

AUDIT COMMITTEE – 25TH NOVEMBER 2020

Report of the Head of Strategic Support

Part A

ITEM 7 ANNUAL GOVERNANCE STATEMENT 2019/20 AND REVIEW OF THE CODE OF CORPORATE GOVERNANCE

Purpose of Report

To present the Annual Governance Statement (AGS) 2019/20 for approval, and to report the results of the annual review of the Council's Code of Corporate Governance.

Recommendations

1. To approve the Annual Governance Statement (as included in the statement of accounts).
2. To approve the Code of Corporate Governance (attached as an Appendix to this report).

Reasons

1. So that the Annual Governance Statement can be finalised and signed by the Leader of the Council and the Chief Executive in accordance with the required timescales.
2. To ensure that the Code of Corporate Governance is kept up to date and complies with best practice.

Policy Justification and Previous Decisions

The production of an AGS is a statutory requirement.

As set out in the Constitution, the Audit Committee has responsibility for considering the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Implementation Timetable Including Future Decisions

If approved by this Committee, the AGS will be signed by the Leader of the Council and the Chief Executive and will form part of the published statement of accounts.

Report Implications

Financial Implications

None.

Risk Management

There are no risks arising from this report.

Background Papers: Delivering good governance in Local Government Framework 2016 Edition (CIPFA / SOLACE): publicly available

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Part B

Background

1. An Annual Governance Statement (AGS) is a requisite part of the published statement of accounts. Although forming part of the statement of accounts, it is good practice to consider the AGS separately to the accounts.
2. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) issued joint updated guidance on corporate governance in 2016. The guidance sets out updated requirements for AGS, which includes a requirement that:

‘The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic, and written in an open and readable style’.

3. The guidance also sets out six sections which must be included within the statement, which in summary are:
 - An acknowledgement of responsibility for a sound system of governance,
 - Reference to and assessment of the effectiveness of the key elements of the governance framework,
 - An opinion on the level of assurance that the governance arrangements can provide,
 - An action plan to deal with significant governance issues,
 - Reference to the resolution of issues from the previous year,
 - A conclusion and commitment to monitoring implementation.
4. The AGS, which has been prepared in accordance with the revised guidance, is included in the statement of accounts being considered by the committee elsewhere on the agenda for this meeting.
5. The Council's governance framework is summarised in the annex to the AGS and has been in place throughout 2019/20. This committee plays a key role in overseeing the operation of the framework, including:
 - receiving quarterly update reports on the strategic risk register, and operational risk registers by exception,
 - 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,
 - annually reviewing the Code of Corporate Governance and approving amendments to it.

6. This ongoing work of the committee culminates in the consideration of the Annual Governance Statement.
7. The AGS sets out one significant issue which has arisen from the review of effectiveness and the proposals for addressing it, which is to review and monitor the effectiveness of the new shared internal audit service, particularly in light of the impact of the ongoing coronavirus pandemic.
8. The CIPFA/SOLACE guidance outlines 7 core principles for good governance, with a number of supporting sub- principles. The core principles are:
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
 - B. Ensuring openness and comprehensive stakeholder engagement.**
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**
 - F. Managing risks and performance through robust internal control and strong public financial management.**
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**
9. As stated in the AGS, the Code of Corporate Governance has been reviewed against the revised Framework, and the Code is attached as Appendix A to this report for the Committee to consider. No changes have been identified as being required.
10. The Code sets out the Council's commitment to the principles and sub-principles within the new Framework, and also summarises the Council's governance framework arrangements against each of the principles and sub-principles.

Appendices

Appendix: Code of Corporate Governance

CHARNWOOD BOROUGH COUNCIL – CODE OF CORPORATE GOVERNANCE

Charnwood Borough Council is fully committed to the principles of good governance, as set out in the ‘delivering good governance in Local Government Framework 2016 Edition’ (the Framework) produced by CIPFA and SOLACE.

The Council has adopted the core principles and sub-principles as set out in the Framework and which are set out below, together with a summary of how the Council’s governance framework seeks to support and achieve them.

The Committee is responsible for overseeing the Council’s governance framework and arrangements, including reviewing this Code on an annual basis to ensure it remains relevant, up to date, and in line with best practice.

CORE PRINCIPLES (SHOWN IN BOLD)	SUB-PRINCIPLES (SHOWN IN BOLD), AND HOW CHARNWOOD BOROUGH COUNCIL ACHIEVES THEM WITHIN ITS GOVERNANCE FRAMEWORK
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Charnwood Borough Council is accountable not only for how much we spend, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p>Behaving with integrity</p> <ul style="list-style-type: none"> • Codes of Conduct are in place for Members and for Officers • The Member Code of Conduct was approved by full Council, and incorporates the Nolan Principles • There is a Member Conduct Committee which has oversight of the Member Code of Conduct, and which is responsible for ensuring that members behave with integrity • The Member Code of Conduct specifies the requirements for members who have interests in matters under consideration to disclose them and to act appropriately to minimise potential conflicts of interest <p>Demonstrating strong commitment to ethical values</p> <ul style="list-style-type: none"> • There is a process in place to deal with complaints that members may have breached the Code of Conduct • There is an agreed and publicised process for people to raise concerns in confidence about ethics and other issues (whistle-blowing policy) <p>Respecting the rule of law</p> <ul style="list-style-type: none"> • All recommendations for decisions by members are subject to legal consideration and clearance to ensure that they are lawful and procedurally correct • Suitable statutory officer arrangements are in place (head of paid service, monitoring officer, and s151 officer), together with deputies where required

	<ul style="list-style-type: none"> • The monitoring officer reports any illegal actions or findings of maladministration to members in accordance with statutory requirements • 'Whistle-blowing' arrangements are in place for anyone who wishes to report concerns about corruption, misuse of power, or other serious concerns
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, and therefore Charnwood Borough Council ensures openness in our activities. Clear, trusted channels of communication and consultation are used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> • The Council has adopted a Communications Strategy • Reports to members with recommendations for decisions are supported by comprehensive publicly available reports and background papers, unless there is a justifiable reason why any information should be treated as exempt (ie. kept confidential) • Meetings at which members debate and make decisions are open to the public, unless there is a justifiable reason why the information being considered should be treated as exempt (ie. members of the public and press excluded) <p>Engaging comprehensively with institutional stakeholders</p> <ul style="list-style-type: none"> • The Council has identified its key partners and has a strategy in place to ensure that we work with them effectively where required to deliver services <p>Engaging comprehensively with individual citizens and service effectively</p> <ul style="list-style-type: none"> • The Council's Communications Strategy sets out when and how we will consult with citizens and service users • Consultation methods are targeted at specific groups where required, and are undertaken using a wide range of access channels
<p>C. Defining outcomes in terms of sustainable economic, social and environmental benefits</p> <p>The long-term nature and impact of many of Charnwood Borough Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the</p>	<p>Defining outcomes</p> <ul style="list-style-type: none"> • The Council has a four year Corporate Plan setting out its vision and intended outcomes for the Borough • Each year the Council approved an annual Business Plan setting out in detail how the vision within the Corporate Plan will be delivered, including objectives and relevant performance indicators • Each year the Council updates its medium term financial strategy, which is designed as a financial planning tool to ensure that the outcomes within the Corporate Plan and Business Plan can be delivered within the resources that will be available

<p>limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> • The Council operates a strategic risk register which identifies the high level strategic risks that could impact on the ability of the Council to deliver its key services and outcomes <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> • The Council considers economic, social and environmental impacts when making decisions, including undertaking and publishing equality impact assessments to ensure that fair access to services is achieved
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Charnwood Borough Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. We have robust decision-making mechanisms to ensure that our defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made are reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>Determining interventions</p> <ul style="list-style-type: none"> • Councillors making decisions receive detailed reports from officers with recommendations which are supported by an objective and rigorous analysis of options, including the financial and resource implications and the associated risks • Where appropriate consultation is undertaken with citizens and stakeholders, and their feedback is taken into account when making decisions <p>Planning interventions</p> <ul style="list-style-type: none"> • The Council has a schedule setting out the periods covered by all its key strategies and policies and the dates on which they are due to be reviewed and updated • Where appropriate, during the development and updating of policies and strategies key performance indicators and risks are identified • The medium term financial strategy is reviewed and updated annually to ensure that realistic estimates are available for a sustainable funding strategy <p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> • The medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
<p>E. Developing the Council's capacity, including the capability of its leadership and the individuals within it.</p> <p>Charnwood Borough Council needs appropriate structures and leadership, as well</p>	<p>Developing the Council's capacity</p> <ul style="list-style-type: none"> • Heads of Service are responsible for reviewing operations, performance and use of assets within their service areas on an ongoing basis to ensure their continuing effectiveness

<p>as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. The Council must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop our capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<ul style="list-style-type: none"> • The Council's Scrutiny Committees have responsibility for reviewing the Council's services through tools such as benchmarking in order to ensure that outcomes are being achieved efficiently and effectively • The Council has a People Strategy which is designed to ensure its workforce is developed and maintained to face the current and future needs of the Council <p>Developing the capability of the Council's leadership and other individuals</p> <ul style="list-style-type: none"> • The Constitution sets out the decisions that are delegated to officers and those which are reserved for collective decision making by the relevant committee • The Leader and the Chief Executive have a clear and shared understanding of their respective leadership roles and responsibilities • Officers have regular personal reviews which include an assessment of their ongoing training and development needs, and there is also a corporate training programme to ensure that corporate development needs are identified and delivered • There is a Member Development Member Reference Group of Councillors who oversee the member development programme, which provides regular training and development opportunities for all Councillors • The Council has achieved the East Midlands Member Development Charter, demonstrating its commitment to the importance of training and development for its Councillors • Officers have access to a free and confidential counselling service
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance</p>	<p>Managing risk</p> <ul style="list-style-type: none"> • There is a risk assessment framework for all decisions taken by Councillors and by officers under delegated authority, and any risks identified and recorded, assessed and mitigating actions are set out where appropriate • The Council has a two tier risk management system, consisting of a high level strategic risk register which is approved annually by Cabinet and monitored by the Audit Committee, and operational risk registers which are included within service team plans <p>Managing performance</p>

management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

- Scrutiny Committees have responsibility for overseeing the Council's performance in delivering its agreed outcomes and targets for key per performance indicators, and for scrutinising policies and strategies as they are developed and before they are subject to decisions to implement them
- The Scrutiny Commission has responsibility for pre-decision scrutiny of Cabinet reports
- Quarterly performance reports monitoring delivery of the annual Business Plan are produced and are considered by the Senior Management Team and by the relevant Scrutiny Committees

Robust internal control

- The Audit Committee has responsibility for regularly reviewing and monitoring the Strategic Risk Register, overseeing the work of external and internal audit, and for reviewing the adequacy of the internal control system
- The Audit Committee is independent of Cabinet, and is chaired by an independent person who is not an elected Councillor
- The Council has an in-house internal audit team which is staffed by suitably qualified and experienced officers, and which conducts a regular review of risks and internal controls within an annual audit plan

Managing data

- The Council has designated the Strategic Director of Corporate Services as its Information Security Manager, ensuring that responsibility for the management of data and information security rests at senior management level
- The Council has appointed a Data Protection and Information Security Officer
- Information and data protection security breaches and incidents are monitored on a quarterly basis by the Corporate Management Team

Strong public financial management

- All decisions taken by Councillors and by officers under delegated powers are subject to financial review and clearance, with the financial implications of the decisions being recorded
- There is a robust system of monitoring and reporting of both revenue and capital budgets and plans, including consideration by the Council's scrutiny function

<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the Council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> • Reports are made available to the public and other stakeholders via the Council’s website, unless they are classed as exempt • The Council has a dedicated page on its website where open data and all information required under the local government data transparency code is readily available <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> • The Council publishes an overall Annual Report each year setting out progress against achieving objectives and key performance measures • The Council also produces and makes available a number of other reports on an annual basis, including the statement of accounts and the annual governance statement, and an report on the work and achievements of the scrutiny function <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> • The Audit Committee has responsibility for ensuring the any recommendations for corrective action made by external audit are acted on, and also for monitoring the implementation of recommendations made by internal audit • The Council welcomes external challenge and reviews, and has achieved several external accreditations including ‘Customer Service Excellence’ and ‘Investors in People’
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Version History

Compiled: August 2017

Updated: July 2019 (to reflect changes in the Scrutiny structure and the revised risk management framework)

Reviewed: July 2019 (no amendments required)