

Agenda Item No: 6
Report To: **AUDIT COMMITTEE**
Date: **27 June 2013**
Report Title: **2012/2013 Annual Governance Statement**
Report Author: Paul Naylor, Deputy Chief Executive



Summary:

Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.

The AGS must be published alongside the council's formal audited financial statements, though need not be agreed at the same time. The full financial statement and the auditor's opinion will be considered by the committee in September. It is after that when the AGS is published along with the accounts.

This year's AGS builds on previous statements, providing updated information where needed. However, the format this year is changed to provide greater use of diagrams and bullet points to aid understanding and highlight key points. Its presentation and content take account of proper practice and guidance, and is designed this year to inject more of an 'Ashford BC' flavour including, for the first time, an introduction from the Leader.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they evolve. Its various components are subject to ongoing development, with principal developments summarised in the AGS.

Work to review significant governance issues highlighted last year progressed well. Following input from the Leader and others there are further developments needed and these are highlighted at the end of the draft.

In conclusion governance arrangements remain appropriate, effective and adaptive to change as circumstances dictate.

Key Decision:	NO
Affected Wards:	None in particular
Recommendations:	The Audit Committee is asked to consider the draft 2012/2013 Annual Governance Statement and approve this to be signed by the Leader and Chief Executive as required by regulations.
Policy Overview:	Good standards of corporate governance are essential in all organisations. The council's arrangements are longstanding, well-developed and continue to be effective, but adaptive to change in local circumstances. Our governance arrangements are generally regarded as strong and more so for the direction set by the Cabinet's adopted five-year business plan and associated frameworks and policies.
Financial Implications:	None
Equalities Impact Assessment	Not applicable for this report
Other Material Implications:	None
Background Papers:	None
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2012/2013 Annual Governance Statement

Leader's introduction

"As Leader I am pleased to introduce our annual governance report and to have this opportunity to provide some further context.

"Leadership and good governance go hand-in-hand in any successful organisation. Governance covers a wide range of issues and disciplines from business strategy, through to administrative procedures, decision-making protocols, internal conduct and working relations, community and stakeholder engagement, value for money assurances, and accounting and information systems. It is a complex web of behaviours and activities that as a whole will dictate the success of this council.

"We are proud of our track record and place great importance on good governance to support our aims, but we recognise that governance arrangements must develop to keep up with the times and support our aims.

"We are a growing place, where quality of place, sustainable community development, and quality services are fundamental focus points for us. Working hard to secure improved economic prosperity over the long-term, and listening to and working with our community to improve the quality of the built environment are just two examples of our primary drivers. Supporting these are our aims to develop more entrepreneurial solutions to some of the issues we face, helping in particular with the need to grow the mix of housing needed. Also we will use these new approaches to provide alternative income sources to help mitigate the cuts in grant from central government, and reduce impacts on council taxpayers.

"As we navigate our way through changing, complex, but exciting times underpinning our aim for continued success is good governance. We take seriously the stewardship and advocacy responsibilities we have to our residents, and therefore it is important this council maintains the trust of its community. Our governance arrangements must help us to secure that trust.

"You will see this statement recognises the need for further governance evolution. I am committed to developing even greater transparency and accountability. For example this council will produce a readable and succinct annual report. Later this year we will consolidate our priorities to ensure they remain focused. The Chief Executive and I are working to align the organisation's cultural values to heighten focus, and as part of this we will review aspects of our decision-making and constitution to ensure they are fit for purpose."

Councillor Gerry Clarkson
Leader of the Council

Scope of responsibility

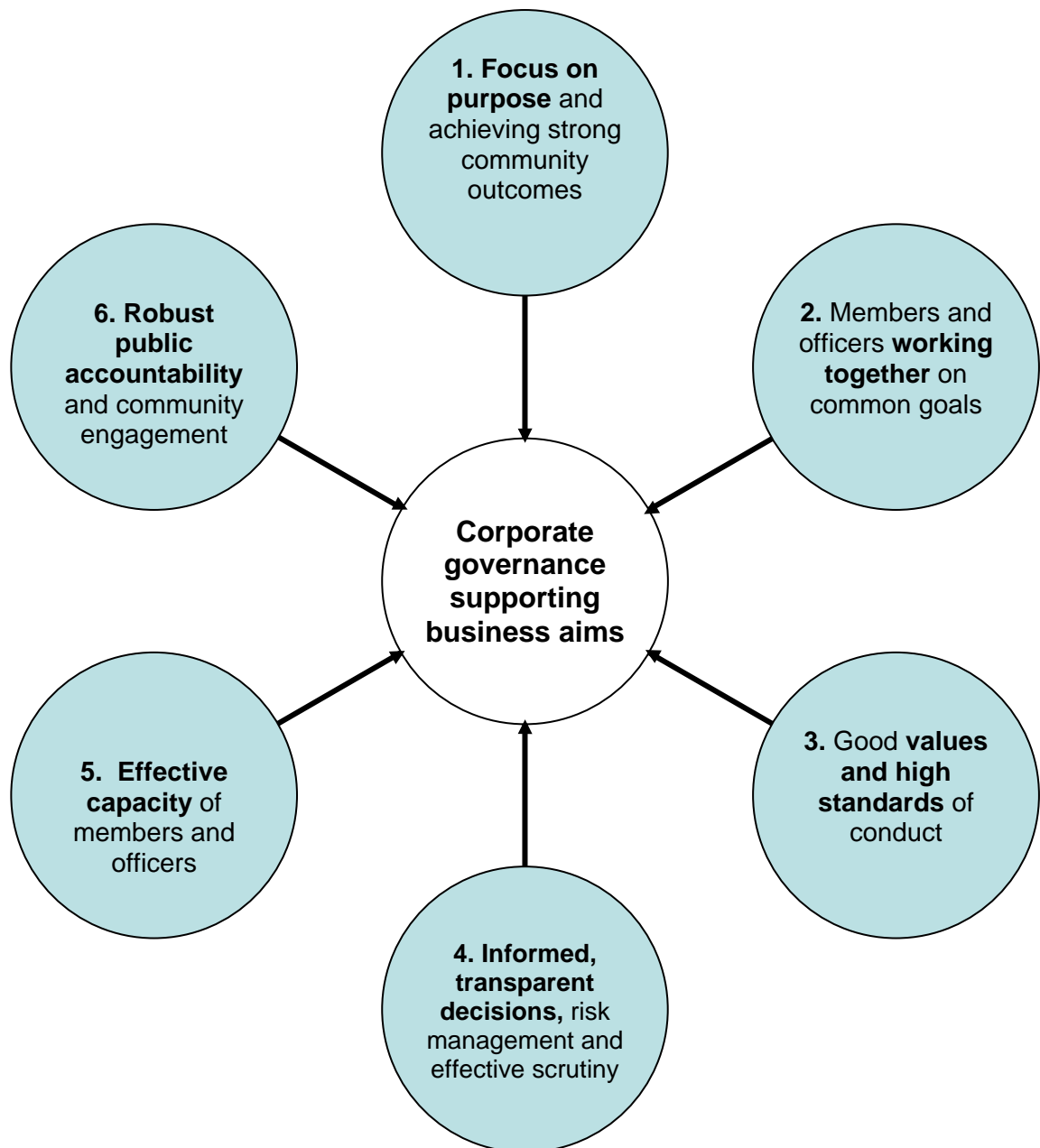
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Further the council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the council gains best value for its residents and taxpayers.
2. Associated with this responsibility is the need for good governance. In 2007 the council adopted its Code of Corporate Governance which followed principles contained in national guidance.
3. In summary terms this Statement explains the council's governance arrangements, how they have directed decisions and services over the past year, and how the council has sought assurance its arrangements remain effective.
4. As governance arrangements must be regularly reviewed to ensure they remain fit for purpose there are changes to arrangements this Statement also reports.
5. Of note are those arising from the recent appointment of the new Leader of the Council, following the untimely passing of the former leader at the end of February 2013. These changes, some already carried out and others planned, are mentioned more fully in the Statement, and represent the continuing evolution of our governance arrangements.

Purpose of our governance framework

6. Governance is a permanent but evolving feature of the council's work. It is designed to ensure members' and officers' roles in decision-making on policies and other matters are fair and transparent. Further the framework helps to ensure the council's business complies with relevant laws and regulations, and is directed by a clear focus on achieving important issues, including identifying and managing risks.
7. Governance is more than just a set of rules, and comprises:
 - The leadership and cultural values, systems and constitutional processes by which the council's work is directed and controlled
 - The ways through which the council engages with, leads and accounts to citizens individually and its community collectively.
8. Our governance helps, therefore, the council to understand progress and make comparison with others. It serves also to reduce exposure to material risks within the council's reasonable control, and protect the council when problems do occur.

9. As a public body transparency is most important. Good governance inspires public confidence. It provides the basis for public assurance that council decisions are taken for the right reasons, that quality of service is protected as far as is reasonable, and that public money is wisely and effectively spent. In these times of tight resources and uncertain economic conditions, risks are more obvious. Our governance helps to focus on key controls and those risks considered more critical to achieving the council's strategic goals.

Our six core principles for good corporate governance



Principle 1 – Focus on purpose and achieving strong community outcomes

“Preparing the business plan has been a journey for councillors and staff alike. When we embarked on it we were determined to find a way to focus on and deliver a new set of priorities which reflected both local and Government expectations...”¹

10. The council has achieved focus for its services through its five-year business plan priorities created after extensive public consultation in 2010-2011. We are now in the third year of implementation. A longer-term guiding position statement was later adopted by the then cabinet in 2011² after some further consultation. Both have provided focus for the council's work. Because of developments in the wider economy, locally and changes to how government financially supports and incentivises councils a further refocusing of priorities is intended. This review follows from changes recently made to the Cabinet, which has expanded with new portfolios adopted.
11. Progress with business plan initiatives and service performance was reported to Cabinet through quarterly performance reports. These are publicly available and are also subject to regular scrutiny through the Overview and Scrutiny Committee.
12. You can access a copy of the business plan and the most recent monitoring report (to May 2013 Cabinet) from these links:
13. For staff, various internal communications are used to promote awareness, including the on-line monthly staff magazine and the Chief Executive's periodic service 'walk about' briefings.
14. An annual (public) report is also intended this year to further communicate the council's aims and progress.

Principle 2 – Members and officers working together on common goals

“elected Members and Officers must work as one team for the benefit of the residents of the Borough rather than in the more traditional local government manner”³

15. As a statutory body the council's structures for decision-making, its rules and its processes are influenced by legislation and associated regulatory needs. A fundamental part of our governance, therefore, is our Constitution. An important aim of the Constitution is to reinforce the principle of members and officers working together and in partnership with others to achieve a common purpose.

¹ Business Plan 2011-2015, approved by Council, February 2011

² 'Ashford 2030 – A framework', Cabinet Position Statement, December 2011

³ Cabinet Position Statement, December 2011

16. The constitution is a legal requirement and sets out how the council runs, how it should make decisions and the guidance it should follow to ensure these are efficient, transparent and accountable to local people. Some of these processes are needed by law, while others were chosen by the council.
17. It has several chapters, which set out the basic rules governing the council's business. More detailed procedures and codes of practice are set out in accompanying rules and protocols.
18. Parts of the constitution are periodically reviewed by a committee to ensure the council's arrangements are relevant to the current day. Thus changes are made as necessary to ensure our arrangements support effective performance of our responsibilities to residents and taxpayers, and fully support effective achievement of the council's aims.
19. There is a further comment on effectiveness of the constitution later in this statement.

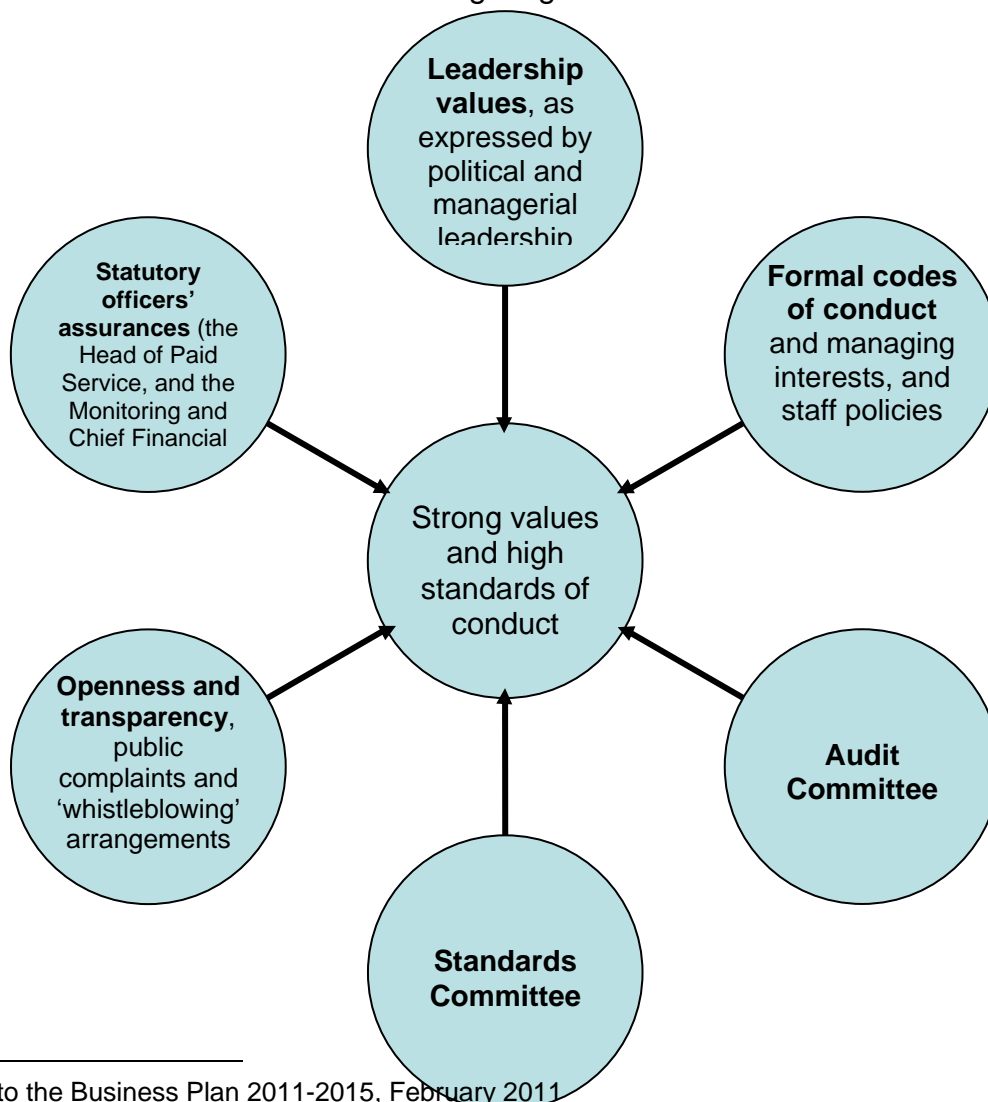
The constitution's principal features



Principle 3 – Good values and high standards of conduct

“We believe [our business plan] principles will underpin the ethos of the Council and the qualities and values we need within our organisation to make a fresh start and to realise our ambitions. We hope they will help provide clear direction and a solid foundation for the Council in difficult times. We have every confidence that we can meet the challenges ahead.”⁴

20. Aside from the Constitution, the council promotes strong values and expectations of high standards in a variety of ways. During 2012 the Council adopted a new ‘Localism Act’ Code of Conduct based upon an agreed Kent Model, drawn up by Monitoring Officers. This will be subject to periodic review. Further, we have a detailed ‘Good Practice Protocol’ for councillors when handling planning matters, which is under review to take account of more recent external guidance. Aside from these the council enforces the management of its expectations through various channels. The principal components are set out in the following diagram.



⁴ Foreword to the Business Plan 2011-2015, February 2011

Principle 4 – informed and transparent decisions, risk management, and effective scrutiny

21. The Full Council is the ultimate place for decision-making particularly on new policy and the annual budget, but many other decisions by law are for the Cabinet to take. Our arrangements are all covered by the Constitution.
22. The Cabinet and other decision-making committees are held in public in an open style and through our public participation scheme members of the public can ask questions or present petitions. The Overview and Scrutiny Committee has, as one of its roles, the ability to hold the Cabinet to account for its decisions.
23. All member decisions across the formal and democratic decision-making process are published under statutory requirements. There is a presumption that information and decisions are taken in public, but occasionally (under access to information regulations) some information is regarded as 'exempt' and not published. However, the council aims as far as is possible to keep this type of information and decision to the minimum.
24. The council has continued its commitment to transparency and going beyond the minimum legislative requirements where suitable. Wherever possible, information is made readily available to the public through the 'transparency' section of the council's website.
25. Our approach to risk management at the strategic level is solid and follows a well-developed framework, and in the past year the risks themselves and the mitigation plans were completely reviewed. This review was supported by our risk management advisors. The Audit Committee will in the future more frequently consider the arrangements for individual strategic risks, so enhancing the assurance process. Risks to business plan project delivery has routinely been considered by the management team, and covered in briefings to cabinet members.

Principle 5 – effective capacity of members and officers

26. The council is committed to identifying and fulfilling the learning and development needs of members and officers.
27. For staff the past year has seen a particular focus on leadership and management development, as part of our ongoing workforce development programme. We are as a council committed to good standards of staff development, and our supporting policies and processes have helped maintain our Investors in People accreditation.

28. The council has a good track record of introducing new approaches to resolve service issues and achieve stronger outcomes. However, management recognises that in these even more challenging times we need a greater focus and agility to managing transformations to deliver positive change outcomes.
29. In this respect we are developing our staff commitment and skills, and adopting new approaches to develop more entrepreneurial approaches. The decision taken during last year to set up two council controlled companies, with associated member governance, is a component of this strategy.
30. Members' training needs are considered through a Member Training Panel. These needs are recognised as an important issue to develop and the issue is recognised as one of our strategic risks. Focusing on this is particularly important given the changes in external influences (the results of economic factors and government policies) and the breadth and complexity of some issues facing the council and its members.

Principle 6 – robust public accountability and community engagement

31. From the initial 'Have Your Say' borough-wide consultation in 2010-2011 that informed creating the current Business Plan, the council has continued to develop and improve its engagement arrangements.

"...it is self-evident that local communities are, and must remain, an integral partner of the Borough's growth programme and that all our communities must be given every opportunity and assistance to participate fully in helping to shape the Borough of the future."⁵

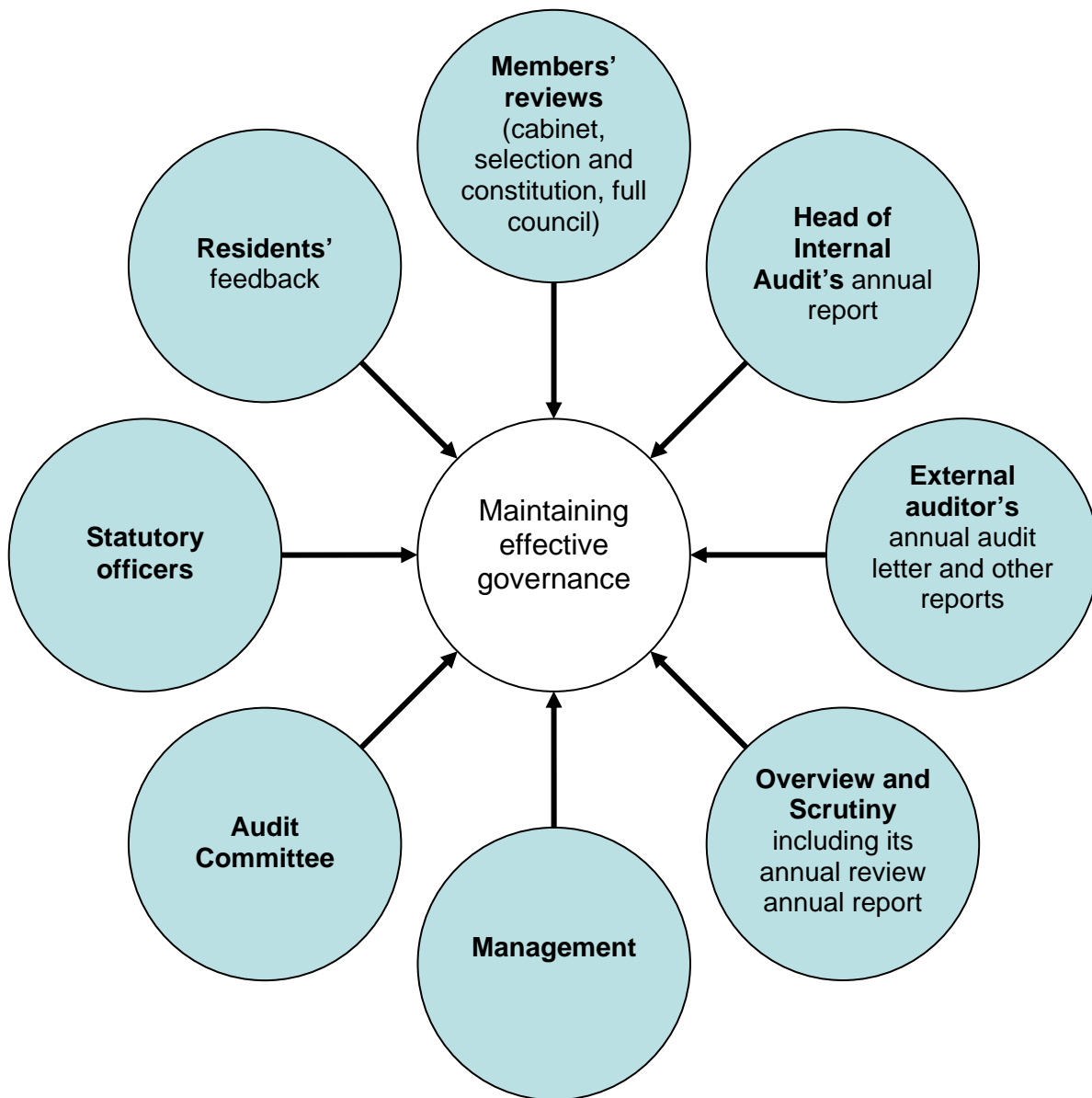
32. Our accountability emphasis and commitments to community engagement have been reinforced by a number of initiatives and procedural developments. These include:
 - Continuing to develop our transparency commitment
 - A complete refresh of the council's website
 - A new Consultation Portal that publicises current consultations
 - Implementation of procedures to accommodate the new community rights contained in the Localism Act
 - Implementing the review of the council's 'core strategy' (or Local Plan) including facilitating new approaches to community planning
 - Working with our parish councils to develop practical localism initiatives
 - Widening scope for councillors to promote and support community initiatives through a new ward member grant scheme
 - Annual reporting by councillors who are appointed as representatives on outside bodies

⁵ Extract from the Cabinet's Position Statement, December 2011

Is the framework effective?

How we receive assurances

33. Each year the council has responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control. The principal components on which the review relies are summarised in the diagram below, with inputs occurring over the course of the year. Comments about each component are set out below.



<p>Members/The Leader</p>	<p>During the course of the year the Cabinet, the Selection and Constitution Committee and other committees at various times made appropriate decisions to evolve our governance arrangements. Of particular importance are the changes made more recently by the council's new leader and his plans for a deeper review of certain constitutional matters to ensure these are effective. These concern the need to reinforce and further develop the principle of inclusivity of approach, and the need for appropriate arrangements for delegations. Further, it is considered logical the council should now review its original Code of Corporate Governance (2007) given that circumstances have moved on over the past six years.</p>
<p>Management</p>	<p>Management team has particularly maintained an organisation focus on implementing the business plan and budget, and both have proceeded well and effectively. Staff policies have been reviewed and adjusted to ensure they remain fit for purpose, and a very effective senior leadership programme implemented.</p>
<p>External Audit</p>	<p>A positive assurance to the council was received through the auditor's 2011-2012 Annual Audit Letter presented in December 2012. Also reinforced by positive comments reported to the Audit Committee in March relating to the council's preparations for the 2012-2013 financial statements. At the same meeting the auditors discussed helpful advice regarding some national themes relating to governance that the Audit Committee has since considered.</p>

<p>Internal Audit</p>	<p>A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The principal objective of the Internal Audit Service is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council. The results of the work allow an opinion to be formed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The Head of the Internal Audit Partnership concludes that substantial assurances may be placed on the council's internal controls. One matter, however, is raised for attention concerning procurement arrangements. It is acknowledged that internal procedures have developed, but the advice is the council should ensure it has a relevant procurement strategy that best fits and supports its business plan objectives.</p>
<p>Overview and Scrutiny Committee</p>	<p>The Committee has carried out a full programme of review work, including effective scrutiny of budget, and has reported its annual report to Cabinet, with no material governance issues noted.</p>
<p>Audit Committee</p>	<p>The Committee was again fully active during the year reviewing a range of governance issues, including progress with risk management and partnerships' accountability (previously raised as governance areas for review). The Committee has recently agreed to implement some changes to its approach that will further its own effectiveness. Included among these is a discussion with the Leader and the Overview and Scrutiny Committee chairman with a view to agreeing the respective inputs from both committees that may add increased benefit to delivery of the council's principal objectives.</p>
<p>Statutory Officers</p>	<p>Both the Monitoring Officer and the Chief Financial Officer (CFO) report they consider their respective statutory responsibilities for assurance are satisfactorily supported by appropriate organisational arrangements. The council is satisfied therefore that its arrangements for the CFO allow the role to comply with the CIPFA 2010 statement on the role of the CFO in local government⁶.</p>

⁶ Reported more fully as part of the 2011-2012 Annual Governance Statement, Audit Committee, September 2012

Residents	There was no general survey of residents during the past year. However, over the year most services have taken account of residents' feedback as part of their own survey work or specific consultations regarding service development. We have maintained well-developed complaints and feedback arrangements, and central co-ordination of handling matters referred by residents from time-to-time to the local government ombudsman.
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Areas of significant governance for review

34. Following on from the above the following areas of review are highlighted:

- a) The Leader's wish there be a refocusing of council priorities and further cultural development to consolidate the direction that is currently set out in the business plan and Cabinet's previous position statement
- b) The Leader's proposal for a further review of some aspects of the constitution to reinforce the principle of inclusivity and to clarify delegations
- c) Production of an annual report
- d) Updating the 2007 Code of Corporate Governance
- e) Procurement strategy review

Conclusion

35. This full Statement has taken account of the CIPFA/SOLACE 'proper practice' statutory guidance (Delivering Good Governance in Local Government) and has set out a summary of the council's governance framework and directly addressed the issue of its effectiveness. Generally these arrangements work well for the council and allow it to uphold good standards of accountability and effectiveness. As can be anticipated in times that are particularly challenging for all councils there is a need to ensure that our arrangements continue to evolve so they remain fit for purpose. This is the aim of the five issues highlighted in the previous section in which the Cabinet, the Audit Committee and all members and management will take an interest over the coming months.

Cllr Gerry Clarkson
Leader of the Council

John Bunnett
Chief Executive