

## **INTRODUCTION**

### **Background and Scope of Responsibility**

Melton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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 economy, efficiency and effectiveness.

In discharging the overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework 'Delivering Good Governance in Local Government' 2016. A copy of the Code is available on our website at [www.melton.gov.uk](http://www.melton.gov.uk) or can be obtained from the Council Offices in Melton Mowbray upon request. This Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement.

The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values, by which the Authority is controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Authorities system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place for the year ended 31 March 2019, and up to the date of the approval of the Statement of Accounts.

## **The Governance Framework- Our vision, priorities and values**

The Council's vision, priorities and values are set out in the Corporate Delivery Plan, which was adopted by Council in May 2018; following a refresh of the Corporate Plan adopted in 2015. The refreshed plan confirmed the Council's Mission as "Helping People, Shaping Places". The identified priorities support this and are detailed in a series of critical activities which are incorporated into Directorate Delivery Plans and the Medium Term Financial Strategy. The Council's priorities are shown within three headings; Place, People and Organisational.

### **The key elements of our governance framework**

For the year ended 31 March 2019, the Authority had chosen to operate a Committee System which consists of Policy Committees. From May 2019, the Council will be operating cabinet style governance arrangements, which consist of a separate Cabinet and Scrutiny function. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

The Council has a Constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. This has been revised from May 2019 in accordance with the decision to move to new governance arrangements.

The Authority has two layers of management and its management teams each play an important role in maintaining the governance framework.

Our Senior Leadership Team "SLT" comprises of the Chief Executive, Deputy Chief Executive and Directors. The group meet weekly and are scheduled to focus on either business as usual, strategic issues, projects and programmes and the health of the organisation.

Service Managers who we call "T3's" meet monthly to consider operational service issues and ensure compliance with corporate matters such as performance before SLT consider them.

Our Melton Leadership Team brings service and senior managers together, comprising the Chief Executive, Deputy Chief Executive, Directors and Service Managers. The group meet bi monthly and focus on both the Council's strategic direction and leadership development.

Directors meet with the Service Managers in their respective Directorates to consider specific service matters regularly.

## **Role of the Council**

The extent of the role of Council in reviewing and monitoring effectiveness of internal control is set out in the Council's Constitution. This provides that the Council is responsible for setting the policy and budgetary framework.

The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Director for Law and Governance) and Section 151 Officer (Director for Corporate Services) fulfil the statutory duties associated with their roles, including ensuring that the Authorities activities are in accordance with the law and legislative requirements, and that financial budgets are set and monitored regularly.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Constitution has undergone a revision this year to ensure that it streamlines decision making and is fit for purpose under the Authority's new governance arrangements. The new version was actively reviewed by Members and approved by Council prior to its implementation on 16<sup>th</sup> May 2019.

The Council formally reviews its Financial Procedure rules on a regular basis and a review has been completed as a part of the Constitutional review. On-going updates are implemented as part of the regular reviews of the Constitution.

## **Role of Policy Committees**

As has been mentioned, for the 2018/19 period, policy committees were in operation, prior to the adoption of the Cabinet system in May 2019. The Policy Committees had responsibility for policy decisions and for making recommendations to Council within the Budget and Policy Framework. Their remit was clearly set out in the Constitution adopted in May 2018, following an initial review and update as part of the first phase of the Governance Review. They played a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues. From May 2019, the Cabinet will have responsibility for the strategic direction of the Council and making policy decisions and a Scrutiny Committee providing valuable consultation and challenge to decision makers.

## **Role of Governance Committee in 2018/19**

The Governance Committee met the external auditor to discuss findings in the Annual Audit Management Letter and reports and the Governance Committee was responsible for ensuring that the Council's system for internal control were sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the

Council's operations. The role of the Audit committee will be performed by the new Audit and Standards Committee from 15<sup>th</sup> May 2019.

### **Risk 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 directorate and strategic corporate risk registers are maintained with appropriate action plans to mitigate and manage identified risks. The strategic risk registers are reviewed and updated at the Senior Leadership Team as appropriate. Directorate risk registers are reviewed within team meetings. To ensure that risk is considered all reports presented to Members must include a risk assessment of the actions or implications within the report. This assessment also covers legal and financial and value for money considerations. Decisions that are due to be made by elected members identify risks and categorise them as high and low probability and high and low impact on the Authority and plans are put in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. Risk assessments are also put in place as part of the Council's Project Management Appraisal Process.

Risk management is part of the regular training delivered to officers and members. Risk Management responsibility falls within the remit of the Council's Governance Committee and new Audit and Standards Committee indicating its importance within the context of good governance. From May 2019, the Corporate Risk register will also be reported to Cabinet to ensure those agreeing and implementing policy decisions, do so in the context of the risks being faced by the Council.

### **Role of Internal Audit**

The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has delegated its Internal Audit function to LGSS. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards.

Internal Audit had direct access to the Chair of Governance Committee which has been undertaking the audit function within the Council.

A risk model is used to formulate an annual work plan, progress against which is reviewed each quarter by Senior Leadership Team and the Governance Committee and will be by the new Audit and Standards Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director as well as the Section 151 Officer and Monitoring Officer.

The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation.

Progress against recommendations is followed up by Internal Audit and reported to Governance Committee and will be the new Audit and Standards Committee on a quarterly basis throughout the year.

The Internal Audit Annual Report 2018/19 was considered by the new Audit and Standards Committee on 11th June 2019. Internal audits opinion overall, based on all Internal Audit work during the year is that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2018/19. Further details are provided below.

#### Role of External Audit

The current external auditors are Ernst and Young LLP. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended. External Auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, effectiveness on its use of resources. No significant issues have been raised relating to issues arising from audit work undertaken to date.

#### **How we comply with the CIPFA/SOLACE Framework**

The following sections list the key elements of the systems and processes that comprise the Council's governance framework with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

#### ***Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.***

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Members' Code of Conduct, Planning Code of Conduct and Citizens' Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance.

The Constitution contains a section on the "Principles of Decision Making", and all decisions should be made in accordance with these principles.

During 2018/19 the Governance Committee had a pro-active work programme and each meeting of the Committee received a report from the Monitoring Officer on current issues.

The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality).

The Officer Register of Gifts and Hospitality received regular checks by the Monitoring Officer whilst checking of the Member Register is also undertaken.

The Statutory Officers bring governance issues to SLT as part of an approved workplan and also if there are any other issues as appropriate. The Council's Whistle Blowing Policy includes members, contractors, suppliers and service providers and people working in partnership with the council (e.g. volunteers). All reports received under the policy are investigated thoroughly although no reports were received in year.

#### Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

The "Monitoring Officer" function is carried out by the Director for Law and Governance who reports to the Chief Executive. The Legal and Governance Manager who has responsibility for legal matters and is also the "Deputy Monitoring Officer", reports to the Director for Law and Governance.

#### Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

The "Head of Paid Service" role is undertaken by the Council's Chief Executive.

#### Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council has an established Audit and Governance Committee whose remit and functions are based on the guidance set out in a CIPFA publication which identifies best practice in relation to roles and responsibilities. The Committee meets quarterly and receives regular reports from both the Section 151 Officer and the Head of Internal Audit. Arrangements are in place for the Head of Internal Audit to report independently to the Audit and Standards Committee should he/she feel it appropriate to do so. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

#### The Council ensures compliance with established policies, procedures, laws and regulations through various channels.

Two of the Council's statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Head of Internal Audit who provides assurance on matters of internal control.

There is an in-house legal team. The Legal Team work closely with all teams across the Authority providing risk based advice.

The Council has ongoing GDPR considerations and a programme of works to ensure compliance is continuous.

#### Whistle-blowing and for receiving and investigating complaints from the public

The Council has in place appropriate whistle blowing policies and procedures which are regularly reviewed and updated where required. Staff are aware of the Whistle Blowing policy through the Council's intranet. The Council has recently refreshed and updated its complaints procedure and has consolidated resources into an Information Officer role to enable more effective grip and oversight of corporate complaints.

#### **Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Council values openness and comprehensive stakeholder engagement. The Authority has a Consultation Toolkit which is used to guide effective and appropriate consultation.

The Authority has established partnership working and consultation with a number of different partners and organisations including TFEC (tenants forum) and BID (consisting of local businesses).

There are excellent relations with recognised trade unions on staffing matters. The Council shares its 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. The Council engages with a wide set of private sector, business and community stakeholders through a newly established Melton Place Board; focussing on encouraging growth and prosperity in Melton.

Our range of communications policies sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication.

Internally, we communicate with staff via team meetings, the intranet, email and Chief Executive's Briefings for staff. The Authority has "Service Champion" meetings which involves frontline staff representatives from all services in the Council meeting on a bi-monthly basis with the Chief Executive. It also has a formal, regular mechanism of meetings with representatives and officials from the recognised Trade Unions.

The Council's new scrutiny arrangements are being developed to ensure that key elements are externally scrutinised and involve all sections of the community and stakeholders as necessary.

### **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements

The Authority participates in a range of joint working arrangements with other bodies. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and protect reputational risk, but the Council also works with partners on a range of issues without formal arrangements, aiming to influence their activity to maximise the benefits to our area. Should there be corporate risks based on partnership arrangements these will be detailed within the strategic and directorate risk registers.

The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

### **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

The Corporate Delivery Plan and our Medium Term Financial Strategy detail how we have planned all our resources, both financial and staffing to deliver against our priorities. Our corporate management and performance framework has been developed to strengthen the performance of the Authority and the achievement of key objectives and outcomes. Performance is now being regularly and publically reported through Cabinet.

### **Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it**

The Authority has a new Workforce Strategy, adopted in 2018 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 Authority forward. The Council has managed to maintain a healthy training budget to assist with staff and member development.

The Council fully supports the requirements to ensure that both members and senior officers have the necessary skills sets to fulfil their strategic role in the organisation; using the aforementioned Melton Leadership Team forum to support this as well as more specific and dedicated training sessions and coaching.

A comprehensive induction programme exists for both members and officers which has been developed to deal with all relevant core issues. The Authority is committed to creating an environment where elected members' skills can develop and thrive



with regular courses being delivered and bespoke training needs are identified. An annual appraisal is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a corporate training programme where appropriate.

The 2018/19 year marked a year of changes for the Council with the appointment of a new Monitoring Officer, Deputy Monitoring Officer and Director for Growth and Regeneration. During the previous year, the senior management structure of the Council was reviewed and a revised structure was approved by Council. This came into fruition at the start of the year and has continued to embed.

The 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.

#### Enhancing the accountability for service delivery and effectiveness of other public service providers

The Council is a partner in the Leicestershire, Leicester and Rutland Resilience Partnership (LRP). All Councils at Unitary, District and Borough levels are members of the Partnership to bring together emergency management resources to prepare for and respond to civil emergencies within the Leicester, Leicestershire and Rutland area. The Assistant Director for Planning and Regulatory Services is the Authority's representative on the LRP Management Board.

The move to a Cabinet model and the incorporation of a formal scrutiny function and committee will further increase the ability of the Council to undertake broader policy development and hold partner organisations to account.

#### **Principle F – Managing risks and performance through robust internal control and strong public management**

The writing of formal reports has and will follow a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale and risk. Reasons for all decisions must be given and these are recorded in the minutes. The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias. The Council will maintain an Executive Decision Notice of key decisions to maximise transparency and consultation.

The Governance Committee have undertaken the functions of an audit committee as identified by CIPFA guidance. It receives regular reports and presentations from the External Auditor and is independent of cabinet. This will be undertaken by the new Audit and Standards Committee moving forward.

The Authority has a customer feedback complaints system and this information is sent to the relevant Director and is used to improve service delivery and customer satisfaction.

The strategic risk register is reviewed and updated and scrutinised by the Governance Committee on an annual basis and more frequently by management. The risks identified have been allocated lead officers have been identified to manage each risk. Risk Management also forms a key element of the Corporate Delivery Plan and the Directorate planning process and risk management is an integral part of the Authority's performance management arrangements.

The Authority is committed to the effective use of IT and has a digital strategy and IT acceptable usage and Security Policy which are kept under regular review.

The Council's 2018/19 Treasury Management Strategy was approved by Council in February 2018, and risks are fully evaluated as part of this strategy.

### **Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Ensuring the Authority's Financial Management Arrangements conform with the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

The Director for Corporate Services undertakes the role of Chief Finance Officer and the Authorities financial management arrangements continued to conform with good governance.

### **Review of Effectiveness**

Based upon the work of the undertaken by Internal Audit during 2018/19, the Head of Internal Audit's overall opinion on the Councils 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. Of the internal audit assignments delivered during 2018/19, six have resulted in an opinion of less than Satisfactory Assurance. Steps have been taken to address these and ongoing steps will be taken as part of the improvements identified below. The Council is satisfied that these steps will address the need for the improvements that were identified.

The Authority has responsibility for conducting at least annually, a review of its governance framework including the system of internal control. The review is informed by the Internal Audit Annual Report, the work of the Governance Committee (Audit and Standards Committee), the comments of external auditors and other review agencies and inspectorates, the Councils Local Code of Corporate Governance and the work of the Senior Leadership Team who have responsibility for the development and maintenance of the internal control environment. At the end of

the year annual assurance statements are issued to each member of the Senior Leadership 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 Councils statutory officers to identify which of the issues raised are appropriate to be included within the Annual Governance Statement.

The conclusion from the review is that the Council has 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.

Progress against those items identified in the 2017/18 Annual Governance Statement were reviewed and consideration given to any issues that needed to remain an area of focus during 2019/20 along with new areas identified below.

The table below shows areas for focus identified last year and progress made against the issues.

Issue	Officer Lead	Comment
Capacity across the council	Chief Executive	A Workforce strategy has been approved and action plan progressing. The number of vacancies has reduced with a number of new staff recruited; staff turnover has improved. A staff survey undertaken in October 2018 highlighted improvements in culture and leadership
Lack of focus caused by too many priorities	Chief Executive	A prioritisation exercise and service realignment was completed. A new corporate delivery plan approved May 2018. Following the May 2019 elections a new corporate strategy 2020-2024 is being developed. A newly established policy forum was created as a funnel for policy development which will now be undertaken by the cabinet and portfolio holders. Four new

		directorates have been created and these will work to directorate delivery plans derived from the new corporate delivery plan.
Committee structure - lack of focus and accountability for key priorities as well as some duplication	Chief Executive	Executive arrangements have been implemented from the May 2019 AGM with a new constitution.
Delegation scheme not as effective as it should be	Chief Executive	New scheme of delegation implemented as part of the new constitution following the implementation of the executive arrangements.
MMDR funding – sufficient to deliver road and sustainable for the Council's finances	Director for Growth and Regeneration	Work continues to develop a model that is affordable to the Council and sufficient to deliver the road. This is covered by the issue identified in 2019/20 related to the council's finances.
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	This is an ongoing issue and is reflected in the issues identified for 2019/20 below. Work has continued and will continue to review the VFM of services and identify areas where savings or efficiencies can be made in order to assure the financial stability of the council.

The table below shows the improvement areas identified for 2019/20 which will be ministered by Senior Leadership Team on a quarterly basis.;

CIPFA/SOLACE Principle	Improvement	Owner
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Review and strengthen compliance with policies and procedures and legislative requirements for goods, works and services procured by the Council.	Senior Leadership Team
	Continue to improve the links between procurement and legal regarding the instigation of appropriate contracts following procurement	Director for Corporate Services Director for Law and Governance
	Review the process for maintaining the Contracts Register	Director for Law and Governance Director for Corporate Services
Principle D : Determining the interventions necessary to optimise the achievement of the intended outcomes	Review Project Management board structure and Framework	Director for Corporate Services
	Complete a Stock Condition Survey and Asset Management Plan which will include the introduction of a Compliance Framework for all assets which will inform the Capital Strategy and HRA business plan.	Director for Growth and Regeneration
	A compliance framework to be prepared for all Council properties to ensure compliance with health and safety standards and delivery of decent homes standard	Director for Growth and Regeneration

CIPFA/SOLACE Principle	Improvement	Owner
	Ongoing consideration of how the Council will balance its budget from 2020/21 onwards taking into account, the impact of the spending review and subsequent funding decisions by central Government and the impact this will have on the Council's finances into the future	Director for Corporate Services
Core Principle F : Managing risks and performance through robust internal control and strong public financial management	Complete outstanding actions identified as part of the Internal Audit Annual Report 2018/19.	Senior Leadership Team
Core Principle G : Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Review and strengthen financial awareness to further enable budget holders to effectively manage budgets.	Director for Corporate Services
	Review and strengthen decision making awareness throughout the Council including reporting and recording of decisions in line with executive arrangements requirements	Director for Law and Governance

Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)

The Authorities internal reporting arrangements are designed to ensure the independence of the internal audit function. Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the Authorities operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk

management, control and governance processes. The Head of Internal Audit reports directly to the Council's Governance Committee on all matters appertaining to audit outcomes. The Head of Internal Audit and the Section 151 Officer meet on a bi monthly basis to discuss and review governance and risk matters.

### **Overall opinion and conclusion**

#### **Conclusion**

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issued identified in undertaking the annual review. The Authority will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review.

### **Statement of Leader and Chief Executive**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework carried out by members of the Senior Leadership Team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Chief Executive

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Leader

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