DRAFT ANNUAL GOVERNANCE STATEMENT 2015/2016

1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The Council 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 these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of national best practice as set out in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1 April 2015, the Accounts and Audit Regulations 2015 in relation to the publication of a statement on annual governance.

In addition to this, CIPFA issued its *Statement on the Role of the Chief Finance Officer in Local Government (2010)*. The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council's Chief Finance Officer is the Statutory Section 151 Officer (S151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled including activities through which the Council accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and cost effective services.

The system of internal control is a significant part of the governance 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 on-going process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

3. THE GOVERNANCE ENVIRONMENT

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the Council's vision and its implications for the Council's governance arrangements
- Measuring the quality of services for users, ensuing that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating standing orders, standing financial instructions, scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function
- Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistleblowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

The main areas of the Council's governance framework, and key evidence of delivery, are set out below, under the headings of the six CIPFA/SOLACE principles of governance:

1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area
Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users The Council's Corporate Strategy and Corporate Plan (2012-2015) was adopted for the financial year 2015/2016 and outlines the Council's Aim 'to be recognised as the most efficient Council in the country', the Council's Priorities and the Top Tasks to achieve those priorities. The Council's Aim and Priorities are determined by Members through Cabinet and Council, following consultation with the public. A revised Corporate Strategy and Corporate Plan (2016-2019) was drafted during 2015/2016 and will be submitted for approval during 2016/2017. The Council also publishes an annual report, the 'Review of the Year' which sets out the Priorities and outlines achievements against them as well as other actions and details of the Council's finances and performance. The Corporate Strategy and Review of the Year are published on the Council's website. The Council has prepared a new Local Plan for the District. This will align with the National Planning Policy Framework and set out a long term plan for managing development up to 2031. Local Plans are important documents because they guide future planning decisions about what is built and where, including new homes and businesses. The Local Plan provides a spatial expression of the Council's Vision. The Council consulted on the Local Plan during 2015, including Development Strategy, spatial portrait, vision, strategic objectives and strategic policies as well as proposed site allocations for employment and housing. The Local Plan was submitted for examination in 2016.
Reviewing the Council's vision and its implications for the Council's governance arrangements The Corporate Strategy and Plan are fundamentally reviewed every 4 years, linked to the election cycle, and updated annually having regard to new information (e.g. 2011 Census). The Top Tasks for the forthcoming year are also refreshed.
Translating the vision into objectives for the Council and its partnerships The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks i.e. the most important key actions needed to meet the Priorities. Underpinning the Priorities and Top Tasks are Service Delivery Plans (SDPs) for each service. The SDPs contain, amongst other things, the key tasks and the performance indicators for each Council service.
Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money The Council's Aim 'to be recognised as the most efficient Council in the country' is being measured using a basket of indicators based on cost, outputs and outcomes. Progress on the Council's efficiency measures is reported to the Overview and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements

During 2015/2016 the Chief Executive was appointed to the role of Managing Director of the 2020 Partnership and consequently temporary arrangements were made to allocate some of his previous duties to other officers – notably the Strategic Directors. The Strategic Director responsible for Resources temporarily took on the role of Acting Head of Paid Service enabling the Chief Executive to be released to deliver Partnership responsibilities. The Head of Paid Service is a statutory role and the duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with West Oxfordshire DC under a formal secondment agreement. The respective roles of Leader and Head of Paid Service are set out in the Council's Constitution, underpinned by the more general requirements of the Member/Officer Protocol. An appraisal process, across the two Councils, is in place.

The Council has a Protocol which sets out the roles and responsibilities of Members and officers and gives guidance in relation to planning work.

3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member/Officer Protocol, which set out guidelines as to behaviour and practical issues.

A comprehensive induction programme provides further assistance to Members and Officers as to their roles and responsibilities. The Constitution is also reviewed regularly reflecting legislative changes, guidance and best practice.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the Council's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality

The Constitution contains a comprehensive description of the allocation of functions and responsibilities across the Member and Officer structures. The relevant sections are kept under regular review to ensure that they accurately reflect legislative and local requirements, guidance and best practice.

The Council has a Data Quality Policy. At year end, officers are requested to verify the outturns of their performance indicators and to provide supporting evidence. Internal audit reviews performance management arrangements, including the outturns for a number of performance indicators annually.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Council has a Risk Management Policy and risks are identified and managed both corporately and at service level, as part of the Performance Management process. The Risk Management Group meets quarterly and reviews the Corporate risk register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Audit Committee has oversight of the Risk Management Policy and processes.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained. Including; the "CIPFA code of practice on managing the risk of fraud and corruption"

The Council has a Counter Fraud and Anti-Corruption Policy. All new employees and Members are briefed on this policy during their induction. Refresher training is provided to Heads of Service, Managers and Members as required.

Counter Fraud and Anti-Corruption guidance is issued to all staff and Managers. This Policy was updated and presented to Audit Committee in January 2016 and updates on activity are presented to the Audit Committee quarterly.

A business case for the establishment of a multi–Council shared Counter Fraud unit is being developed supported by funding from the Department of Communities and Local Government following the transfer of benefit fraud investigation to the Department of Work and Pensions.

Ensuring effective management of change and transformation

The Council has incorporated all its change management and transformation activities within the 2020 Programme which has a full time establishment to deliver the significant programme set out. It has adopted appropriate Programme Management tools and techniques to facilitate delivery against the programme targets.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members (of that team). The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.

Although the Chief Finance Officer does not report directly to the Chief Executive at Cotswold, she reports to the shared Strategic Director of Corporate Resources (also a qualified accountant with Chief Finance Officer responsibilities for West Oxfordshire District Council). Having access to a second individual with CFO skills and knowledge strengthens the Leadership Team at Cotswold. The Cotswold Chief Finance Officer has direct access to the Chief Executive as necessary. She also attends meetings of the Joint Corporate Management Team and Joint Heads of Service Team where she is able to fulfil her Chief Finance Officer role.

Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The Head of Audit Cotswolds fulfils the role of Head of Internal Audit for Cotswold DC. Through the Partnership Section 101 Agreement, and the Job Description for the position, it is evidenced that the CIPFA role is delivered in full. A statement of the 5 Principles within the CIPFA role has been completed by the Head of Audit Cotswolds demonstrating compliance with this requirement.

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

The Shared Head of Legal and Property Services is designated as the Monitoring Officer (with the Head of Democratic Services as Deputy). Duties in this regard are set out in the Council's Constitution and the officers' detailed job specifications. These Officers, supported by others within Democratic Services and Legal Services, ensure that the Council's decision-making processes comply with legislative and Constitutional requirements.

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

As set out above, the Shared Strategic Director (Resources) has been designated has the Head of Paid Service initially on acting terms and subsequently permanently. The duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with West Oxfordshire DC under a formal secondment agreement.

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

The Audit Committee was established during the 2015/16 municipal year, although prior to this it was and Audit and Scrutiny Committee. Its functions are set out in the Constitution.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

All reports contain a section on legal implications, including comments relating to ultra vires where relevant. The Council's Contract Procedure Rules also include information relating to letting contracts under European Regulations.

Whistle Blowing and receiving and investigating complaints from the public

The Council has published a Whistle Blowing policy. The Council also has a Counter Fraud and Anti-Corruption strategy. All new employees and members are briefed on this policy during their induction. Refresher training is provided to Heads of Service, Managers and Members as required. This includes requirements within procurement strategy / procurement rules requiring contracting organisations to ensure that employees are made aware of the Council's Whistle Blowing Policy. The Whistle Blowing Policy is communicated to all existing contractors and ensuring they make their employees aware of how to access the Council's policy.

The Council's complaints process includes a centrally managed recording system to log all complaints. This system enables reports to be generated including statistical data on numbers and types of complaint.

5. Developing the capacity and capability of Members and Officers to be effective

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The induction programme provided for Members immediately after each District Council election, together with the on-going programme, aims to provide Members with the skills needed to perform their roles. Members are encouraged to identify individual and specific training and development needs. Members are also required to undertake training before performing some specific roles, such as planning and licensing. Officers are appraised annually and the process identifies any skills or training gaps. The Corporate Training Programme is developed from the identified training gaps.

6. Engaging with local people and other stakeholders to ensure robust public accountability
<u>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</u> The Council Plan sets out the aspirations for the District and is refreshed annually with a full refresh every three or four years. Appropriate consultation with stakeholders such as Towns and Parishes and the public is carried out to support the public refresh. One of the priorities of the Council is to 'work with local communities to help them to help themselves' activities detailed in the Council Plan work towards that goal, whilst engaging local people, communities and stakeholders.
<u>Enhancing the accountability for service delivery and effectiveness of other public service providers</u> All tasks and performance indicators are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Service Delivery Plans identify key tasks and three year targets for performance indicators. Local government is accountable in a number of ways. Elected local Council members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Members and Officers are subject to codes of conduct. Additionally, if someone believes that maladministration may have occurred, the aggrieved person may lodge a formal complaint with the Council. If that person is not content with any response, then the matter can be pursued through the Local Government Ombudsman.
<u>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements</u> The Council's Partnership Framework and Toolkit which sets out the roles and responsibilities of those representing the Council on partnerships and gives guidance in relation to the management and governance of partnerships. The Council also maintains details of known Partnerships, which are reviewed from time to time. Furthermore, there is a shared working strategy to guide the operations of the various shared service/officer arrangements.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Audit Cotswolds and comments made by the external auditors and other review agencies and inspectorates.

The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:
Heads of Service completing annual assurance statements at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for

improvement.

Corporate Team (including the S151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by each Manager / Head of Service.

The Head of Audit Cotswolds provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.

Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by an Independent Person(s).

Induction process for newly elected members.

The S151 Officer ensuring training and awareness sessions are carried out for the Audit Committee periodically.

The External Auditors (Grant Thornton) presenting progress reports to Audit Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports – overseen by the Audit Committee.

Quarterly performance reports, including the Corporate Risk Register and budget position, are presented to Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed service plans, performance indicators and budgets.

The Audit Committee review the Annual Governance Statement.

The Audit Committee review the Annual Statement of Accounts, the Treasury Management Strategy and reports from both Internal Audit (Audit Cotswolds) and External Audit (Grant Thornton), including quarterly progress reports.

Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, following recommendations from Cabinet.

Audit Cotswolds monitors the quality and effectiveness of systems of internal control. Audit Cotswolds audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Service Manager / Head of Service.

The Annual Internal Audit Opinion for 2015/2016, in respect of the areas reviewed during the year, was 'Satisfactory'.

The Council's Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review / assurance mechanisms, such as the annual report from the Local Government Ombudsman and reports from Audit Cotswolds or Grant Thornton.

5. SIGNIFICANT GOVERNANCE ISSUES DURING 2015/2016

In preparing this statement and reviewing the effectiveness of our governance arrangements we have identified areas where we need to focus attention and improvement work over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

No.	Key Area of Focus	Planned Actions
1	2020 Vision Partnership – delivery of shared services	Ensure robust arrangements are in place to enable the Council to have assurance over the quality of shared services provided and the level of savings achieved.

One "No assurance" audit report and three "Limited assurance" audit reports were issued during the year, these being:

1. Flood Works – weaknesses identified during testing included non-compliance with Contract Rules, Financial Rules and Legislation in respect of the tendering and awarding of contracts.
2. Social Media – weaknesses identified during testing included non-compliance with the Social Media Guidance Document, lack of documented business cases for social media accounts and an inconsistent approach to 'liking' and 'following' of other social media accounts.
3. Contract Management – weaknesses identified during testing included non-compliance with Contract Rules, including non-usage of purchase orders through ABW (also non-compliance with Financial Rules), contracts not being published on the contracts register.
4. Risk Management – Income Streams – weaknesses identified during testing included the non-compliance of financial rules, in respect of reconciliations by the service areas reviewed, inconsistencies in charging, and inefficiencies in working practices.

Findings, recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2016/17 to ensure actions are being implemented.

At the time of this report Indications from the testing, that has been undertaken for the audits that are in draft report stage, are that further Limited assurances opinions will also be offered. These reports have been discussed with Management and action plans are being agreed, follow-up reviews have been planned for 2016/17 to ensure the agreed actions for recommendations have been implemented.

6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Cotswold District Council:

Lynden Stowe
Leader of the Council

Frank Wilson
Head of Paid Service

Date:

Date:

(END)