

## ANNUAL GOVERNANCE STATEMENT 2017/18

### **1. SCOPE**

Local authorities are required to prepare and adopt a local code of Corporate Governance. A revised 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. The local code is to be reviewed by internal audit in 2018/19. 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 Director for Corporate Services and S. 151 officer is a Chief Officer who is a full member of the Senior 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. 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.

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. A recent Audit of Procurement Compliance has concluded that there is a good control environment together with satisfactory 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:

- Counter Fraud and Corruption 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 Senior Management Team. The Council has a Safety Committee, on which the Senior Management Team is represented. 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 guide 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 contributing to the Local Plan. There are excellent relations with recognised trade unions on staffing matters. 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 new corporate management and performance framework has been developed to strengthen the performance of the Council and the achievement of key objectives and outcomes.

A facility for members of the public and Members to ask questions of the Council is also available. Members can attend any policy meetings as observers if 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.**

In 2017 the appointment of a new Council Leader together with a new Chief Executive provided an opportunity for the Council to undertake a Corporate Peer Challenge facilitated through the offices of the Local Government Association. This has led to a number of recommendations that the Council has adopted and taken on board.

The Council has used this Peer Challenge as a tool for improving performance and outcomes. As a result there has been significant work carried out to identify with members the key vision and corporate priorities for the Council, to carry out through the Local Government Association a thorough review of governance arrangements and structures, the development of a new performance management framework and the development of a refreshed Corporate Delivery Plan.

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

Following the review of the Governance arrangements a report was considered by full Council on 8th May 2018 to implement Phase 1 changes from the Annual Meeting in May 2018. These proposals effectively streamline and improve the Council's governance arrangements by removing duplication across different committees, disbanding a number of working groups, better aligning of policy decision making structures to match officer structures (corporate, people and place), increasing accountability for performance through policy committees, greater flexibility and accountability for budgets and spending, improving partnership working to achieve better outcomes by more effectively using influence, improving internal working between members and officers for the development of new policy and improving arrangements for members working with external bodies. These changes will be significant and whilst they will come

into effect immediately the next Council year will be a transition with the full arrangements being in place for the 2019/20 year.

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 3 key delivery Boards for Place & Regeneration, Budget & Commercial Strategy and Customer & Organisational Improvement. The Governance Committee has maintained an interest in robust project management arrangements.

Following on from the LGA Peer Challenge the Council has refreshed its corporate vision, priorities and values which are now expressed through a new Corporate Delivery Plan.

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

In terms of spending power, the Council is the 4<sup>th</sup> smallest district council in the country; whilst maintaining a full district council service offer. This requires significant flexibility and creativity in ensuring the necessary resilience required to deliver. The Council is extremely resourceful and has well established flexible working practices that enable good levels of productivity to be achieved. The Chief Executive is driving a new workforce strategy that will further assist in ensuring that the Council maximises the potential of available staffing resources, seeking to recruit, develop and retain the best possible staff in order to drive the Council forward. The Council has managed to maintain a healthy training budget to assist with staff and member development.

Additional senior level capacity has been achieved with the creation of two new Chief Officer posts as part of a Senior Management Realignment carried out in late 2017. That exercise also sought to achieve greater levels of productivity through better use of existing capacity. There is a programme of recruitment taking place to ensure that capacity is maximised as well as further structural reviews, including development of a corporate improvement team, to ensure that resources are used on what is most needed.

The refresh and reduction of corporate priorities, the streamlining of governance arrangements, a continuing focus on digital and demand reduction are all helping to ensure that capacity is maintained and enhanced. A cultural shift to greater use of influential power should also help to lever in partner resources when looking at how to achieve required outcomes.

## **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 the Senior 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. A full review was undertaken during 2017/18 of the policy and the registers with the revised policy and updated strategic risk register to be presented to the first Governance committee of the new council year.

The Council is making some significant changes to management of performance. In 2017/18 the Council had a performance management framework based on balanced score cards which was overseen by a Performance and Information Task Group which comprised of Members with senior officer support. This was chaired by a senior member. For 2018/19 an updated suite of performance measures are to be introduced and will be reported to individual policy committees so they can understand the performance of the services they are responsible for and use this to drive policy development. The Senior management Team has maintained its focus on the performance relating to raising of orders for all supplies and services commissioned.

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 utilising reserves with a Budget Management Strategy in place to remove this need for future years. Regular reviews and reports on the Medium Term Financial Plan are undertaken and reported to members. The adequacy of reserves and balances are regularly reviewed and 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 briefing by the finance team to all budget holders to support them through the forthcoming budget setting process is undertaken along with other regular briefings to staff by senior officers throughout the year so all understand the financial position the Council is operating in.

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. A Budget Management Strategy has been developed in order to ensure the council can balance its budget in future years without relying on reserves and reduce the dependency on ever reducing government grants. This plan needs to be achieved if the council is to remain financially secure into the future. A financial resilience self assessment was undertaken in 2017 in conjunction with the Building Financial Resilience publication by CIPFA. This concluded that the council demonstrated a high level of financial resilience but areas for focus were identified.

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 2017, the Council developed a Counter Fraud Action Plan which is subject to quarterly review by the Head of Internal Audit and s151 Officer. This is also reported at regular intervals to the Council's Governance Group and Senior Management Team as appropriate and is presented to the Governance Committee on a six monthly basis.

Based upon a tool developed by CIPFA, Internal Audit has reviewed in 2017/18 the Council's counter-fraud arrangements. The summary of findings were that overall, the Council is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive

in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is 'fraud proof', the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation's governance report.

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 was approved by the Policy Finance and Administration (PFA) Committee in July 2017 prior to the Audit of the Accounts by External Audit, however this timescale will change in 2018 with the earlier closedown and audit of the accounts. The Governance committee 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 was scrutinised in 2017/18 by the Budget and Strategic Planning Working Group on behalf of Council and in 2018/19 this function will move to the new Corporate Committee.

## **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 Director for Corporate Services in 2017/18 through a delegation agreement with LGSS.

The Internal Audit Service undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards. The outcome of audit results in a level of assurance opinion being reported to management. The outcome of audit reports are reported to the Governance Committee, which acts as the Council's audit committee, throughout the year. For each audit assignment, the Committee receives the audit opinions for both the design of the control environment and compliance with the key controls and an overview of the scope and key findings. Members are made aware of all published reports and can request full copies.

A risk model is used to formulate an annual plan which is reported to, and agreed by Senior 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. Since 2017, this has also included a fraud risk assessment process which is undertaken by the Head of Internal Audit and s151 Officer.

Internal Audit has direct access to Members through the Chair of Governance with the committee receiving regular reports from the Internal and External Auditor and considering progress made against audit recommendations. The Committee receives and considers the Annual Governance Statement and any other reports as appropriate.

Based upon the work undertaken by Internal Audit during 2017/18, the Head of Internal Audit's overall opinion on the Council's control environment is that Satisfactory 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 at least Satisfactory Assurance given over the adequacy and compliance with the key controls tested. Of the internal audit assignments delivered during 2017/18, two has resulted in an opinion of less than Satisfactory Assurance as shown in the table below.

Issue identified	Action Taken
<p>A report into Safe Driving at Work was identified as having limited assurance. The main issues concerned Accident/incident logs not being maintained, Risk Assessments not including Driving at Work risk and Driver Risk Assessments being too onerous.</p>	<p>Officers are now in the process of addressing the Internal Audit recommendations. The accident/incident recording log has been reinstated as a matter of priority. The Council has employed a Health and Safety Officer following the post being vacant for a period of time who will prioritise updating Risk Assessments. The Senior Management Team are having regular updates on the implementation of audit recommendations and are satisfied that appropriate action will be implemented to minimise risk.</p>
<p>A report into Development Control was identified as having limited assurance. The main issues concerned performance monitoring and reporting arrangements being ineffective.</p>	<p>The Council now has a Development Manager in place who is creating an Improvement Plan which will incorporate Internal Audits recommendations. The newly appointed Director of Growth and Regeneration will receive regular updates on the implementation of the audit recommendations and the Council is satisfied that it is now in a position to take appropriate action to minimise risk.</p>

We propose over the coming year to take steps to address the above matters to ensure that our governance arrangements are robust. We are satisfied that these

steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation.

Implementation of audit recommendations during 2017/18 has been lower than expected. It is recognised that this is an area that will require improvement and is already being monitored by Senior Management which will need to continue during 2018/19. The last 18 months has seen a period of high turnover in senior management posts with transitional arrangements being put in place. A new corporate structure has been agreed and a fully resourced management team is due to be in place by July 2018 from when it is expected any outstanding recommendations will be attended to.

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 Council's Counter Fraud & Corruption Policy, Whistle Blowing Policy, Anti Bribery and Anti Money Laundering Policy.

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 2017/18 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.

## 11. 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 Senior 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 2016/17 annual governance statement were reviewed. Consideration was given to any issues that needed to remain an area of focus during 2018/19 along with new areas of focus during 2018/19 identified and are set out below.

## 12. ISSUES FOR FOCUS DURING 2018/19

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

Issue	Officer Lead	Comment
Capacity across the Council	Chief Executive.	Programme of recruitment initiated to grow capacity across Council. Work to identify saving/new income options to both plug any unforeseen funding gaps or re-direct in to priorities to support capacity requirements.
Lack of focus caused by too many priorities	Chief Executive	Prioritisation Exercise and service realignment to ensure resources are focussed and aligned with corporate priorities. Newly established policy forum to

		create a funnel for policy development.
Committee structure - lack of focus and accountability for key priorities as well as some duplication	Chief Executive	New Governance Structure to focus on priorities and performance. Further improvements planned in phase 2 to be led by new Director for Legal and Democratic Services.
Delegation scheme not as effective as it should be	Chief Executive	Scheme of delegation and further review of Governance (phase 2)
MMDR funding – sufficient to deliver road and sustainable for the Council's finances	Director of Growth and Regeneration	Singificant progress made due to DfT funding confirmed. Local Plan adoption will further increase confidence.
No balanced budget for 2018/19 and dependency on achieving some high risk activities, e.g. commercial returns. No Plan B.	Director for Corporate Services and S151 Officer	Plans in place to identify new savings/income generation options to enable quicker response to any funding shortfalls or opportunities to re-direct resources from non-priorities to priority areas.

A detailed annual action plan linked to the issues identified in Section 12 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