SWALE BOROUGH COUNCIL

2014/15 ANNUAL GOVERNANCE STATEMENT

1.   Scope of Responsibility

1.1   Swale Borough Council is responsible for ensuring that:

   1.1.1   Its business is conducted in accordance with the law and proper standards;

   1.1.2   Public money is safeguarded and properly accounted for; and

   1.1.3   Public money is used economically, efficiently and effectively.

1.2   The Council also has a duty under the Local Government Act 1999 to make arrangements to secure 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.3   In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. A schematic summarising how the Council meets this obligation is set out in Appendix I.

1.4   The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework '*Delivering Good Governance in Local Government'*.

1.5   This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2.   The Purpose of the Governance Framework

2.1   The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities 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 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 therefore can 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 Council's 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 at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

3.1   A brief description of the key elements of the Council's governance framework is described below.

Communicating the Council's vision

3.2   The Council's Corporate Plan, Making Swale a Better Place, sets out an overarching statement of the Council's strategic objectives for the period April 2015 to March 2018. The plan is structured around three high level priorities, each containing a number of specific objectives. The three themes are:

- A Borough to be Proud Of
- A Community to be Proud Of
- A Council to be Proud Of

3.3   This is the Council's third corporate plan and the latest is very much an evolution based upon what has preceded it.

3.4 The Council has a range of performance indicators used to monitor the quality of its services and measure progress against its objectives and this is reflected in the performance reports considered by the Strategic Management Team on a monthly basis and by cabinet and Scrutiny Committee on a quarterly basis.

Management of Resources

3.5 The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

3.5.1 A medium term financial strategy and annual budget process that ensures that financial resources are directed to the Council's priorities.

3.5.2 Partnership working with a range of organisations where there are shared objectives and clear benefits from joint working. The most significant of the partnership arrangements is the Mid Kent Improvement Partnership with Maidstone Borough Council and Tunbridge Wells Borough Council.

3.5.3 A co-ordinated and structured approach to better procurement practices across the Council. Whilst significant improvements have taken place across the board in the Council's procurement of goods and services the joint waste and street cleansing contract with Kent County Council, Maidstone Borough Council and Ashford Borough Council stands out- both for the service improvement and very substantial cost savings achieved.

Members and officers working arrangements

3.6 Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Cabinet is the main decision-making body of the Council and is made up of nine members who have responsibility for particular portfolios.

3.7 The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.

3.8 The Constitution also includes an Officer Code of Conduct which describes and regulates the way in which members and officers should interact to work effectively together.

3.9   The Council's overview and scrutiny arrangements have continued to evolve. Since March 2014 there has been a Scrutiny Committee which scrutinises performance and holds cabinet to account for it, and a Policy Development and Review Committee which does not have formal scrutiny powers but which provides a mechanism for backbench members to consider and feed into policy proposals before formal decisions are taken.

3.10 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.

3.11 A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer/Proper Officer and the Chief Financial Officer.

3.12 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, its budget, the work of the Council's employees and the work done for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Sub Committee of General Purposes Committee.

3.13 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Director of Corporate Services, who is responsible for:

3.13.1 Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;

3.13.2 Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;

3.13.3 Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;

3.13.4 Establishing and maintaining a register of interests (including receipts of gifts and hospitality);

3.13.5 Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

3.14 The Director of Corporate Services is a direct report to the Chief Executive.

3.15 The Head of Finance, as the Section 151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).

3.16 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership, an arrangement covering the three MKIP Councils and Ashford Borough Council. This role is responsible for the Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2011. The Head of Audit Partnership has no operational responsibilities inconsistent with the independence requirements set out in the Standards.

3.17 All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.

3.18 The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The Council sets and publishes a 'Pay Policy Statement" which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.

Promoting values and upholding high standards of conduct and behaviour

3.19 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. In the last two years the Committee has met once a year to receive an annual report from the Director of Corporate Services in his role as Monitoring Officer.

3.20 Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.

3.21 The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:

3.21.1 Anti-Fraud and Anti-Corruption Strategy.

3.21.2 Procurement policies.

3.21.3 Whistleblowing Policy.

3.21.4 HR policies regarding discipline of staff involved in such incidents.

3.21.5 A corporate complaints procedure exists to receive and respond to any complaints received.

3.22 Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

3.22.1 Registers of disclosable pecuniary interests and disclosable other interests;

3.22.2 Declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;

3.22.3 Registers of gifts and hospitality for Officers;

3.22.4 Equal opportunities policy.

3.22.5 Member induction.

Taking informed and transparent decisions and managing risk

3.23 The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.

3.24 The Council provides decision-makers with full and timely access to relevant information. The Cabinet report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

3.25 The Council has a Strategic Risk Register covering the Council's most significant over-arching risks. These are:

   3.25.1 Impact of welfare reform and wider economic pressures.

   3.25.2 Regeneration and place shaping.

   3.25.3 Achieving a balanced budget across the medium term financial plan period.

   3.25.4 Transforming to meet the financial environment.

   3.25.5 Safeguarding

3.26 Operational level risks are picked up through the service planning process. Internal Audit have examined the Council's approach to risk management and are now engaged with the Strategic Management Team in developing our current approach.

Developing the capacity and capability of Members and Officers

3.27 The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.

3.28 The Council continues to put great emphasis on the management and development of its key resource-the people who work for the Council. There are well established performance appraisal and development processes for all staff. The Council has developed our values to clearly describe how we do things-Fairness, Integrity, Respect, Service and Trust (FIRST) and all employees should be aware of how we expect them to work so that they behave in ways which are consistent with these values. The Council also has a staff engagement strategy. Communications with staff are paramount with a monthly Team talk document, three all staff briefings a year led by the Chief Executive, weekly Strategic Management Team meetings, monthly Corporate Leadership Team meetings, monthly team meetings and quarterly of third tier managers. These processes are supplemented by a staff Group with direct access to SMT.

The recent staff engagement survey showed significant improvements in the already good results achieved 2 years ago.

3.29 The Member Development Working Group has an overview of the approach to member development. It continues to operate to the principles which underpin the member Development Charter.

Engagement with local people and other stakeholders to ensure robust public accountability

3.30 The Council employs a range of mechanisms for ensuring that it takes decisions in accordance with local preferences and remains responsive to residents' concerns and priorities. These range from formal consultation on specific proposals to regular public engagement events attended by members and senior officers and with agendas determined by residents. These include three geographically based "Local Engagement Forums", as well as the more thematic Rural Forum and Youth Forum. In recent years the Council has also made progress in developing relationships with the Borough's 36 town and parish councils, regularly consulting with them on a range of issues. The Council has developed a Statement of Intent which Cabinet agreed in March 2015 which sets out clear guidance for the level of support town and parish councils can expect from this Council.

3.31 The Council also engages with stakeholders through various partnerships such as the Public Services Board, Community Safety Partnership, Health and Well Being Board and the Green Grid Partnership to ensure collaboration on strategic issues and delivery by working together for the benefit of Swale.

3.32 It also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through the Swale Community Empowerment Network. It also disseminates and adds information about the Council to various e-bulletins and newsletters to these groups eg the Business Bulletin and Active Swale Bulletin

4. Review of Effectiveness

4.1 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of internal audit and by comments made by the external auditors and other inspection agencies.

4.2   The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

    4.2.1   The work of the Audit Committee.

    4.2.2   The work of the Standards Committee.

    4.2.3   The role of the Scrutiny Committee in holding the Cabinet to account.

    4.2.4   The operation of the Council's performance management frameworks with an Annual Report and risk management.

    4.2.5   The work of internal audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;

    4.2.6   The external auditor's opinion report on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);

    4.2.7 The roles of the Council's Statutory Officers.

    4.2.8 The corporate complaints procedure.

    4.2.9 The anti-fraud and corruption and whistleblowing framework;

4.3 In the 2013/14 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is:

Issue	Updated position
Sittingbourne Town Centre Regeneration	Good progress has been made and Planning Committee resolved to grant planning permission on 16 March. There now appears to be real momentum to the project.
Localisation of Business Rates	Substantial progress has been made in establishing more robust monitoring procedures. However, issues such as appeals do have the capacity to fundamentally change the underlying position.
Prioritisation of resources	The 2015/16 budget process started with a funding gap of around £1.5m. This was closed through budget savings, avoiding reductions in front line services, and increased business rates income. The process was well managed.

5. Significant Governance Issues

5.1 The main areas for members and senior management attention in the coming year are:

5.1.1 Revising the Council's approach to prioritisation of resources and meeting the financial challenge in the new political environment in the Council.

5.1.2 Updating the approach to strategic and operational risk management.

5.1.3 Updating the Fraud and Corruption policy and embedding it in the Council.

Agreed:

Leader of the Council   **Chief Executive**

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK

Key documents / process guidelines:

- Local Code of Corporate Governance
- Corporate strategy and service planning processes
- Council Constitution
- Financial Regulations
- Risk management policy and toolkit
- Project management toolkit
- HR policies, procedures, codes of conduct
- Anti-fraud & corruption / whistleblowing policies

ANNUAL GOVERNANCE STATEMENT

(Published to accompany the Statement of Accounts)

Audit Committee:
Reviews and approves the draft Annual Governance Statement.

Council & Directorate Policies, Plans and Risk Registers

Draft Annual Governance Statement:

Officer group led by the Head of Finance:

- Evaluates assurances and supporting evidence;
- Identifies any development issues;
- Drafts the Annual Governance Statement.

Review of the effectiveness of internal audit

(Required by the Accounts & Audit Regulations 2011)

Scrutiny Committee / Policy Development and Review Committee

Financial Control Assurance

(s151 Officer)

Legal & Regulatory Assurance

(Monitoring Officer)

Members' Assurance

(Standards Committee)

Internal Audit

External Audit

Performance Management

Risk Management

Ongoing assurance on adequacy and effectiveness of controls over key risks