

Agenda Item No: 7

Report To: **AUDIT COMMITTEE**

Date: **30 June 2015**

Report Title: **2014/2015 Annual Governance Statement**

Report Author: Nicholas Clayton, Policy and Performance Officer



Summary:

Each year the Council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members residents, and external stakeholders 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 findings and proposed 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**

2014/2015 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. The Council updated its Local Code of Corporate Governance during 2014, building upon the best practice framework of CIPFA and SOLACE. 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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2014/2015 Annual Governance Statement

Leader's introduction

This year continues our new style of Annual Governance Statement which, I am pleased to say, has been well received and declared to be “eminently readable”. I 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.

This Statement outlines the context of, and the relationship between, leadership and good governance. As a forward-thinking organisation we recognise the need to strive for continuous improvement. That is why we recently undertook a borough-wide survey of residents to check that our priorities are right, making sure that those who receive our services remain happy with them and our borough.

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

The May 2015 election not only saw an intake of new Members, but also a refreshed Cabinet team. Alongside continuing the programme of lead members providing continuity and wider inclusivity within the Council, we have produced a single practical guide - ‘A Framework’ - which introduces all Councillors to the fundamental structures, services and governance of the organisation. This will help Councillors to quickly settle in to their role representing Ashford Borough and the Council. Officers and Members are currently compiling the information to underpin a new corporate plan, with the intention that it is agreed by Cabinet and Full Council over the coming months.

We have streamlined the number of task groups and committees which work under the Cabinet, and taken steps to make sure that scrutiny operates in a manner akin to a Government Select Committee – concentrating its efforts on key areas to make sure our services remain effective. Alongside a new task group for policy and compliance, such measures will further strengthen our governance and enforcement - ensuring that governance does not stand still but instead evolves with our developing organisational requirements.



Councillor Gerry Clarkson
Leader of the Council

Scope of responsibility

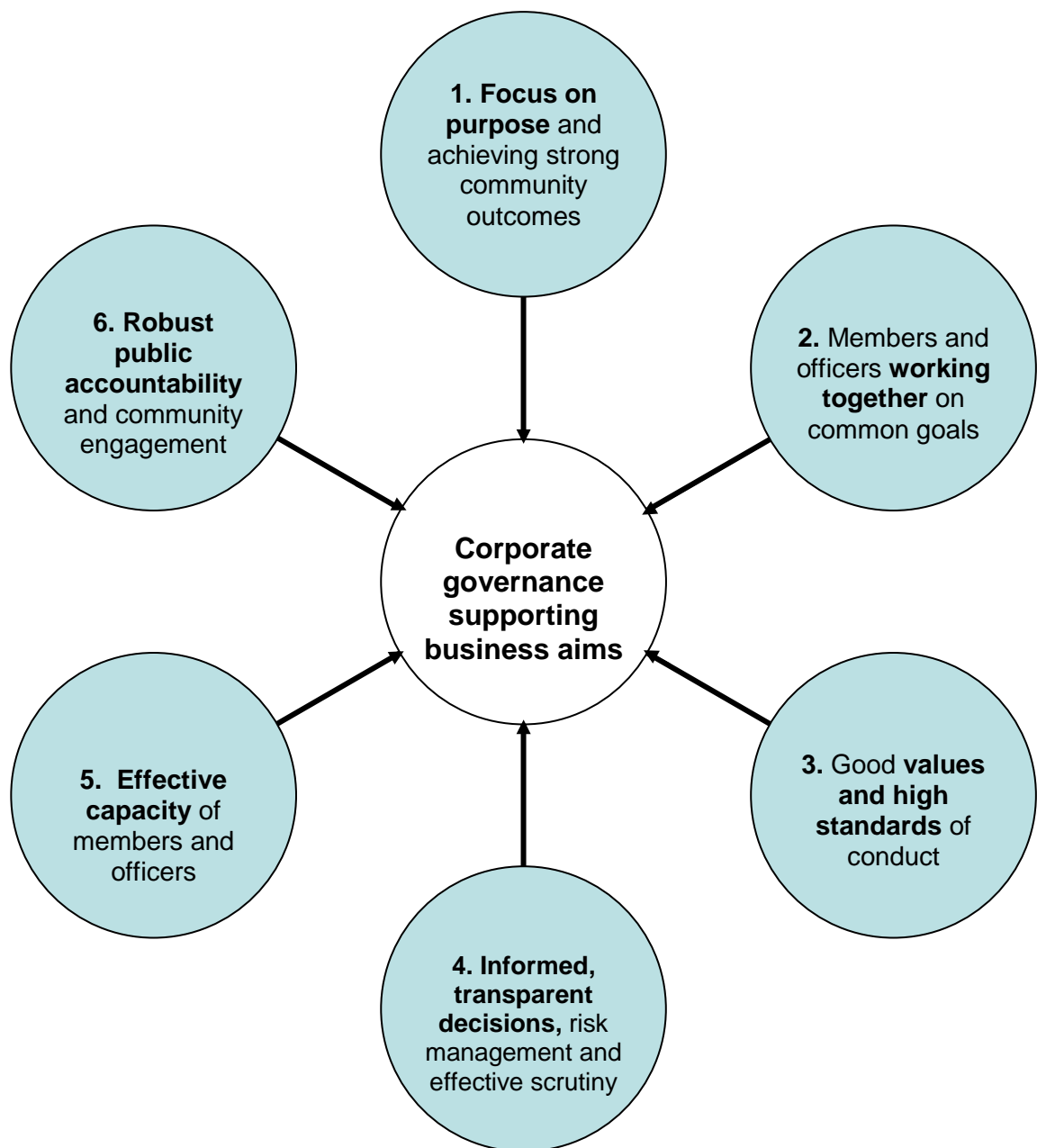
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Furthermore, the Council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the Council gains best value for its residents and taxpayers.
2. Associated with this responsibility is the need for good governance. In 2014 the Council adopted an updated Local Code of Corporate Governance, which followed principles contained in national guidance and produced by CIPFA and SOLACE.
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 and protect the Council when problems do occur.

9. As a public body transparency is crucial. 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

“[We] should seek to engender an ambitious attitude...associated with quality housing growth coupled with real economic activity”¹

10. The five-year business plan provided a focus for the Council's services during 2011-2015, following extensive public consultation. 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 at the mid-way point of the business plan - setting out the Council's objectives and priorities for 2013 -2015. To this end, a Corporate Business Plan, *Focus 2013/15*, took stock of the organisation's achievements to date and identified a number of refocused priorities (underpinned by strategic projects).
11. Focus 2013/15 was reported to, and approved by, Cabinet as part of the budget report in October 2013. This is publicly available from the Council's website and was also subject to regular scrutiny through the Overview and Scrutiny Committee.
12. For staff, various internal communications are used to promote awareness of the organisation's overarching priorities, including the on-line monthly staff magazine, Root and Branch, and the Chief Executive's periodic 'walk about' briefings.
13. An Annual Report was published in June 2014, with the intention to continue to update and publish the report soon after the end of each financial year. The report further communicates the Council's aims and progress to residents and key stakeholders, summarises the Council's achievements throughout the year against those corporate priorities set out in Focus 2013/15.
14. 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.
15. Following the May 2015 election, a new corporate plan is required. Officers and Members are currently compiling the information to underpin such a document, with the intention that it is agreed by Cabinet and Full Council over the coming months.

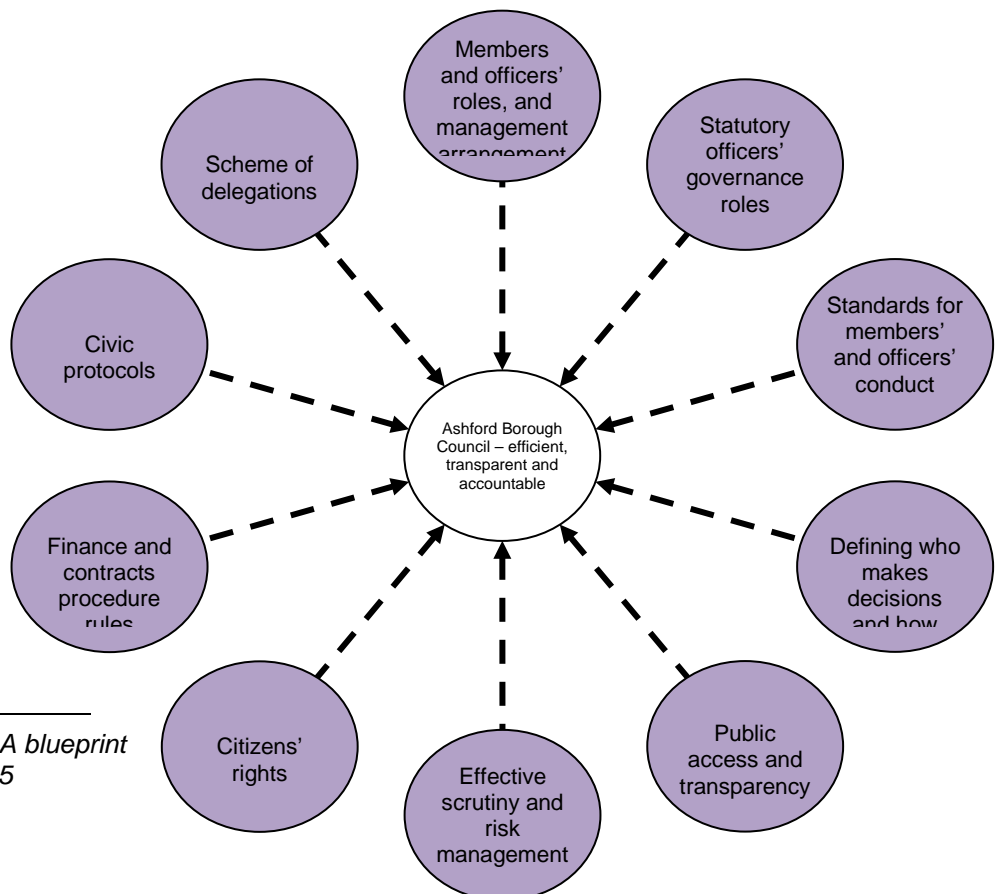
¹ *“The AshFORD Model: A blueprint for integrated growth”, p.3*

Principle 2 – Members and officers working together on common goals

“Ashford Borough Council has a pro-growth culture, which is driven from the very top – with a vision shared by politicians and officers alike.”²

16. 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 common goals.
17. 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.
18. 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.
19. Parts of the Constitution are periodically reviewed by a committee to ensure the Council's arrangements remain relevant. Thus changes are made as necessary to ensure our arrangements support effective performance of our responsibilities to residents and taxpayers, whilst fully supporting effective achievement of the Council's aims.

The Constitution's principal features



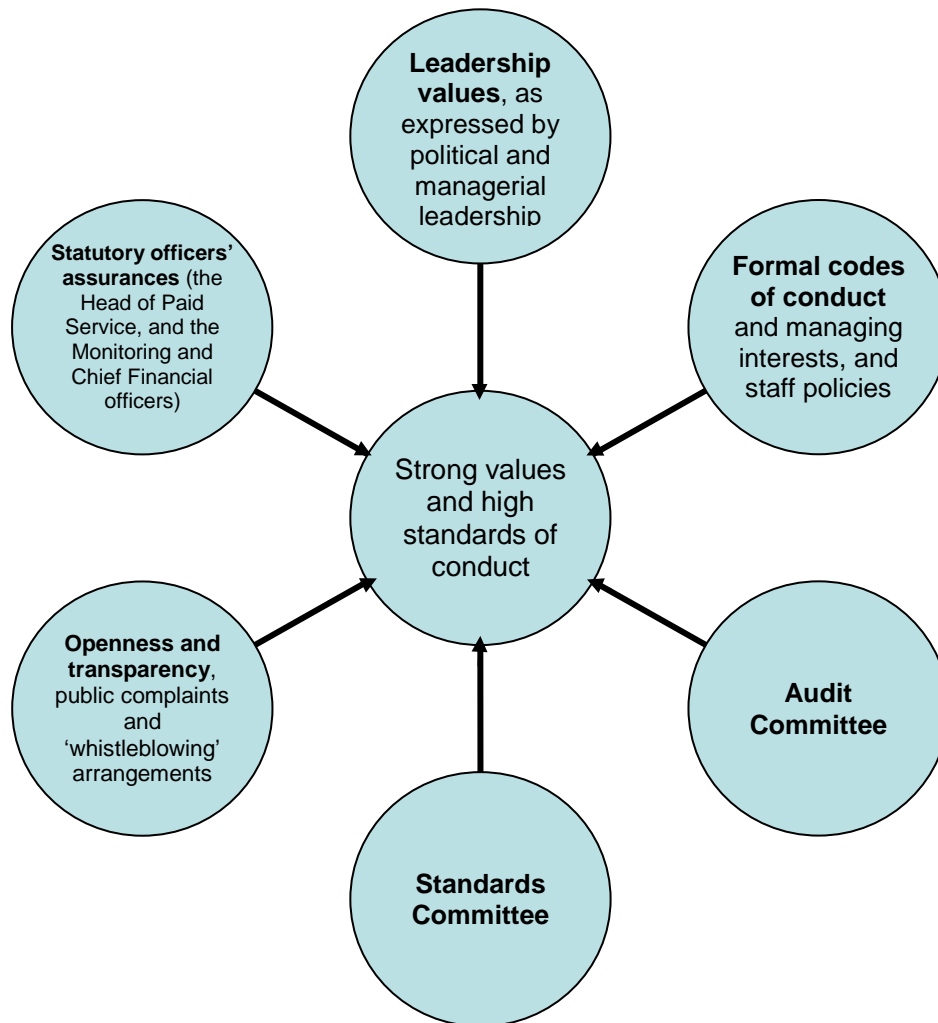
² *“The AshFORD Model: A blueprint for integrated growth”, p.5*

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 are good examples of the Council's intention for members and officers to work collaboratively to deliver strategic priorities.
22. At the meeting of the Cabinet held on 11th February 2015, consideration was given to the report of the Overview and Scrutiny Committee in respect of Neighbourhood Plans and task groups. The Overview and Scrutiny Committee had discussed the number of task groups, their effectiveness and overlap with the work of other Council Committees. The Committee recommended that the Cabinet institute an examination of the uses and efficiency of Task Groups and to also review their effectiveness.
23. The Cabinet resolved that the uses and efficiency of Task Groups be reviewed. Accordingly, the Leader undertook a review, in consultation with Portfolio Holders and Management Team, to rationalise these groups. 22 task groups would be disbanded, with 12 continuing or being constituted alongside a number of others requiring determination of political balance by the Selection and Constitutional Review Committee.
24. To facilitate the establishment of task groups, working groups, steering groups or other forums by the Cabinet, it was also proposed that the Constitution to be amended to incorporate a process to be followed in terms of the creation of such Groups. This process affords Cabinet the responsibility for forming such groups, approving their terms of reference and determining their membership and chairmanship.
25. A new Cabinet reporting process, introduced last year to underpin the principle above, continues to provide greater involvement for Portfolio Holders and discussion with officers in the production of cabinet reports.

Principle 3 – Good values and high standards of conduct

“Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership.”³

26. 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. Aside from these the Council enforces the management of its expectations through various channels. The principal components are set out in the following diagram.



³ *The principles of public life*, in "What to expect as an Ashford Borough Council Councillor", A Framework – Document for elected members, p.9

27. To respond to the particular challenge of introducing new councillors quickly and effectively into the governance framework, the Council produced 'A Framework – Documents for elected members' to coincide with the May 2015 elections. This document provides an introduction, and comprehensive overview, of how the Council operates - to help new members assimilate quickly into their role as councillors – helping them to understand the standards required of them (whilst serving as a useful guide to others). This sits alongside a comprehensive programme of Member induction planned over the next few months.
28. During the past year the Council adopted (following endorsement by the Audit Committee) a suite of updated policies which, when taken together, reviewed and strengthened the Council's approach to tackling fraud, corruption and money-laundering - whilst providing a framework for officers to speak up about concerns they might have regarding the organisation.
29. There will be an increased focus on enforcement through a new Policy and Compliance Taskgroup, which will focus on strengthening the enforcement of good governance through effective and transparent application of Council policy and procedure.

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

"Our pragmatic approach to risk...thinking is being critically challenged by empirical examination of the resulting outputs and adjusted accordingly."⁴

30. 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.
31. 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. In October 2014 the Selection and Constitutional Review Committee approved proposals to enact the Openness of Local Government Bodies Regulations – giving the public the right to film, audio record, take photographs and use social media and the internet at public meetings to report on the discussions held.
32. In May 2015 the Selection and Constitutional Review Committee agreed a proposal to reduce the membership of the Overview and Scrutiny Committee from 16 Members to 12 Members. It is hoped that this change will enable the Committee to operate more akin to the Government Select Committee

⁴ "The AshFORD Model: A blueprint for integrated growth", p.3

arrangements when undertaking their scrutiny role.

33. 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.
34. The Council has continued its commitment to transparency and meeting relevant legislative requirements. Wherever possible, information is made readily available to the public through the 'transparency' section of the Council's website. The Council is responding to incorporate fully the requirements of the Transparency Code 2015, further increasing the breadth and depth of information provided to the public on the services provided by the authority.
35. Our approach to risk management at the strategic level is solid, with a focus on exploring ways of making it more effective. Whilst risks to business plan project delivery remain routinely considered by the management team (and covered in briefings to cabinet members), work is currently ongoing to take a broader look at the Council's approach to risk management.
36. 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, whilst new Contract Procedure Rules were adopted in early 2015 which will seek to encourage more local interest in procurement.

Principle 5 – effective capacity of members and officers

*"It is important we have skilled officers and members...in disciplines across the Council."*⁵

37. 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

⁵ "The AshFORD Model: A blueprint for integrated growth", p.5

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.

38. Following the May 2015 election there has been a re-organisation of Portfolio Holder responsibilities and duties to more closely align them to the organisational structure of the Council, clarifying their remit whilst strengthening the organisational understanding of their role in relation to good governance. Lead Members also continue to provide continuity and wider inclusivity alongside each Portfolio.
39. This year has also seen the continuation 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. These briefings have been widened to include distribution to key external stakeholders, including Parish Council and Urban Forum representatives.
40. For staff the past year has seen a particular focus on leadership and management development, as part of our ongoing workforce development programme. We 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. Following wide consultation with staff to align with the changing direction of the Council, a refreshed Competency Framework was agreed during the year. This sets out the key staff behaviours which if demonstrated will contribute to the success of the Council's long-term aspirations. It is used for recruitment and selection, learning and development and performance management including annual appraisals.
41. 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. Whilst operating a balanced budget and Medium Term Financial Plan the Council has taken the proactive decision to increase capacity in some key areas to take advantage of opportunities, increased engagement with partners outside traditional sphere, and as a result of increased priority project work.
42. 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

“Engagement with our residents and businesses must be genuine, really listening to the hopes – and the fears – of our public .”⁶

43. 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.
44. During 2014 the Council embarked on a borough-wide residents’ satisfaction survey to check progress against its priorities. This not only checked progress against the Council’s business plans with residents, but also increased the body of local intelligence available to the organisation in its priority initiatives.
45. Consultation and engagement with residents and communities on a number of issues and projects continues 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, and the shape of, the community facility.
 - 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.
46. The Annual Report introduced last 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.
47. As noted above, the Council’s transparency arrangements were also strengthened during the year – in line with new government requirements.

⁶ “The AshFORD Model: A blueprint for integrated growth”, p.5

Is the framework effective?

How we receive assurances

48. 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.



Members/The Leader	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.
Management	Management team has particularly maintained an organisational focus on implementing the business plan and budget, and both have proceeded well and effectively. This has been achieved whilst ensuring effective capacity, adjusted where necessary. Staff policies have been reviewed and adjusted to ensure they remain fit for purpose, and a very effective senior leadership programme has been implemented.

External Audit	<p>A positive assurance to the Council was received through the auditor's 2013-2014 Annual Audit Letter presented in December 2014.</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>
Internal Audit	<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 was assessed in April 2015 by the Institute of Internal Auditors as being fully confirming with Public Sector Internal Audit Standards. Mid Kent Audit is the first audit team in the country to be so assessed by the Institute.</p> <p>The Head of Audit Partnership provided his 2014/15 interim report to the Audit Committee in December 2014, with a full report to be received by the June Committee. This report provided assurance that the system of internal control at the Council for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.</p> <p>Regarding the Council's governance arrangements, the report concludes that the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.</p>
Overview and Scrutiny Committee	<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, included an effective programme of budget scrutiny, quarterly scrutiny of Council performance, and reviews on fly-tipping, the Housing Framework 2013-18, the Portas Pilot project and the Community Safety Partnership. Accordingly, its work has maintained the committee's role in contributing to reviewing and developing the effectiveness of the Council's governance.</p>

Audit Committee	<p>The Committee completed a full programme during 2014/15, the details of which are contained within the Audit Committee Annual Report.</p> <p>The Committee also sought to maintain and update its knowledge by commissioning a series of briefings on areas of current interest, taking place immediately before each meeting and open to all Members. During 2014/15 these briefings covered:</p> <ul style="list-style-type: none"> • Risk Management (June 2014) • Business Rates Localisation and Appeals (September 2014) • Procurement (December 2014) • Counter Fraud (March 2015)
Statutory Officers	<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>
Residents	<p>The past year saw a borough-wide survey of residents to check their satisfaction with the borough and local services, and to gather insight into their outlook for the future. 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.</p>

Areas of significant governance for review

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

- a) The need for the Cabinet to agree a new corporate plan in Autumn 2015.
- b) Completion of work reviewing the Council's current risk management procedures.

Conclusion

50. 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