SWALE BOROUGH COUNCIL

2016/17 ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

1.1 Swale Borough Council is responsible for ensuring that:

(i) its business is conducted in accordance with the law and proper standards;

(ii) public money is safeguarded and properly accounted for; and

(iii) 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 In June 2017 the Cabinet agreed an updated Local Code of Corporate Governance based upon the late 2016 Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'. The local code was updated to reflect this document with its greater emphasis on outcomes rather than process.

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 the Accounts and Audit Regulations 2015.

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:

(i)   identify and prioritise the risks to the achievement of Council's policies, aims and objectives;

(ii)   evaluate the likelihood of those risks being realised and the impact should they be realised; and

(iii)   manage them efficiently, effectively and economically.

2.3   The governance framework has been in place at the Council for the year ended 31 March 2017, 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. In governance terms it is the document that sets out the Council's priority outcomes in terms of sustainable economic, social, and environmental outcomes. The Annual Report reviews headline performance and does focus on outcomes.

3.4 The Council has a range of performance indicators it uses to monitor the quality of its services and measure progress against its objectives. These are set out in the performance reports considered by the Strategic Management Team on a monthly basis, and by 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:

(i) a medium term financial strategy and annual budget process that ensures that financial resources are directed to the Council's priorities;

(ii) a financial monitoring process which closely monitors expenditure and income with detailed monthly reporting to SMT and quarterly reporting to cabinet and Scrutiny Committee;

(iii) an income generation project which looks in the medium term at new income generation initiatives to replace the loss of Government funding;

(iv) an investment strategy using borrowing to generate new income streams to cover the costs of borrowing on projects which support the Council's strategic priorities;

(v) an annual review of fees and charges;

Member and officer 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 for 2016/17 it was made up of eight members who have responsibility for particular portfolios. In this year Deputy roles were introduced to support cabinet members and promote succession planning.

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 fully set out in the Council's Constitution.

3.8   The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate 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 decision-making and performance, and holds Cabinet to account for these; and a Policy Development and Review Committee, which does not have formal scrutiny powers but which provides a mechanism for 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 undertaken 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. In February 2017 with the departure of the previous post holder an internal appointment was made of an Acting Chief Executive until September 2018.

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. As a result of the appointment of the Acting Chief Executive this role is now undertaken by the Interim Deputy Head of the Legal Partnership who is responsible for:

(i)   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;

(ii)   maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;

     (iii)   supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors;

     (iv)   establishing and maintaining a register of interests (including receipts of gifts and hospitality); and

     (v)   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 Chief Financial Officer, as the Section 151 Officer appointed under the 1972 Local Government Act, who carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO 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 related 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's operational responsibilities are set out in the Internal Audit Charter, and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA statement on the role of the Head of Internal Audit in Public Service Organisations (2010). Swale BC is in the position of being the only Council covered by the partnership with no weak/poor reports in 2015/16.

3.17   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 of review. 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.

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

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.

3.20   In the last two years the Committee has met once a year to receive an annual report from the Monitoring Officer.

3.21   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.

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

   (i)   an Anti-Fraud and Anti-Corruption Strategy;

   (ii)   a Whistleblowing Policy;

   (iii)   various HR policies regarding discipline of staff involved in such incidents;

   (iv)   various procurement policies; and

   (v)   a corporate complaints procedure exists to receive and respond to any complaints received.

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

   (i)   registers of disclosable pecuniary interests and disclosable other interests;

   (ii)   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;

   (iii)   registers of gifts and hospitality for Officers;

   (iv)   an Equalities Scheme and Equal Opportunities Policies; and

   (v)   comprehensive member induction.

Taking informed and transparent decisions and managing risk

3.24   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.

3.25   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 inter alia implications for each of the corporate priorities, and any equality and diversity implications.

3.26   Internal Audit have led a complete review of the approach to risk management. The previous approach focussed upon a small number of strategic risks and then operational risks were picked up at service unit level. This gave very broad strategic risks and mixed what could be referred to as corporate risks that were not large enough to be strategic but were wider than very service specific risks. The identification of risks was undertaken through a senior officer workshop, risks were assessed for impact and likelihood and Internal Audit then discussed the framing of the risks with senior officers. This has led to a prioritised set of corporate risks which have been reported to Audit Committee. A refresh will take place in the first half of 2017/18.

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 its values - Fairness, Integrity, Respect, Service and Trust (FIRST) - to clearly describe how we do things, and all employees have been engaged in activities to help them be aware of how we expect them to work so that they behave in ways which are consistent with these values.

3.29   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. In February the Council was evaluated as being one of the best 100 public sector employers as assessed in the annual Sunday Times survey.

3.30 The cross-party Member Development Working Group takes 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

3.31 The Council engages with partners and stakeholders through various partnerships such as the Public Services Board, the Community Safety Partnership, the Swale Economy and Regeneration Partnership, the local Health and Wellbeing Boards, and the Green Grid Partnership, to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.

3.32 The Council 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 incorporates information about the Council within various e-bulletins and newsletters that go to these groups eg the Business Bulletin and Active Swale Bulletin.

3.33 In addition, the Council uses a variety of corporate communications channels to engage with and inform local people about the work of the Council and its decisions including:

(i) Ensuring the Council provides an accessible website for delivering online services, providing a comprehensive information source and easy access to transparency data.

(ii) Transparent processes for undertaking consultations, public meetings, Council and Committee meetings with free public access to consultation documents and responses, meeting agendas, reports and minutes via the Council website.

(iii) Publishing and distributing Inside Swale magazine to 60,000 households every quarter to provide a trusted source of Council news and information.

(iv) Comprehensive use of official social media and email bulletins to promote the Council services and engage with stakeholders, responding to local peoples' comments, questions and concerns online.

(v) Providing an 'Ask the leader' channel to enable any stakeholder the opportunity to engage directly with the leadership, with all questions and responses openly published on the Council website

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, through 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:

(i)   the work of the Audit Committee;

(ii)   the work of the Standards Committee;

(iii)   the role of the Scrutiny Committee in holding the Cabinet to account;

(iv)   the operation of the Council's performance management frameworks, including the an Annual Report and the wider approach to risk management;

(v)   the work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;

(vi)   the external auditor's opinion report on the Council's financial statements, and his 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);

(vii)   the roles of the Council's Statutory Officers;

(viii)   the corporate complaints procedure; and

(ix)   the anti-fraud and corruption and whistleblowing framework.

4.3   In the 201/16 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Managing the implications of becoming financially self-sustaining, and ensuring proper governance of new income generation opportunities	Income generation has been set up as a project. A number of initiatives have progressed (beach huts, roundabout advertising and Lumina energy sales). The most substantial project is the funding and ownership of the retail and leisure elements of the Sittingbourne Town Centre redevelopment which on completion will deliver additional income of £1.7m per annum.

Fully embedding the revised approach to risk management	As set out above a completely refreshed approach to risk management has been implemented led by Internal Audit. There is a more comprehensive approach to identifying a broader range of prioritised corporate risks and this has been reported to Audit Committee.

5.   Significant Governance Issues

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

(i)   Addressing the very significant reduction in funding for 2018/19 (£1.3m) whilst delivering Council services to agreed levels. Development of the transformation programme and further income generation initiatives will be fundamental to this;

(ii)   Moving in to significant delivery of a quality and appropriately financed Sittingbourne Town Centre regeneration project; and

(iii)   Delivering service improvement and good governance from the interim management structure.

Agreed:

Leader of the Council   **Chief Executive**