the assurance rating "unsound" and debtor's assurance rating "unsatisfactory". In 2010/11 the benefits report has improved to marginal although there is clearly still some progress to be made and the debtor's assurance rating improved to marginal. In 2011/12 the debtors rating has improved to Good however benefits has remained at marginal. In addition marginal ratings have been given to the Provision of Leisure Facilities and in respect of Managing absences.

Overall the level of control has been assessed as 'Sound' the second highest level of assessment. A separate report on this agenda from the Head of Internal Audit goes into further detail on the overall position.

14. INFORMATION SECURITY

Information security is extremely important to the Council and its Partners. Two officer groups oversee this work being the Information Management Group (IMG) looking at day to day issues and changes to legislative arrangements. In addition the Sharing Information Group (SIG) has been overseeing the changes necessary to facilitate the move into Parkside and further data sharing opportunities.

15. EMERGING ISSUES

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

- Careful consideration of the resource review underway by Government and the impact this will have on the Council's finances into the future.
- With reference to benefits whilst the control environment has improved from that originally reported in 2009/10 there is still scope for improvement and continued focus needs to be given to the internal audit recommendations. A review of the benefits service has been undertaken applying lean principles to improve service

quality and efficiency. Consideration needs to be given to the control environment generally in these areas in order to ensure all services covered are robust in terms of the control environment. The impact of the Welfare Bill Universal Credit will need carefully planning and monitoring.

- A continued focus on programme and project management is required in order to hit key deadlines, for examples, in respect of Waterfield Leisure Pools, major housing projects including the Foyer scheme, and the IT Review.
- IT Services are currently under review with significant change underway due to the new modern infrastructure being put into place as part of the new build. PI's linking to corporate need are required.
- Following the move into the New Build there is a need to continue to monitor that the control environment is maintained and information sharing protocols adhered to. The revenue budgets will need to be carefully maintained.
- Following the HRA reforms taking the Council out of the subsidy system new control arrangements will need to be fully bedded in.

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

27 June 2012