

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – 26 SEPTEMBER 2012**

Title of report	<b>ANNUAL GOVERNANCE STATEMENT 2011-12</b>
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Purpose of report	To present the Annual Governance Statement 2011-12 for consideration and approval.
Reason for Decision	To ensure that members of the Committee have considered the Council's governance during 2011-12 and agreed the report.
Strategic aims	Value For Money
Implications:	
Financial/Staff	Not Applicable
Link to relevant CAT	Could impact on all CATs.
Risk Management	Failure to produce an accurate and comprehensive AGS could result in adverse comment from the Audit Commission and failure to comply with current guidance.
Equalities Impact Assessment	Not Applicable
Human Rights	Not Applicable
Transformational Government	Not Applicable
Consultees	None
Background papers	None

Recommendations	<ol style="list-style-type: none"> <li>1. <b>APPROVE THE ANNUAL GOVERNANCE STATEMENT (AS ATTACHED TO THIS REPORT)</b></li> <li>2. <b>GIVE APPROVAL TO THE HEAD OF FINANCE TO INCLUDE REFERENCE IN THE ANNUAL GOVERNANCE STATEMENT TO ANY SIGNIFICANT POST BALANCE SHEET EVENTS WHICH MAY OCCUR UP TO THE SIGNING OF THE FINAL STATEMENT OF ACCOUNTS, IN CONSULTATION WITH THE CHAIR OF THE COMMITTEE.</b></li> </ol>
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## 1.0 BACKGROUND

- 1.1 An Annual Governance Statement (AGS) is a requisite part of the annual review of corporate governance and is usually published alongside the statement of accounts. It is good practice to consider the AGS separately to the accounts.
- 1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued joint guidance on corporate governance. This requires the AGS to go beyond just considering the internal control environment, and to look at wider arrangements supporting a sound corporate governance framework
- 1.3 The CIPFA/SOLACE guidance outlines 6 core principles for good governance, with a number of supporting principles. These are:

### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of any scrutiny functions
- Ensuring that a constructive working relationship exists between the authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

### **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

- Ensuring that organisational values are put into practice and are effective

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

**Developing the capacity and capability of members and officers to be effective**

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

**Engaging with local people and other stakeholders to ensure robust public accountability**

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

**2.0 THE ANNUAL GOVERNANCE STATEMENT**

2.1 The Annual Governance Statement which has been prepared in accordance with the appropriate guidance is no longer included in the statement of accounts but is still subject to audit and requires final approval from this Committee.

2.2 The Council's governance framework is summarised in Section 3 of the AGS, and was in place throughout 2011-12. This committee plays a key role in overseeing the operation of the framework, including:

- approving the annual Internal Audit plan,
- receiving quarterly updates on the work of Internal Audit,
- receiving the annual Internal Audit report,
- receiving reports from the external auditors.

2.3 This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.

- 2.4 Section 4 of the AGS summarises the review process that has been undertaken to review the effectiveness of the Council's governance statement, and the sources of evidence that have been considered as part of the review. The committee's role is to determine whether they consider that the review has been rigorous and thorough.
- 2.5 Section 5 of the AGS sets out any significant issues which have arisen from the review of effectiveness, and proposals for addressing them. The committee should ensure that any issues arising include any matters they have become aware of from their ongoing work during the year, and that they are satisfied that appropriate corrective actions are proposed.
- 2.6 If required the AGS has to include a section on any relevant significant post balance sheet events which may occur up until the signing of the final statement of accounts. It is suggested that if any such events should occur, the Head of Finance will ensure that they are included in the AGS, following consultation with the Chair of this Committee.

# DRAFT

## ANNUAL GOVERNANCE STATEMENT 2011/12

### 1. Background and Scope of Responsibility

1.1 North West Leicestershire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging the overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is available on our website at:

[http://www.nwleics.gov.uk/pages/corporate\\_policies](http://www.nwleics.gov.uk/pages/corporate_policies)

or can be obtained from the Council Offices, Coalville.

1.4 This Statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011.

1.5 Please note that there have been changes to the Committee structure since 31 March 2012 and references in this report are to the Committees that were in existence during the year ended 31 March 2012.

### 2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is controlled and directs its activities and through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council policies, aims and objectives, to evaluate the

likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31 March 2012, and up to the date of the approval of the annual report and accounts, subject to changes to the Committee structure since 31 March 2012.

### **3. The Governance Framework**

3.1 The Council's code adopts six core principles as the basis for its corporate governance arrangements which are set out below. The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are set out below for each of the six core principles as follows.

#### **(i) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.**

- At the heart of the Council's strategic planning process is the Council Delivery Plan (CDP) and annual service plans. The Council's CDP has been developed in line with the Council's strategic aims and was updated and adopted by Council in March 2012.
- Further improvement will require even greater collaboration and partnership working across various sectors. Creating the place of North West Leicestershire for the future requires engagement, support and buy-in from a range of different partners. The vehicle for delivering this cohesively is the North West Leicestershire Local Strategic Partnership, which is chaired by the Leader of the Council and its membership includes representatives from a wide range of public and private bodies.
- To provide a focus for the work of the Local Strategic Partnership and the various organisations that work in the District, a Vision has been developed as follows: 'North West Leicestershire will be a place where people and businesses feel they belong and are proud to call home'
- The Council's performance management arrangements are strong and include the SMART Planning process which integrates service and financial planning across all of the Council's aims and objectives to better align activities, improvements and resources. A set of clear and consistent Service Delivery Plans was developed for 2011/12 and informative profiled financial monitoring reports which also project the outturn and are reviewed by all budget holders soon after the month end, enabling managers to respond to issues in a timely way. In addition, financial performance is reported monthly to the senior officers and all Performance Indicators and Financial Performance was reported to the Cabinet on a quarterly basis using a traffic light system to facilitate robust member challenge.
- This model enables any service failure to be identified early and addressed through a project plan which is considered and corrective action approved where necessary.

**(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

- The Council's Constitution clearly sets out the functions and roles of Members and Officers. The Constitution is continually reviewed by the Monitoring Officer and reported to members at regular intervals, following appropriate Scrutiny.
- The Constitution sets out the responsibility for all the Council's functions, including Council, Executive and Non-executive roles and a scheme of delegation to staff and proper Officer designations. These provisions make the specific responsibilities of the Leader, Chief Executive, Section 151 Officer and Monitoring Officer (MO) clear.
- There are robust codes and protocols, including codes of conduct for both Members and Officers, a protocol on Member/Officer relations, outline roles and responsibilities for Councillors and a procedure for the resolution of disputes.

**(iii) Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

- Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. Accordingly, the Council has a Planning Code of Conduct, Licensing Code of Conduct and Citizens' Rights are set out in the Constitution. These are regularly reviewed to take account of the latest guidance, the last review being completed in 2010.
- The Constitution contains a section on the "Principles of Decision Making", and non-compliance is a ground for "call-in".
- During 2011/12 the Audit & Standards Committee had a pro-active work programme and each meeting of the Committee received a report from the Monitoring Officer on current issues. A quarterly performance monitoring report to include ethical indicators was also produced.
- The Council has robust arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality). The Officer Register of Gifts and Hospitality received its six monthly checks by the Monitoring Officer at the same time she checked the Member Register.
- The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly at the Statutory Officers' Group. Their work includes monitoring compliance with standards of conduct across the Council, including both Officers and Members. There is a strong, LEXCEL accredited, legal team.
- Parish liaison meetings are held at least twice a year and the MO also provides ethical training to parishes.
- The Council's Whistle Blowing Policy includes Members, contractors, suppliers and service providers and people working in partnership with the Council (e.g. volunteers). All reports received under the policy are investigated thoroughly.

**(iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

- The Policy Development Group acts as the Council's Scrutiny function.
- The Council maintains a Forward Plan of both key and non-key decisions to maximise transparency and consultation. The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale, etc. Reasons for all decisions must be given and these are recorded in the minutes.
- The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias.
- The Audit & Standards Committee undertook the functions of an audit committee as identified by CIPFA Guidance. It received reports and presentations from the District Auditor and is independent of Cabinet.
- The Council has a customer feedback complaints system and this information is used to improve service delivery and customer satisfaction.
- The Council has a Risk Management Strategy and maintains and reviews its strategic risk register on a quarterly basis. The risks identified have been linked to Council priorities/strategic aims and lead officers have been identified to manage each risk.
- As part of the Council's Corporate Project Management Framework, all major projects have their own risk log and all reports going to Members include the risk implications associated with the decision Members are being asked to make.
- Partnership working is identified as a strategic risk and covers the Council's key strategic partnerships, e.g. LSP, CDRP, Local Resilience Forum.
- Risk Management also forms a key element of the Council's Delivery Plan and the SMART Planning process and Risk Management is an integral part of the Council's performance management arrangements.
- The Council is committed to the effective use of IT and has an ICT strategy and IT Security Policy.
- The Council's 2011/12 Treasury Management Strategy was agreed in March 2011, and risks are fully evaluated as part of this strategy.

**(v) Developing the capacity and capability of members and officers to be effective.**

- A thorough and rigorous recruitment and selection process for officers is in place and workforce succession planning is undertaken to ensure capacity and continuity issues are identified and addressed.
- A comprehensive induction programme exists for both Members and Officers which has been developed to deal with all relevant core issues.
- The Council is committed to creating an environment where elected Members' skills can develop and thrive with regular courses being delivered.
- An annual development review is undertaken for all officers, which includes the identification of training and development needs, which are then considered and built into a service level and corporate training programme where appropriate.



**(vi) Engaging with the local people and other stakeholders to ensure robust public accountability.**

- Our Communications Strategy sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, such as the Vision magazine and for staff, the Chief Executive's roadshows, Inner Vision and the intranet.
- The Sustainable Community Strategy forms the overarching strategy for the District and the Council. It is crucial that it links directly to the Local Area Agreement between the County Council and Central Government and forms the basis for the Local Development Framework, Housing Strategy and other key strategies and plans.
- In developing the Local Development Framework (LDF), extensive consultation has taken place and a timetable for completion has been produced.
- The Council's scrutiny arrangements are designed to ensure that key elements were externally focussed and involve all sections of the community and stakeholders as relevant.
- The Council has adopted a consultation framework which involves staff at all levels and their Trade Union Representatives and Officials.
- The Council publishes on its web site monthly details of expenditure over £500 as well as details of major contracts and senior salaries, responsibilities etc.

#### **4. Review of Effectiveness**

4.1 The Council has responsibility for conducting at least annually, a review of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers and directors within the Council who have responsibility for the development and maintenance of the internal control environment, the Internal Audit Annual Report, the work of the Audit & Standards Committee plus the comments of external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- The full Council through its overall responsibility for the Annual Budget and Policy Framework;
- The Cabinet, which has responsibility for all executive functions and for making recommendations to Council within the Budget and Policy Framework. Its remit is clearly set out in the Constitution and it plays a major role in reviewing key aspects of overall service delivery, including monitoring its effectiveness and related governance issues;
- The Audit & Standards Committee which met the external auditor to discuss findings in the Annual Audit Management Letter and reports and was responsible for ensuring that the Council's systems for internal control were sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these;

- The Audit & Standards Committee which ensured continued probity and good governance of the Council's operations.
- The Council's statutory officers who consist of the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Legal & Democratic Services) and S.151 Officer (Head of Finance) fulfil the statutory duties associated with their roles, including ensuring that the Council's activities are in accordance with the law and legislative requirements, and that financial budgets are set appropriately and are monitored regularly. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.
- The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five year plan from which the annual work plan is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Head of Service. The report includes recommendations for improvements that are included within an action plan and require agreement by service managers. The action plan was monitored on a quarterly basis by the Audit & Standards Committee. The Internal Audit service is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the service. The Internal Audit Annual report considered by the Audit and Standards Committee on 27 June 2012 confirmed that the Council's overall internal control arrangements provided adequate assurance during 2011/12.
- There is a Risk Management Strategy and all reports to Council, Cabinet and Committees have a risk management section.
- Assurance statements have been signed by Heads of Service to ensure that there are adequate internal controls and governance arrangements in their areas of responsibility and to provide an opportunity to inform improvement action planning requirements.

4.2 The Annual Governance Statement 2011/12 was considered by the Audit and Governance Committee (which replaced the Audit and Standards Committee) on 26 September 2012. We plan to address any weaknesses or issues raised to ensure continuous improvement of the systems and governance processes.

## **5. Significant Governance Issues**

5.1 There are no significant governance issues which need to be brought to the attention of the public or Councillors.

## **6. Post Balance Sheet Events**

6.1 There are no post balance sheet events in respect of 2011/12 that need to be reported on.

Signed:

\_\_\_\_\_  
Richard Blunt  
Leader of the Council

Date: \_\_\_\_\_

\_\_\_\_\_  
Christine Fisher  
Chief Executive

Date: \_\_\_\_\_