

**Agenda Item No:** 7

**Report To:** **AUDIT COMMITTEE**

**Date:** **26 June 2014**

**Report Title:** **2013/2014 Annual Governance Statement**

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**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.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they evolve. Their 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 2013/2014 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 corporate business plan, Focus 2013/15, 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

Last year saw the introduction of ABC's new style of Annual Governance Statement which, I am pleased to say, was well received and declared to be "eminently readable". Consequently, we have decided to continue with this style in the hope that it will encourage bigger audiences, lead to a greater understanding of local government and the way it works ... and to continue to maintain the trust of our communities.

Last year's statement year outlined the context of, and the relationship between, leadership and good governance and, although the council has progressed generally since then, we are not complacent. As a forward-thinking organisation we recognise the need to strive for continuous improvement.

In a growing borough it is often difficult to keep up with the fundamental challenges of maintaining quality and sustainability. Over this last year we have, however, established two companies and put in place suitable governance arrangements for them as well as setting up a system better to manage our land – including in the sphere of acquisitions and removals.

We have also set up a Strategic Delivery Board to look after the delivery of projects - which are both key to the borough and which rely on us working in concert with our partners - by reviewing and monitoring progress of those projects to ensure that both private and public resources are put to best use in their delivery.

You will also see the reference to our changing Cabinet – realigning portfolios and 'recruiting' lead Members – to provide continuity and create a wider inclusiveness within the Council. In tandem with this, we are currently considering giving a clearer definition of Members' responsibilities. This will assist in giving clarity to their roles.

Towards the end of the 2013/14 financial year we instituted forward planning sessions for Cabinet and Senior Managers of the Council. As well as helping to set a programme of work for the Cabinet, it has also improved the working relationships between Members and Senior Officers, creating a platform for informal but very focused work. It is a successful venture – and one that the Chief Executive and I propose to continue and improve throughout the coming year.

Councillor Gerry Clarkson  
Leader of the Council

## **Scope of responsibility**

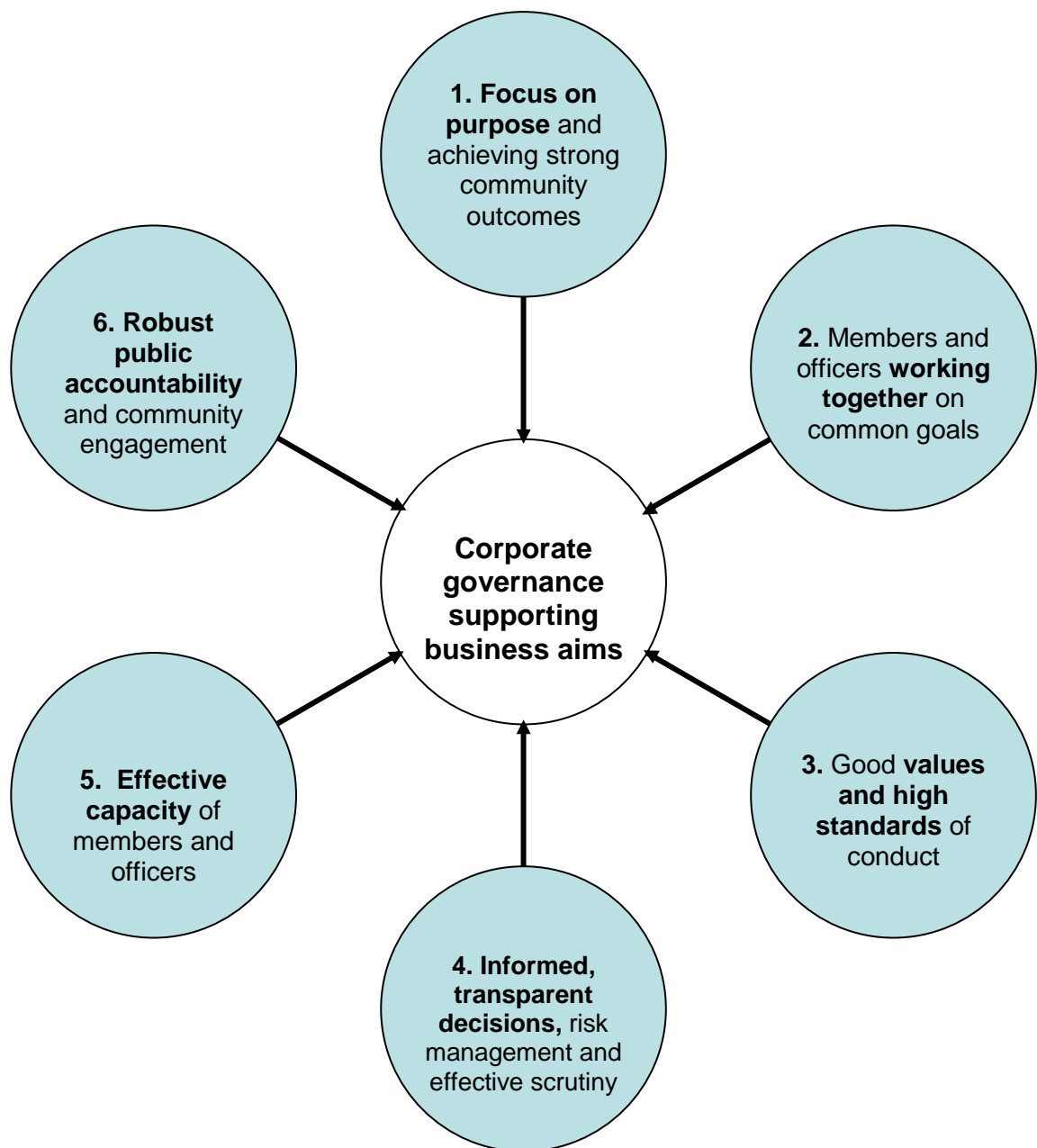
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Further the council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the council 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 that 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. Practical progress towards achieving the Council's priorities is made by the delivery of key projects and an important development this year is the set-up of the Ashford Strategic Delivery Board. The Board's remit is to ensure the effective and timely delivery of key projects and is a multi-agency group whose membership includes ABC and KCC Members, Ashford's MP and other key partners. Board agendas, minutes and the project programme are submitted to Cabinet and are made available on the council's web site.

## **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 therefore helps 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**

*“It is an exciting – if challenging – time and we are concentrating on the big things which will help Ashford deliver its potential. We have already made good progress in making sure these big things happen. Most would not be possible without working with our residents, charities and local businesses”<sup>1</sup>*

10. The five-year business plan provided a focus for the Council’s services after extensive public consultation in 2010-2011. Because of developments in both the wider economy and locally, and changes to how government financially supports and incentivises councils, a further strategic refocusing was undertaken during the year with a focus on setting out the Council’s objectives and priorities for 2013 - 2015. To this end, a Corporate Business Plan, Focus 2013/15, was developed from the five year business plan and takes stock of our achievements so far and identifies our refocused priorities and the strategic projects underpinning the delivery of those priorities.
11. Focus 2013/15 was reported to and approved by Cabinet as part of the budget report in October 2013. This is publicly available and is also subject to regular scrutiny through the Overview and Scrutiny Committee. A copy can be accessed from the councils web site
12. For staff, various internal communications are used to promote awareness, including the on-line monthly staff magazine, Root and Branch, and the Chief Executive’s periodic service ‘walk about’ briefings.
13. An annual report was published this year, with the intention to continue to update and publish the report yearly. The report further communicates the council’s aims and progress to residents and key stakeholders, summarises the council’s achievements throughout the year and reiterates our corporate priorities, as set out in Focus 2013/15. The annual report will be publically available through the Councils website from June 2014 and in hard copy to key stakeholders.
14. As mentioned previously, the Ashford Strategic Delivery Board ensures effective and timely delivery of key projects. Continued progress towards key actions is monitored by the Strategic Co-ordination Team whose membership comprises high level officers from all stakeholder organisations. Quarterly updates are reported on progress towards key actions and a traffic light system is used to highlight areas of concern.

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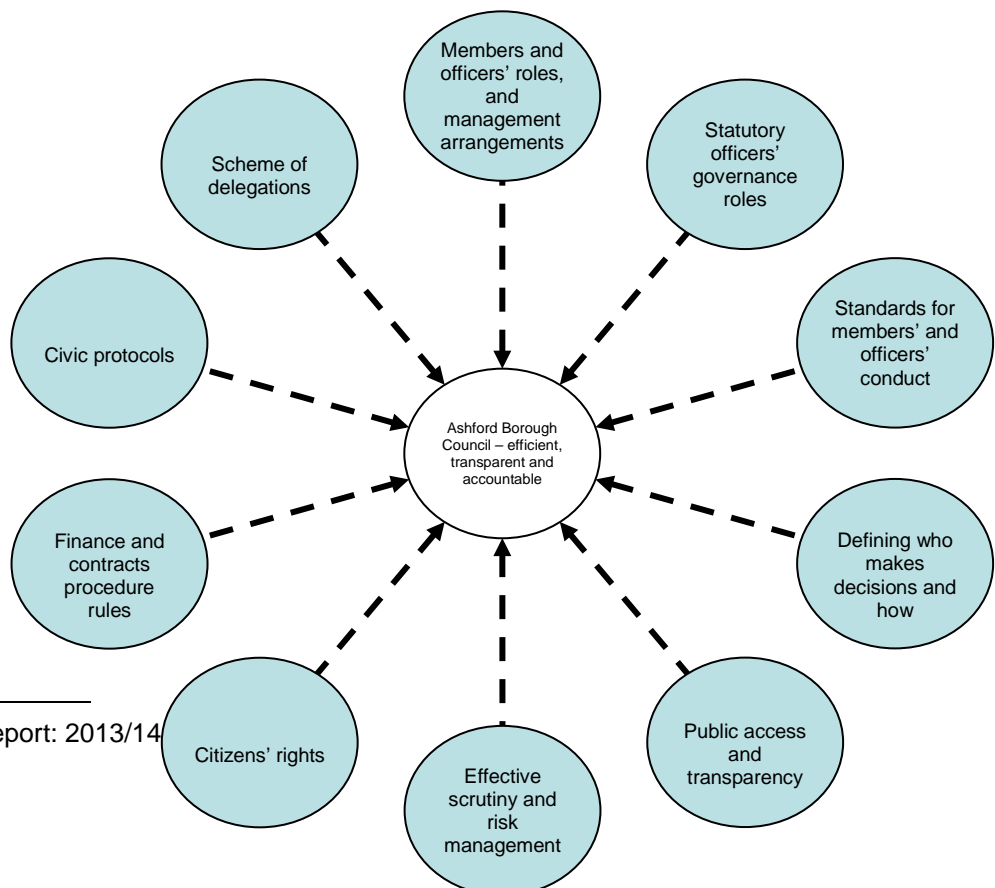
<sup>1</sup> Leader, ABC Annual Report: 2013/14

## Principle 2 – Members and officers working together on common goals

*“The Council’s new leadership has already shown its determination that the new Administration will forge ahead for Ashford’s benefit. As a council, we are pleased to have this direction from which I am sure that everyone will benefit”<sup>2</sup>*

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.
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.

### The constitution’s principal features



<sup>2</sup> CExec, ABC Annual Report: 2013/14

19. There is a further comment on the effectiveness of the constitution later in this statement.
20. The most effective way to deliver efficient and cost effective services is for officers and members to work together with our partners to agree and achieve a common goal. A number of working groups comprising officers and members have met during the year to steer and monitor progress of high profile projects and service delivery. All working groups have clear objectives which are set out in a terms of reference.
21. The creation of the Trading Enterprise Board (A sub-committee of cabinet) and the Ashford Strategic Delivery Board this year are good examples of the council's intention for members and officers to work collaboratively to deliver strategic priorities.
22. A new cabinet reporting process was introduced this year in order to underpin the principle above, which requires a greater involvement of Portfolio Holders and discussion with officers in the production of cabinet reports.

### **Principle 3 – Good values and high standards of conduct**

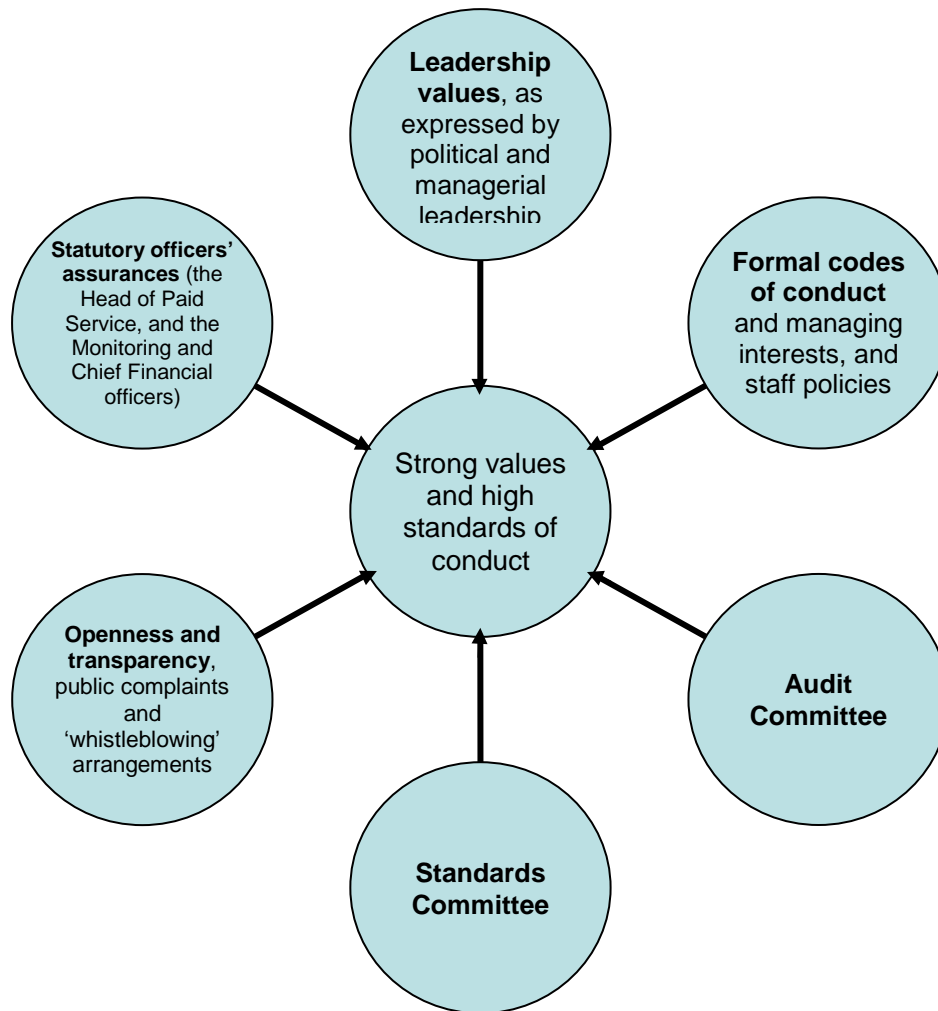
*“We believe (our business plan) principles will underpin the ethos of the council and the qualities and values we need within our organisation to make a fres start and to realise our ambitions. We have every confidence that we can meet the challenges ahead.”<sup>3</sup>*

23. Aside from the Constitution, the council promotes strong values and expectations of high standards in a variety of ways. The Code of Conduct for members is subject to on-going review and declarations of pecuniary interest for all members have been made available on the Council's website. 'The Good Practice Protocol' for councillors when handling planning matters, 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.

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<sup>3</sup> CExec Foreword to Focus 2013/2015





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

24. 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.
25. 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.
26. 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.

27. 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.
28. 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.
29. The requirement for a relevant procurement strategy was highlighted as an area for review last year. A procurement strategy is now in place and a corporate procurement role has been established. These developments will promote effective procurement across the council using innovative, transparent and consistent procurement methods. This approach was ratified by Cabinet in October 2013.

#### **Principle 5 – effective capacity of members and officers**

30. The council is committed to identifying and fulfilling the learning and development needs of members and officers. As community leaders, it is vital that our Councillors are supported to be as effective as possible. 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. A number of training and briefing sessions have been delivered during the year and these are detailed in a report to Cabinet each year by the Member Training Panel.
31. This year has seen the re-organisation of Portfolio Holder responsibilities and duties to more closely align them to the organisational structure of the Council and the introduction of Lead Members appointed to each Portfolio Holder to provide continuity and a wider inclusiveness.
32. There are further amendments to the constitution currently being considered in relation to a clearer definition of members' responsibilities and to improve the effectiveness of a co-ordinated approach to external communications with Government and other agencies. In addition, a greater clarity will be given in relation to individual and collective responsibility for media statements and political representation.
33. This year has also seen the introduction of forward planning sessions for Cabinet members. Facilitated by senior managers, these sessions keep

members informed and updated on current strategic issues in order to develop their capacity and effectiveness in informing the strategic direction of the authority. Regular Leader's briefings on relevant strategic issues and topics of interest given to all members aim to inform them about important and interesting matters happening in the Borough.

34. 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 high standards of professionalism in our staff. Planning is underway to review and develop our competency framework and all staff will have the opportunity to provide their views on this.
35. 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 manage transformations to deliver positive change outcomes.
36. In this respect we are developing our staff commitment and skills, and adopting new ways to develop more entrepreneurial approaches. The two council controlled companies have delivered successfully this year and are governed and monitored by the Trading and Enterprise Board, a committee of the Cabinet. The TEB also reviews and manages any significant identified risks of the companies and considers new business initiatives.

#### **Principle 6 – robust public accountability and community engagement**

37. Building on from the initial 'Have Your Say' borough-wide consultation in 2010-2011, the council has continued to develop and improve its engagement arrangements.

*"The establishment of a new Ashford Strategic Delivery Board will provide the appropriate delivery structure to enable the progression of key corporate priority projects to deliver improvements to Ashford, the creation of jobs and economic growth for the borough, whilst ensuring democratic accountability."*<sup>4</sup>

38. We have continued to consult and engage with residents and communities on a number of issues and projects and in a number of ways including:
  - Chilmington Green development – extensive community engagement in order to inform existing communities of development plans and to seek their views on proposals.
  - Repton Community Development – extensive consultation and stakeholder engagement in order to inform the services required from,

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<sup>4</sup> Cabinet Report on Creation of the Ashford Strategic Delivery Board: 10.10.13

and the shape of, the community facility.

- Brisley Farm Open Space – consultation with residents and local schools via local drop in sessions
- Continued extensive consultation through Plan it to inform the local plan and further consultations regarding site submissions
- Quarterly parish forums, of which urban community forums are full members.

39. The Annual Report introduced this year provides a user friendly and easy to read document which ensures residents, partners and stakeholders are informed of achievements made by the council and its key partners during the year, progress against the councils key priorities and the projects underpinning them. A financial summary is also included

### Is the framework effective?

### How we receive assurances

40. 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.



<b>Members/The Leader</b>	<p>During the course of the year the Cabinet, the Selection and Constitutional Review 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 to the structure of the cabinet and his plans for a deeper review of certain constitutional matters to ensure these are effective. These concern the need to clarify, reinforce and further develop the responsibilities and duties of members particularly regarding media relations and political representation.</p>
<b>Management</b>	<p>Management team has particularly maintained an organisational 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 has been implemented.</p>
<b>External Audit</b>	<p>A positive assurance to the council was received through the auditor's 2012-2013 Annual Audit Letter presented in December 2013.</p> <p>The letter gave an unqualified opinion on the accounts, an unqualified opinion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and an unqualified opinion on the council's Whole of Government Accounts submission</p>
<b>Internal Audit</b>	<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 service is to examine and evaluate the adequacy of internal control within the council's various systems, procedures and processes. The results of internal audit's work provide an opinion on the overall effectiveness of the governance framework, including arrangements for risk management and internal control.</p> <p>Our internal audit service, provided through the Mid Kent partnership recently achieved accreditation under the Public Sector Internal Audit Standards through the Institute of Internal Auditors.</p> <p>The Head of Audit Partnership in his annual report concludes that substantial assurances may be placed by members on the council's internal controls.</p>

<p><b>Overview and Scrutiny Committee</b></p>	<p>The Committee carried out a full programme of review work, including a 'call-in' of a cabinet decision. Its work, summarised in the committee's Annual Report to the Full Council, has included an effective programme of budget scrutiny, a review of and recommendations (accepted by Cabinet) to further strengthen certain governance aspects concerning the arrangements for the council's trading companies, a review of communications and consultation plans, and consideration and input to some specific operational matters. Accordingly, its work has maintained the committee's role in contributing to reviewing and developing the effectiveness of the council's governance.</p>
<p><b>Audit Committee</b></p>	<p>The Committee was once again fully active during the year reviewing a range of governance issues. Its year commenced with the committee's members having a full briefing on major governance topics emanating from national work completed by the council's external audit company. Building on the outcomes the committee focused more specifically on particular matters of strategic risk included in the revised risk register, debating in some depth the appropriateness of the mitigation plans and helping to strengthen these where appropriate. Further, the committee continued to monitor progress with matters highlighted by the previous annual governance statement and in that connection received and agreed a new local code of corporate governance, as well as regular reports highlighting progress with other points raised in the statement. The chairmen of the Audit and the Overview and Scrutiny Committee also met to discuss their committees respective roles and inputs to contribute to effective governance and the delivery of the council's key objectives</p>
<p><b>Statutory Officers</b></p>	<p>Both the Monitoring Officer (Head of Legal and Democratic Services) and the Chief Financial Officer – Section 151 Officer (Deputy Chief Executive) report they consider their respective statutory responsibilities for providing assurance are well-supported by appropriate capacity and organisational arrangements. In particular, the council is satisfied that its arrangements for the Chief Financial Officer (CFO) allow the role to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2010 Statement on the role of the CFO in local government.</p>

<b>Residents</b>	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 project delivery and 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**

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

- a) The Leader's proposal for a further review of some aspects of the constitution to provide a clearer definition of member's responsibilities.
- b) Managing the risks of borrowing and income generation

### **Conclusion**

42. 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 two 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