

**DRAFT ANNUAL GOVERNANCE STATEMENT 2016/2017****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 (2015)*. 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, ensuring 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 Financial Rules, Contract Rules, Constitution, 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 (2015)* 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 seven CIPFA/SOLACE principles of governance:

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

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.

Declarations are made at meetings by Members, and Officers, where appropriate and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.

Registers of interest are completed annually by Members and Officers and a register of gifts and hospitality is maintained.

Officers undergo annual performance appraisals.

Statutory Officers' responsibilities are defined in the Council's Constitution and are employed in accordance with statutory guidance.

Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee.

Whistleblowing policies have been updated and have been ratified by Cabinet. Review has found that these have not been made available to employees as yet. A complaints procedure is available to members of the public and explains the ways that a complaint can be made and the responsibility of the Council.

A Gloucestershire wide counter-fraud unit, including West Oxfordshire DC, has been established to help prevent and detect fraud and corrupt practices, including misuse of power.

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

A report is produced annually regarding the performance of the council and the achievement of its aims and objectives. The report is published on the Council's website.

The Council publishes on its website data such as: supplier payments, Senior Management Structure Charts, Annual Pay Policy Statement, trade union recognition and facilities time. Where data is required that is not available in these datasets, instructions are available on how to make a Freedom Of Information request and the procedure that will be followed to answer the request.

All committee meeting agendas and minutes are published in accordance with the calendar of dates. Publication of agendas is made in accordance with the Local Government Act 1972.

Stakeholders are consulted during the annual budget setting process. Stakeholders include town and parish councils, businesses and residents. Final budgets are discussed at Cabinet and Council at the appropriate budget setting meeting.

A formal partnership arrangement has been created between Cotswold, West Oxfordshire and Forest of Dean District Councils to deliver services to these local authorities, which includes sharing knowledge and resources. Cheltenham Borough Council is also part of this partnership in a more limited capacity as it is part of the Human Resources, Finance and IT shared services.

The Council's Corporate Strategy sets out the aspirations for the District and is refreshed annually with a full refresh following the Council election cycle. Appropriate consultation with stakeholders such as town and parish councils and the public is carried out to support the development of the Corporate Strategy. The Council's Corporate Strategy identifies the key tasks which support delivery of the Council Aim and Priorities.

The Council also consults upon strategic documents and decisions. Examples of significant consultation include the development of the Local Plan, significant changes to services (e.g. waste and recycling collection, car parking).

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

The Council's vision is contained within the Corporate Strategy 2016-19, which also states the Aim and Priorities of the organisation. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities.

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.

The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks. 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.

Risk management strategy and policy are both in need of review to reflect recent organisational changes but processes for identifying, scoring and reporting risks are sound.

The Corporate Strategy deals with the Council's approach to environment and sustainability issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members.

The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme. These key financial documents are updated annually in advance of the forthcoming financial year.

The Council is in the process of producing its Local Plan which sets out the detailed plans for delivering sustainable economic, social and environmental benefits across the District.

### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

The Council's Medium Term Financial Strategy highlights the requirement for the Council to make further savings and efficiencies in order to balance its revenue budget over the medium term. The Council is one of three councils looking to transform and share all of its services (2020 Vision programme). The Environmental Regulatory Service (ERS) was the first service in this programme to go live. Processes have been aligned between three of the Councils to ensure consistency and that the service is efficient and effective in its duties. Further savings were identified through outsourcing the internal audit function to the South West Audit Partnership.

In addition to the 2020 Programme changes, the Council continues to secure savings through its procurement processes and through making changes to the way services are delivered.

The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of Corporate and Service Plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.

Risk registers for Cotswold DC and West Oxfordshire have been combined and are discussed and reported quarterly.

KPIs are identified and included in the service delivery plans for each service, these are reported quarterly

Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.

The Medium Term Financial Strategy is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment.

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

One of the reasons behind the 2020 Vision Programme is to increase capacity across the three partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice. The Programme is engaging with specialist legal, financial, HR and actuarial advisers to enable the Councils to take well informed decisions regarding future governance arrangements as the sharing of services and transfer to an external (wholly owned) provider progress.

The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors. In preparation for the move to the new companies, the existing management team has undergone leadership development training and are introducing the use of new skills and techniques introduced as part of the training. New software applications are also being employed to support the new way of working.

There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a scheme of Delegation for officer decisions at Executive, Non-Executive and Regulatory. These are reviewed and revised as structures at Council and Officer level change.

Financial Rules were published in 2012; minor changes to the Rules to reflect operational practice were made by the Council's Chief Finance Officer in July 2015 and reported to the Cabinet. The Financial Rules are due to be updated during 2017/18 to reflect changes resulting from the introduction of the new service delivery companies and other operational updates.

Officers are appointed to positions with job descriptions which specify essential or desirable qualifications and experience. Human Resource processes also validate the applicants statements in their job applications and references are sought before employment commences.

An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.

Officers undertake regular performance reviews by way of an appraisal process. Officers discuss actions and training for the forthcoming year and plan how this will be actioned. Typically, two review meetings are scheduled for the year to ensure key objectives are being met and finally a review of the year meeting is scheduled to discuss the officer's performance over the year. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.

During 2016/17, the Strategic Director (Resources) was appointed to the role of Head of Paid Service which provided capacity for the former Chief Executive to be released to undertake a new role of Partnership Managing Director to be responsible for the delivery of the 2020 Shared Services and take forward the 2020 Programme.

The Head of Paid Service and The Leader of the Council have clear responsibilities, roles and responsibilities are contained within the Constitution along with the Member/Officer Protocol.

#### **F. Managing risks and performance through robust internal control and strong public financial management**

The Council has a Risk Management Strategy and policy. The Strategy is due to be reviewed to reflect current operational practice, which has evolved over time.

The Council's Risk Management Group meets quarterly and reviews the Corporate Risk Register and any high scoring service risks that warrant inclusion in the Corporate Risk Register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Service/Corporate risks are allocated to Service Managers/Head of Service for review and control.

Risks are identified when undertaking internal audit reviews and reported when necessary.

Performance is measured on a regular basis and reported to Overview & Scrutiny Committee and Cabinet. The performance report includes performance against Key Tasks, exception reporting from the Council's risk management process, performance against Key Performance Indicators and financial performance including budget monitoring at cost centre level.

Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.

A calendar for all Council formal meetings is created annually in advance of the municipal year and published on the Council's website

During 2016/17 there was an in-house audit team who conducted the internal audits and offered advice and consultancy when necessary.

A risk based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year

Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.

Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit Committee.

The Audit Committee's Terms of Reference are contained within the Constitution, members have experience of a scrutiny role and training is provided when appropriate.

A Counter Fraud Unit has been established at the Council and will support the other Gloucestershire Local Authorities, and West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework. The Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.

An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed. Information sessions were conducted during 2016/17.

The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.

Audit reviews ensure data is held securely whether electronic or hard-copy.

The MTFS is reviewed and updated on regular basis to ensure the S.151 Officer, Directors and Members are aware of the financial standing of the Council

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

The Council publishes an Annual Report which reports on the Council's activities for the previous financial year. Data in respect of transparency is published on the Council's website.

The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations

External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported

Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations haven't been actioned in full.

#### **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 Acting 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 complete an Annual Assurance Statement 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 Acting 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 processes are carried out for newly elected members.

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

The External Auditors (Grant Thornton) present 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 are 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 the Audit Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. 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 2016/17, 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 2016/217

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements 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 / Publica Ltd	The Council needs to ensure that robust governance arrangements are in place to enable the Council to have assurance over the Publica Ltd company set-up and subsequent service delivery and performance reporting.
2	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements.
3	Compliance with Council policies and procedures	Some internal audit reviews are highlighting that there is a degree of non-compliance with Council policies and procedures. As service delivery will transfer to the Publica companies during 2017/18, the Council needs to ensure that Publica takes steps to address compliance issues to minimise risk to the Council.
4	Health & Safety processes – Personal Security	Due to the timing of the Health and Safety (Personal Security) audit, a follow-up review was conducted during 2016/17. The follow-up has identified that a number of recommendations are in progress and remain outstanding but good progress is being made by the services. Further follow-up will be planned for 2017/18.

The Annual Internal Audit Opinion, as drafted by the Acting Head of Audit Cotswolds, lists sixty four pieces of audit work being conducted during 2016/17, which includes consultancy and advisory services. Twenty nine assurance reviews were completed with only one scoring "limited assurance", therefore there is a sound system of internal control at the Council which will continue to help mitigate any risks to the organisation going forward.

The one "Limited assurance" audit report that was issued during the year is captured in 4 above. Recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2017/18 to ensure actions are being implemented for all audit reviews conducted during 2016/17.

Internal Audit follow-up reviews were conducted during 2016/17 on areas where weaknesses were identified in the previous year. Some recommendations have not been actioned and therefore a further follow-up will be undertaken during 2017/18. This is reflected in improvement 3 in the table.

**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:**

**Mark Annett  
Leader of the Council**

**Frank Wilson  
Head of Paid Service**

**Date:**

**Date:**

(END)