

**ANNUAL GOVERNANCE STATEMENT 2016/17****1. SCOPE**

Local authorities are required to prepare and adopt a local code of Corporate Governance. A new Local Code of Corporate Governance was approved by Members in April 2017 in order to comply with the CIPFA/ Solace publication DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK 2016 which defines the principles that underpin the governance of local government organisations. The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. The Framework states that outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance.

The Local 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 (AGS) provides summarised details of the assurances and evidence that is in place in order to demonstrate compliance with the Code.

**2. RESPONSIBILITIES**

In discharging this overall responsibility, the Council is 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 Local Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA / SOLACE publication 2016.

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 Governance Report falls to this committee. The Council has an established officer Corporate Governance Group composed of the Head of Paid Service, S151 Officer, 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 Council's local arrangements are as follows. The Head of Central Services, a member of Management Team, is the S151 Officer. From July 2017, the Corporate Director, will be S151 and a member of the Corporate Management Team and a Chief Officer. The Corporate Governance meetings attended by the Statutory Officers provide a further opportunity for any issues of significance to be raised directly.

#### **4. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW.**

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 the Council's Governance Committee reviews changes to the Constitution on an on going basis and considers an annual review. It reviews all audit reports and gives advice accordingly. There are annual probity meetings between the Leader of the Council, Group Leader(s) and the Chief Executive and Monitoring Officer to discuss any issues and give guidance as necessary. This arrangement is currently under review as the Council presently has no Leader of the Opposition.

Training on ethical values is undertaken by Members and Officers on a regular basis, including an annual Ethics and Probity briefing on relevant key issues to staff as part of the Chief Executive briefings by the Monitoring Officer and Head of Internal Audit.

Melton Borough Council has an up to date Code of Conduct for Members in line with the provisions of the Localism Act 2011 which was updated in 2016 and has an appropriate Code of Conduct for Officers which is covered in induction and in annual briefings.

There was an Internal Audit report in 2016 on ethical standards and probity arrangements which found substantial assurance, the highest assurance level available.

Melton Borough Council has a Corporate Governance Group, referred to above, which meets quarterly and considers any relevant issues. Updates are given by the Statutory Officers with regard to their roles. Complaints and Code of Conduct issues are standing items. The group will also focus on relevant issues that have occurred and will oversee the follow up required for example through Internal Audit.

With regard to external organisations as part of the Standard Selection Questionnaire that the Council uses with all procurements valued over £50K questions are asked covering the following areas which is relevant to 'ethical standards':

- Health and safety
- Modern Slavery Act
- Equality and non discrimination
- Environmental management

Depending on the nature of the procurement, more specific (but relevant) questions may be asked within the tender itself. There is provision in the internal audit plan for 2017/18 for an audit of procurement 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
- Single Equality Scheme
- Bullying and Harassment Policy
- Anti Bribery Policy
- Child Protection Policy
- Safeguarding Policy

The Council has a Corporate Health and Safety Policy. The policy sets out the Council's health and safety objectives, roles and responsibilities of employees, planning and implementation, safety systems and procedures, hazards and performance management and review of health and safety matters. An annual statement on Health and Safety is prepared and reported to the Strategic Management Team. The Council has a Safety Committee, chaired by a Chief Officer. The Council has a full complement of first aiders and fire marshals. A system is in place to monitor and refresh/renew dates. First aid courses are planned on the basis of certificate expiry.

The Health and Safety module in the on line learning system has been strengthened and regular updates are now made when changes of legislation or interesting articles are produced. All incidents and accidents are reported to Safety Committee and Joint Staff Working Group.

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.

## **5. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

The Council values openness and comprehensive stakeholder engagement.

The Council has a Consultation Toolkit which is used to ensure effective and appropriate consultation.

The Council has established partnership working and consultation with a number of different partners and organisations including TFEC (tenants forum), BID (consisting of local businesses), Reference Groups from the local community on the Local Plan. There are excellent relations with recognised trade unions on staffing matters. Partnership working is demonstrated through groups like the MCP (Melton Community Partnership). Following the requirement to build new offices the Council took the opportunity to shape the building to share accommodation with other partner organisations, including for example, Job Centre Plus, Leicestershire Police, Leicestershire County Council and Citizens Advice Bureau. This encourages closer working and a more joined up service for customers. Examples of consultation undertaken on major projects which have been used to shape project development have included the local plan and public conveniences. A corporate management and performance framework is in place to monitor progress towards the defined objectives.

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

## **6. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS.**

The Council has a Corporate Plan which includes performance indicators that are measured. The Council also has a One Council Corporate Delivery and Development plan which coordinates plans, projects and activities and identifies deliverables and resources.

A Performance Management Framework has been developed which is now embedded following its implementation several years ago. A value for money exercise is undertaken every 2 years (the latest in 2016) and is reported to Elected Members and staff.

The Council publicises performance adherence on the Council's website.

## **7. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES.**

The Council has formal decision making meetings of Full Council, Committees and Sub Committees. These are supported by appropriate working groups, task groups and officer groups as necessary. Decision making is delegated to Committees and officers as appropriate and documented clearly in the Council's constitution.

Feedback is obtained through the consultation processes and through audit reports, complaints and website feedback. Planning interventions are managed through project management techniques, working in accordance with Project

Management principles through Programme Board. The Governance Committee has maintained an interest throughout 2016/17 on robust project management arrangements and is to maintain this focus throughout 2017/18 through regular reporting on a sample of projects and their compliance to the council's Project management Framework. The Council also has established Working Groups and in addition also outside bodies including the Melton Community Partnership and a local BID.

The Council has a Corporate Policy Framework with overarching strategies including the Community Strategy, Corporate Plan and Medium Term Financial Strategy. This is supported by the Corporate Development Plan which consolidates previous Service Plans into one Corporate document.

## **8. DEVELOPING THE ENTITY'S CAPACITY**

The Council will address this requirement by reviews of its staffing structures on a regular basis to ensure effective use of capacity and resources. The Council has approved changes to its management structure which will be fully implemented in 2017/18. This has contributed significant ongoing savings and presented opportunities to the council. There is an annual report to Policy Finance and Administration Committee on the staffing establishment and changes in the previous year. The Council maintains up to date HR policies and procedures and invests in the development and training of its staff and Members to maximise outputs and productivity to meet organisational needs. There is a formal staff appraisal process linked to the Council's values. There is a training plan in place. Coaching circles and a local management development scheme are in operation to improve skills and develop staff to meet challenges ahead.

Member development is given high priority and is supported by a Member Development Steering Group consisting of experienced Councillors. There are separate adequate training budgets for staff and Members. There is a Member Induction programme and the offer of training need assessments.

The Council has a full constitution which includes the scheme of delegations to Officers and terms of reference for each Committee and member groups including task groups and working groups

## **9. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT.**

A robust risk management framework is an integral part of operational service delivery and the decision making process. In order to achieve this, an up to date and regularly reviewed Risk Management Policy and Strategy is maintained. This requires that both service and corporate risk registers are maintained with appropriate action plans to mitigate and manage identified risks. 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.

These risk registers are reviewed and updated at Management Team as appropriate. Risk management is also part of the Council's Project Management Appraisal Process. Regular training is delivered to officers and members on risk management as appropriate. Risk Management responsibility falls within the remit of the Council's Governance Committee indicating its importance within the context of good governance.

The Council has a performance management framework based on balanced score cards which is overseen by a Performance and Information Task Group which comprises of Members with senior officer support. This is chaired by the Chair of the Governance Committee. The internal Governance Group has maintained its focus on the performance relating to raising of orders for all supplies and services commissioned. Debt management and the accuracy relating to benefit payment processing has also been scrutinised by the Governance Committee in order to maintain improvements seen in these areas.

The Council also has a Business Continuity Plan in place to mitigate significant business risk. This is under continuous review. This was the subject of a major update and review in February 2016 and work is on going to develop understanding amongst key staff and develop the content further. We test 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. Specified officers have signed up to the Resilience Partnership portal 'resilience direct' which provides resilience to the arrangements for emergency response and access to key documents such as response plans and information.

The Council ensures that there is strong financial management in order for the Council to deliver against its corporate objectives. There are regular reports to Members on the Council's financial position. The Council has set a balanced budget and regularly reviews and reports on the Medium Term Financial Plan. The adequacy of reserves and balances are regularly reviewed. The financial implications of proposals are considered and reported to members as part of the decision making processes. Financial training is delivered to officers and members as appropriate to their role. An Annual Chief Executive's Budget Manager's Briefing is held to put the Council's budget and budget management into the Local and National context. This is also supplemented by an annual briefing by the finance team to all budget holders to support them through the forthcoming budget setting process.

The Medium Term Financial Strategy 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 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. Due to the significant cuts in central government funding and the government's offer of a four year funding settlement an efficiency plan has been developed and approved. This plan needs to be achieved if the council is to remain financially secure into the future.

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. Also, the Council is working with Leicester City Council to undertake data matching to identify potential fraud across a variety of activities and also for them to provide support on the investigation and potential prosecution of any irregularities identified. .

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 Policy Finance and Administration (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.

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. Regular updates are provided to members on treasury management activity through the Members Bulletin and also a mid-year review report to Council. Treasury Management activity is also scrutinised by the Budget and Strategic Planning work group on behalf of Council..

## **10 IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

The Council has a duty to maintain an Internal Audit service. This responsibility is discharged by the Head of Central Services in 2016/17 through a service level agreement with the Welland Internal Audit Shared Service hosted by Rutland County Council. From April 2017 this is to be provided through delegation to LGSS.

The 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.

Internal Audit has direct access to Members through the Chair of Governance and Governance Committee which acts as the Council's Audit Committee, and therefore receive regular reports from the Internal and External Auditor and consider progress made against audit recommendations. The Committee receives and consider the Annual Governance Statement and any other reports as appropriate.

Based upon the work undertaken by Internal Audit during 2016/17, the Head of Internal Audit's overall opinion on the Council's control environment 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. Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with an opinion of Sufficient Assurance given over the adequacy and compliance with the key controls. Of the internal audit assignments delivered during 2016/17, one has resulted in an opinion of less than Sufficient Assurance. Additional consultancy work commissioned during 2016/17 also highlighted areas of control weakness and non-compliance in relation to the management of recent capital projects and award of contracts. A number of recommendations have been made and promptly implemented to strengthen the control environment in these areas.

The current external auditors are Ernst Young. External Audit use internal audit's work to assess risk 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.

A Financial Transparency Audit was undertaken in 2015/16 and Internal Audit assessed the Council as providing a High level of transparency relating to its budget setting and monitoring and stated that the Council demonstrates full compliance with all mandatory elements of the Transparency Code. The Council has a report writers' guide and a sign off process for reports.

A regularly reviewed suite of documents are in place supporting the governance framework and contained in the Council's Constitution including the Councils Counter Fraud Strategy, Whistle Blowing Policy, Anti Bribery and Anti Money Laundering Policy.

A challenging timetable has been developed for the delivery of the Local Plan which was agreed by the Council on 27<sup>th</sup> April 2016. Additional and specialised resources have been assigned in order to assist delivery against this timetable and robust project management is in place to address any slippage.

Information security is extremely important to the Council and its Partners. An officer group (Information Management Group (IMG) chaired by the Monitoring Officer with representatives from key services including ICT, Customer Services and Communities and Neighbourhoods oversee this work and are looking at day to day issues and changes to legislative arrangements.

Work has continued in 2016/7 on the implementation of the General Data Protection Regulation (GDPR) which intends to strengthen and unify data protection for all individuals within the (EU). It also addresses the export of personal data outside the EU. (This is relevant regardless of BREXIT.) The Council was inspected in 2016 as part of the programmed inspections on the use of covert surveillance in accordance with the provisions of the Regulation of Investigatory Powers Act 2000. The inspection did not raise any concerns. It was noted the use of social media should be considered and a training session for staff was therefore held in March 2017.

It has become apparent in recent years that for a variety of reasons that authorities like Melton Borough Council have granted far fewer RIPA (Regulation of Investigatory Powers Act (2000) authorisations. Melton Borough Council has granted none at all during the last three years. Bearing this in mind, the Chief Surveillance Commissioner has decided that a more flexible approach to the arrangements for OSC inspections of District and Borough Councils should be adopted. Where appropriate, the inspection will be based on an examination of the relevant documentation, without a visit by one of the Surveillance Inspectors or Assistant Surveillance Commissioners. The inspection in 2016 highlighted no issues for the council but suggested social media awareness with regards RIPA may benefit the Council and therefore training was provided to relevant staff in March 2017.

## **16. REVIEW OF FRAMEWORK AND CONCLUSION**

The council undertakes an annual review of the sufficiency and effectiveness of its governance framework. 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 are considered by the officer Corporate Governance Group to identify which of the issues raised are appropriate to be included in the AGS. In addition the Council receives an annual report from the Head of the Internal Audit Consortium providing details of the effectiveness of Internal Control with an annual opinion. This information is considered alongside the Council's Local Code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework 2016.

The conclusion from the review is that the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the local code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework 2016. Progress against those items identified in the 2015/16 annual governance

statement were reviewed and are as set out in Appendix 1. Consideration was given to any issues that needed to remain an area of focus during 2017/18 along with new areas of focus during 2017/18 identified and are set out below.

## 17. ISSUES FOR FOCUS DURING 2017/18

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

Issue	Officer Lead	Comment
Achievement of the Council's Efficiency plan	DG	The Council has suffered significant cuts in central government funding over a number of years with more cuts to follow. As a result the Council has drafted an efficiency plan which has contributed significantly to the council's Medium Term Financial Strategy showing a projected balanced budget over the next 4 years. This Efficiency plan needs to be achieved if these projections are to be met.
Changes to the management structure and capacity of the council	Chief Executive	Maintenance of focus on corporate objectives and targets as a result of changes to the management structure and capacity of the council
Leisure Vision	KA	This is a large project with high expectations and therefore needs to be kept under close review.
Procurement Audit	DG	Draft Audit Report, offering limited assurance on several compliance matters which will need to be addressed in the coming months.

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.

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Councillor J Orson  
Leader of the Council

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Edd de Coverly  
Chief Executive