

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Head of Corporate Organisation</b>	<b>Report Number: JAC33</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 1 September 2014</b>

### JOINT ANNUAL GOVERNANCE STATEMENT 2013/14

#### 1. Purpose of Report

- 1.1 The purpose of this report is to enable the Committee to be satisfied that the Joint Annual Governance Statement (AGS), to accompany each Council's financial accounts 2013/14, properly reflects the risk environment and any actions required to improve it.

#### 2. Recommendations

- 2.1 That Members satisfy themselves that the Joint Annual Governance Statement (AGS) 2013/14 (Appendix A to this report) properly reflects the risk environment and any actions taken to improve it.

- 2.2 That subject to 2.1 above, the AGS be endorsed subject to the Head of Corporate Organisation being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.

Further that approval of any significant amendments identified by the Head of Corporate Organisation be delegated to him in consultation with the Chairs of the Committee.

- 2.3 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

The Committee is able to resolve these matters.

#### 3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report.

#### 4. Risk Management

- 4.1 A strong internal control environment contributes to the overall effective management of each Council and will help minimise the risks of each Council failing to achieve its ambitions and priorities, and service improvements.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Council's arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments from the External Auditor.	Low	Critical	Internal and External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 5. Consultations

5.1 The AGS was prepared following input from key senior officers.

## 6. Equality Analysis

6.1 Equality and diversity implications have been considered within the AGS arrangements.

## 7. Shared Service / Partnership Implications

7.1 Through the integration process Babergh and Mid Suffolk have produced a joint AGS while still recognising the separate sovereign nature of the Councils.

## 8. Key Information

8.1 The Accounts and Audit Regulations 2011 require each Council to prepare and publish an AGS.

8.2 Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.

8.3 This committee is responsible for overseeing each Council's work around corporate governance. In 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) reviewed and revised the approach to corporate governance and in November 2012 published a new framework for good governance. The new guidance builds on the previous assurance gathering process requiring authorities to review the effectiveness of its governance arrangements against the key elements of the systems and processes that compromise an authority's governance.

- 8.4 The AGS is required to be published to accompany the published statement of accounts.
- 8.5 The AGS 2013/14 has been prepared in consultation with senior officers and using information from the 2012/13 AGS which has been reviewed and updated to reflect the operation of each Council during 2013/14.

**9. Appendices**

Title	Location
(A) Joint Annual Governance Statement 2013/14	Attached

**10. Background Documents**

- 10.1 CIPFA/SOLACE framework – ‘Delivering good Governance in Local Government – Addendum’.

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# Annual Governance Statement 2013/14



**This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) and Mid Suffolk District Council (MSDC).**

## ***What is Corporate Governance?***

1. Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.
2. Each Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.
3. Each Council's governance framework comprises the systems, processes, cultures and values by which each Council is directed and controlled, and through which it accounts to, engages with and leads the local community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
4. In essence, 'If management is about running the business, governance is about seeing that it is run properly.'

## ***Communicating the Council's vision of its purpose and intended outcomes***

5. We used a range of approaches to engage with our communities and citizens to ensure that the Council's vision and priorities were informed by communities' needs and aspirations. They were developed through themed groups of Members and officers (Transformation Enquiry groups (TEGs)) to identify outcomes and to articulate what our areas would look like if we were successful in achieving those outcomes. Member's community role with support from allocated officers provided a conduit for two way information flows with community representatives and feedback on the impact of the engagement approach.
6. A joint strategic plan has been developed, which sets out how we, and the communities we serve, can shape the future for the better. It provides a sense of shared direction, pace and common purpose against which we can work with our communities to deliver the kinds of outcomes we jointly wish to see.

7. The Strategic Plan is supported by a delivery programme which sets out what we are already doing to deliver our visions and priorities; what else needs to be done, and how. It also provides the basis for resource allocation, management of delivery outcomes and outputs and the overall programme governance arrangements.

### ***Measuring the quality of services***

8. Alongside the development of the strategic framework for the Councils, the current aligned approach to the management and monitoring of performance has been used to map priorities against the themes and work that already exists in plans and planning frameworks. This provided staff and partner organisations with a clear picture of the strategic focus and activity of the Council's during 2013/14.
9. Overall the performance management framework provides Members with the information they require to ensure that policy decisions are being put out and communities' are being well served. A supporting performance monitoring and reporting mechanism has been developed, with regular reporting to the Executive and Strategy Committees.
10. A new performance management framework is being developed to measure our achievements against the Strategic Plan, and to reflect the type of organisation we wish to become. Resources will be aligned to priorities through the Priority Based Resourcing (PBR) methodology that is being developed with Ernest and Young.
11. Existing governance arrangements ensure that Members lead on the development of the Strategic Plan, but governance arrangements will be reviewed as we move into the delivery of the plan, with the focus on leadership, engagement and commitment, and performance.

### ***Effective management of change and transformation***

12. The change and transformation programme covers both Mid Suffolk and Babergh District Councils. The shape, direction and governance of the programme is governed by a joint board of elected Members called the Joint Member Integration Board. This is not a decision making body however, and any decisions required of Members are taken at either full Council meetings or the Strategy Committee of Babergh DC and the Executive Committee of Mid Suffolk DC in accordance with each authority's standing orders and constitution. Scrutiny of decision making and more broadly the delivery of the business case for integration and transformation is undertaken by a Joint Scrutiny Committee for both Councils.

***Roles and responsibilities of Members and Officers and the authority's decision-making framework***

13. The Governance review, which commenced in 2012/13, was completed during the year, this programme of work included a review of the proper officer and delegation schemes to align with the Council's structure and form. The Council's constitutions were also reviewed using a Member task and finish reference group who worked with officers to ensure that the revised constitutions provided a sound basis for the overall governance of Council business and operation.

***Ensuring effective arrangements are in place for the discharge of the head of paid service function***

14. Vision and leadership is provided by the Chief Executive, whose responsibility is to create the conditions to build strong relationships and a strong reputation. She leads the organisation to achieve demanding strategic goals, ensuring that the management team drives performance that focuses on outcomes and delivery. The Chief Executive has strong and productive relationships with Members, working specially with the Leaders of the Councils and their senior Member colleagues. She is accountable to Members for overall performance.

***Ensuring effective arrangements are in place for the discharge of the monitoring officer function***

15. The Monitoring Officer is responsible for ensuring that the Council acts in a lawful manner. This has been delivered through a range of measures including the Monitoring Officer attending Council and committee meetings where legal or probity issues are likely to arise and advising officers on Council and committee reports when required. The Monitoring Officer is a solicitor and has personally discharged her responsibilities to provide advice to Members on the Suffolk Local Code of Conduct, bias and predetermination and investigated conduct complaints. The Monitoring Officer is supported by two Deputies who assist with the discharge of functions.

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

16. Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures, including proactive monitoring of proposals and decisions.

17. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in her opinion, a proposal, decision or omission by the Council, its Members or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the Monitoring Officer is invited to Management Board meetings. Regular Statutory Officers Meeting has also been established to identify any potential governance issues. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2013/14.

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

18. Member behaviours are governed by a code of conduct which is set out in the Council's Constitution. The Suffolk Local Code of Conduct was adopted by the Council in 2012 and all Members have signed an undertaking to abide by its provisions and have completed a register of their personal interests. The Joint Audit and Standards Committee receives quarterly reports including summary details of breach of conduct complaints received by the Monitoring Officer and their respective outcomes and an update on compliance with the Localism Act 2011. Dealing with such complaints involves a role for 'Independent Persons'. The Council is currently recruiting 'Independent Persons' from a wide and diverse pool of suitable people to serve in that capacity for the Council, Ipswich Borough Council and Suffolk County Council.
19. During 2013/14 a complete review of the Constitution was carried out. The Council's Constitution has been amended and updated reflecting the Council's transformation journey and including the latest and best practice whilst synchronising, where appropriate, the relevant procedures. Members of the Joint Constitution Working Group have been closely involved in this work and the amended Constitution was approved by full Council on 24<sup>th</sup> June 2014. As part of this work a new Planning Charter is currently being developed in the light of changes to the system contained in the Localism Act 2011. This revised planning charter will deliver a more stream lined but robust approach to Members role and responsibilities in the planning process. This work is due to be completed during 2014/15.

***Role of the Chief Financial Officer***

20. Each Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and their position and status within each organisation. For Mid Suffolk the s151 Officer is the Head of Corporate Resources and for Babergh the Corporate Manager – Financial Services is the s151 Officer. The Corporate Manager has joint responsibility for financial activity reporting to both councils.

21. Both s151 Officers sit on Management Board, this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.
22. All material financial decisions must be approved by the appropriate s151 Officer to each Council. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.
23. Processes, systems internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists across both organisations and that value for money is achieved.
24. The Corporate Manager – Financial Services with responsibility for Finance for both Councils is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

#### ***Standing Orders, Financial Regulations and Scheme of Delegation***

25. Each Constitution sets out its Contract Procedure Rules and guidance, Financial Regulations and Scheme of Delegation.

#### ***Risk Management Arrangements***

26. The Councils have in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Council's vision, priorities and outcomes.
27. There is a combined Significant Business Risk Register risk in place which is a living document and maintained by the Audit and Risk Management Services' team. The Joint Audit and Standards Committee and the Joint Member Integration Board receive regular updated status reports.
28. Managing risks at an operational level is the responsibility of service managers.

#### ***Counter Fraud and Corruption Arrangements***

29. Both Council's Financial Procedures make it clear that any suspected irregularities should be reported to the appropriate officers and the Anti-Fraud and Corruption and Whistleblowing Policy are available on each Council's website.
30. Members of the Joint Audit and Standards Committee receive an annual report that provides a clear basis for raising awareness by setting out information that has been communicated to Members, staff and other stakeholders of the work the Councils undertake to manage the risk of fraud and corruption. It brings together in one



document a summary of the outcomes of our work to deter, prevent and detect frauds and corruption over the last 12 months.

31. In terms of benefit fraud, the Counter Fraud Team, based at Ipswich Borough Council Offices, is a section within the Audit Partnership that was formed in 2011. The team is an amalgamation of existing investigators from Ipswich Borough Council and Babergh and Mid Suffolk District Councils. The team undertakes dedicated fraud prevention, detection, investigation and intelligence gathering activities on behalf of the three Councils.
32. Incorporated in the annual report to Members is the annual Corporate Counter Fraud – Business Plan produced by the Counter Fraud Team to reassure Babergh and Mid Suffolk Members that robust processes exist to deal with any corrupt or fraudulent activity.
33. Each Council's expectation of propriety and accountability is that Members and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.
34. In addition, each Council also expects that individuals and organisations (e.g. suppliers, contractors, partners, service providers) with whom they come into contact will act towards each Council with integrity and without thought or actions involving fraud and corruption.

### ***Role of the Audit Committee***

35. The Joint Audit and Standards Committee has responsibility for reviewing the adequacy of internal controls, monitoring the performance of Internal Audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance and considering the effectiveness of the governance arrangements. This meets the core functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.
36. The Committee ensures a consistency of approach, avoids duplication of resources and improves joint working between both Councils and will only address matters which are being progressed across both Councils.
37. Issues that are pertinent only to a single Council area will remain the preserve of that Audit Committee.

### ***Enhancing the accountability for service delivery and effectiveness of other public service providers***

38. The revised role for the Joint Scrutiny Committee provides a clear focus on the impact of wider public sector organisations and bodies on our communities and the clear focus of scrutiny in holding to account the work and initiatives delivered by these organisations.

### ***Internal Audit***

39. The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit. Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.
40. During 2013/14 an internal assessment of the service against the new Public Sector Internal Audit Standards took place and no significant issues arose. The Standards will be reviewed annually internally and at least once externally every five years in line with the requirements.
41. The Corporate Manager – Internal Audit is a suitably experienced officer who is able to comply with the principles set out in the CIPFA statement on the 'Role of the Head of Internal Audit'.

### ***Opinion of the Corporate Manager – Internal Audit***

42. This opinion relies on the key financial controls being in place and the corporate governance framework operating effectively. Based on the findings of the managed audit and corporate reviews carried out throughout 2013/14, and the outcomes of external assurance provider reports, it is the opinion of the Corporate Manager – Internal Audit that each Council's control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are on the whole effective.
43. Where issues have arisen during the year, action plans have been agreed with relevant managers to address the weaknesses identified.

### ***Procedures for Whistleblowing and for receiving and investigating Complaints***

44. A strong ethical and performance framework is in place to enable staff and Members of both Councils to operate effectively in their respective roles. Each Council has an Anti-Fraud and Corruption and Whistleblowing Policy. The Whistleblowing Policy, which has been revised as part of the Constitution review, allows both staff and members of the public including contractors to raise matters in a confidential manner to the Council.
45. A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Councils.
46. The Joint Audit and Standards Committee considers any complaints made against Members relating to breaches of the Code of Conduct. Details of how to make a

complaint and the Committee's procedure for dealing with Member complaints are available on each Council's website.

### **Ensuring development needs for staff and Members are met**

47. During 2013/14 the integrated teams were created with new posts being developed with generic job profiles and career grade pathways to support the establishment of a flexible, agile and developing workforce.
48. Adoption of a new single set of pay grades, policies, terms and conditions for all staff reflected the new flatter structure and supported the organisational design principles.
49. A leadership development programme is being developed with managers and lead Members to build capacity and deliver a collective set of values and behaviours for the Councils. This work will be continuing and will be extended to involve all staff and Members.

### **Communication and consultation with the public and other stakeholders**

50. We have embarked on a new model of community development using the Asset Based Approach methodology. Staff have been assigned to each of the 200 parishes within the districts and are building up a detailed knowledge of the people, the resources they have at their disposal and how we can support them to be more resilient. This arrangement allows us to establish a much closer connection to local issues, not only within the more formal organisations which serve these communities, e.g. Town and Parish Councils, but also local groups and people, including those who might be considered hard to reach. We are using these methods for instance to support the local intelligence we need to understand the impact and appetite for new housing and jobs, within our community led planning process and to support our ambitions for making our districts more active and healthier places to live.
51. The Council's Grant schemes are open and available to all. They are promoted via our own websites, funding databases such as Grantfinder, local infrastructure organisations including Community Action Suffolk, local events and through our elected Members. Our Grants staff will go out to meet with groups and organisations who might find it more difficult to access the Council Offices or to articulate their ideas. Our grants are also promoted by our Communities staff, in their locality-based roles. While these roles have a geographic basis for the allocation of staff, they are oriented so that relationships are developed with all sections of our communities, including those with protected characteristics under the Equalities Act.
52. The Community Voice function, provided from within the Communications Team, is intended to play an active part of any number of projects or one-off initiatives – especially those that seek to ensure the maximum level of active involvement and engagement in the Council's work by communities and communities-of-interest – and in doing so help those communities to better understand the Council's priorities and

outcomes and work within these parameters to articulate their ideas, concerns and objectives.

53. The function is also seen as providing a two-way dialogue with these communities and communities-of-interest. It aims to increase understanding between the Councils and these communities through both direct working and through improving the appropriate capacity of staff colleagues.
54. Internally, in supporting Council projects and one off initiatives, the Community Voice Function is intended to offer technical, tactical and strategic communications advice and mentoring to help these project teams. This aims to help them achieve their objectives by supplying any relevant insights and intelligence gathered from working with relevant communities and communities-of-interest and by helping colleagues to develop the skills and confidence to undertake community engagement and relationship building with these communities themselves.

### ***Governance arrangements for Partnerships***

55. Article 1 of both Council's Constitution commits to providing clear leadership to the community in partnership with citizens, businesses and other organisations and effective decision making; and to improving the delivery of services to the community.

### ***Looking ahead 2014/15***

#### ***Developing the Strategic Plan – Delivery Programme***

56. This Strategic Plan sets out how we aim to deliver enduring and positive changes for our many and diverse communities over the next three years. It seeks to position our two, sovereign councils – now served by one smaller and more dynamic workforce – ahead of the major financial, demographic and social challenges that our communities face and turn these into opportunities to do things differently and better.
57. The Plan also seeks to enthuse our councillors and staff – now working in totally new and more flexible ways – to build on their track records of innovation and success to focus even more of their energies on delivering our key outcomes.
58. To do this we need to continue to reshape our roles away from being defined by the services we have historically always delivered, or have never delivered, to one which is a more mixed approach. We should look to combining some direct delivery and a great deal more empowering of our communities to take on further responsibilities themselves and develop solutions with others.
59. This will inevitably mean a change as to how we work. We have summarised what this means for us and our communities by the phrase: *Smaller, Smarter, Swifter*.

*Completing the Governance Review*

60. The review has largely been completed and will provide a streamlined Governance framework which will enable the Councils to operate more effectively in an environment where two sovereign Councils are supported by a single set of officers. This will include a full review of each Council's partnerships arrangements.
61. The governance framework will ensure that there is an effective and robust process for policy development with clearly defined decision making processes and procedures with appropriate monitoring and scrutiny arrangements.

*Developing the Enabling Plan*

62. The enabling plan will focus on developing the organisation to be able to execute the delivery plan and achieve the strategic priorities and outcomes.
63. The approach involves analysing, planning and developing a highly effective organisation with the necessary capacity, capability and flexibility to sustainably deliver the required outcomes for its communities and customers.

**Future Challenges**

*Transformation*

64. In order to deliver the priorities and to meet the significant financial challenges facing each Council there is an urgent need to transform services and the way in which each Council operates. At the heart of transformation is a renewed focus on the priorities, our customers and our communities, with a determination to put people and outcomes ahead of organisational boundaries and bureaucracy. To achieve this, the Delivery Programme focuses on a number of projects that will be used when redesigning services and will be explicit in providing a focus for innovation and change.
65. To help support and further modify our business model we need to adopt a more radical, transformational approach, to realign and produce sustainable budgets to bridge the funding gap. This will be achieved through Priority Based Resourcing (PBR), a radical method to allocate available resources (people, cash, and assets) towards activities that will deliver the Council's Strategic Priority Outcomes and help in reducing non-priority activities. Our PBR project is part of the Transformation Programme – it is innovative and at the forefront of Local Government transformation.

**Conclusion**

- 66. The Annual Governance Statement provides an assurance of the effectiveness of each Council’s system on internal control. There have been no governance issues identified during the year that are considered significant in relation to each Council’s overall governance framework.
  
- 67. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council’s annual review.

Signed .....

Charlie Adan, Chief Executive

Date .....

Signed .....

Jennie Jenkins, Leader of the Council –  
Babergh DC

Date .....

Signed .....

Derrick Haley, Leader of the Council –  
Mid Suffolk DC

Date .....