

# ANNUAL GOVERNANCE STATEMENT

For the Year ended 31 March 2013

## 1. BACKGROUND AND SCOPE OF RESPONSIBILITY

- 1.1 Swale Borough 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 services, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Swale Borough Council's affairs, the stewardship of the resources at its disposal, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 In April 2013 Cabinet agreed a new Local Code of Corporate Governance reflecting the CIPFA/SOLACE Delivery Good Governance document published in late 2012. The documents considered how the Council was performing against the principles identified.
- 1.4 This statement explains how Swale Borough Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of the Annual Governance Statement.
- 1.5 Swale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and management of risk.
- 1.6 This is a corporate document owned by all senior officers and Members of the Council.

## 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 the 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 based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives, to evaluate the likelihood and the impact of those risks should they be realised, and to manage them efficiently, effectively and economically. The system is designed to manage risk to a reasonable level - it cannot eliminate all risk of failure to achieve stated aims and objectives, and can therefore only provide reasonable rather than absolute assurance of effectiveness.

- 2.3 The Governance Framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Annual Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

#### **Introduction**

- 3.1 This section of the Statement sets out the key issues for the Council in the year relating to the overall governance arrangements. Its focus is on changes in the year rather than restating the core governance arrangements of the Council.
- 3.2 In May 2011 for the first time the Council held all out elections which returned 32 Conservatives, 13 Labour, 1 Liberal Democrat and 1 Independent. The Conservatives then formed the governing Administration working under the 'Strong Leader' model.

#### **Vision and Corporate Priorities**

- 3.3 A new Corporate Plan was agreed by Cabinet in April 2012 and Council in May 2012. The Council's three strategic priorities are:
- Embracing Localism – demonstrating how we (the Council) will embrace the localism agenda whilst empowering individuals and communities to take more responsibility for their own futures;
  - Open for Business – working with the private sector and other public service partners to create the conditions for growth and to promote a positive image for the Borough; and
  - Healthy Environment – nurturing the place which is Swale in its broadest sense, both a physical place and as a community.
- 3.4 An annual refresh report was made to Cabinet in February 2013 as the next full rewrite of the Corporate Plan is not due until 2015. The refresh showed substantial progress being made.

#### **Management Processes**

- 3.5 There have been limited changes to the senior management structure of the Council in the year. The Interim Head of Legal has been replaced with a permanent Head of Legal Partnership and the Head of Planning also now covers that post at Tunbridge Wells Borough Council-both changes reflecting the the Council's commitment to partnership working. The weekly meeting of the Strategic Management Team is still at the heart of the management process of the Council; links to the broader Head of Service tier have been strengthened by a monthly joint SMT/Heads of Service meeting now known as the Corporate Leadership Team.
- 3.6 The structure of a monthly team brief and quarterly Third Tier Manager and four-monthly all Staff Briefings has also been maintained. The staff engagement forum, the Staff Panel, with representatives of staff meeting with the Chief Executive on a regular basis has continued.

3.7 During the Head of Human Resource and Development took the lead in developing a new set of corporate values. The corporate values are:

- Fairness
- Integrity
- Respect
- Service
- Trust

To embed the FIRST values a set of interactive exercises were developed for each value which were then undertaken at team meetings or staff meetings.

3.8 A Pay Policy Statement has been published.

### **Performance Management**

3.9 For 2012/13 the Council had in place a comprehensive performance management arrangements. This monitored performance against corporate performance indicators and progress on actions and projects from Services Plans. Monthly reports were made to Strategic Management Team and quarterly reports to Cabinet and Scrutiny Committee.

3.10 The outturn position for 2012/13 on monthly performance indicators is:

- twenty-three indicators (82%) met their targets;
- two indicators (7%) missed their targets by no more than 5%; and
- three indicators (11%) missed their targets by more than 5%.

The outturn on the annual performance indicators is not available for this report.

3.11 Of the three indicators which missed their targets by more than 5%, two related to Planning and one to Housing. Performance on processing major planning applications did not meet the target, but performance was still above the national median. The proportion of planning decisions delegated to officers also failed to meet the target, and was in the lowest quartile nationally, but this was to some extent a function of the Council's constitution. Detailed work is being undertaken to improve performance on these indicators. The housing target related to the number of households in temporary accommodation – there has been an increase in homelessness and at the end of February there were 68 households in temporary accommodation. This is a demand led area and the Housing Department has been very proactive in limiting this figure through a range of initiatives.

## **Financial Management**

- 3.12 The Council's Gross Expenditure has reduced over the last 5 years from £29.2m to £24.3m a 17% reduction. Over the same period Central Government funding through Revenue Support Grant and Business Rates has reduced by 35%. The Council over that period has made base budget savings totalling £6.3m. Further significant funding reductions are forecast, a 15% reduction in Revenue Support Grant for 2014/15 and the 2015/16 figure will be known on 26 June.
- 3.13 Despite the funding reductions the Council has been able to set balanced budgets with no call on reserves, indeed the Council has added to its reserves over the period. Additionally the Council has now held its level of Council Tax, the third lowest in the County, for 3 years. This has been possible through:
- A genuine medium term approach to the budget.
  - A realistic approach to what is possible in a much tighter financial environment.
  - Substantial savings on all major contracts.
  - Use of New Homes Bonus to support the base budget as well as supporting new projects via the Regeneration Fund.
- 3.14 The approach taken has worked well to date but the 2014/15 and 2015/16 budgets will be major challenges. To achieve balanced budgets further savings will be required and better links made between the Council's highest corporate priorities and its financial planning.
- 3.15 In year provisionally an underspend of £210,000 (excluding specific grants) is forecast. This is a fine margin on a budget of £16.2m in 2012/13. Budget management has improved and this largely reflects the greater experience and knowledge of budget managers.
- 3.16 The Finance Department delivered a high quality set of final accounts for 2011/12 which were commended by the external auditor. With the Head of Finance role continuing to be covered by a secondee from Kent County Council but at a reduced level (one and a half days a week) a heavy burden falls on the Chief Accountant and the senior staff and they have managed admirably. The Finance Department is well placed to support the Council through the next round of budget challenges.

## **Partnerships**

- 3.17 The Council has continued to work with Maidstone Borough Council and Tunbridge Wells Borough Council through the Mid Kent Improvement Partnership (MKIP). The main focus has been Information Technology and in April 2012 the three Cabinets determined to create a single shared service hosted by Maidstone Borough Council. This gives the opportunity for greater sharing of IT and for a more resilient service to all 3 Councils. Significant

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progress has also been made on progressing shared arrangements for Environmental Health and Planning Administration.

- 3.18 The Locality Board has continued to oversee and shape local delivery of the public services across the Borough for greater effectiveness and efficiency, particularly the local delivery of county functions.
- 3.19 Other key partnerships such as the Thames Gateway Kent Partnership, and the South Thames Gateway Building Control Partnership, remain effective.

### Procurement

- 3.20 The most significant procurement activity was the joint waste contract with Kent County Council, Maidstone Borough Council and Ashford Borough Council. This is the Council's largest contract with an annual value of £4.1m (with street cleansing). From the start of the project both the collection and disposal elements were combined and highly innovative approaches taken to the actual procurement. The three borough council's Cabinets agreed the contractor and waste approach at a joint meeting in July 2012. The Council will make very substantial savings and introduce a food waste service when the contract goes live in the last quarter of 2013/14.
- 3.21 Savings on major contracts and more professional procurement of other spend have been major deliverables over the last three years and are fundamental to how the Council has achieved savings to the level it has.

### Internal Audit

- 3.22 The Internal Audit service continues to be provided through a four-way shared service with Maidstone Borough Council, Tunbridge Wells Borough Council, and Ashford Borough Council.
- 3.23 A total of 22 audit projects have been completed during the year. Of the 22 audits the results were as follows:

<b>Control Assurance</b>	<b>2011/12</b>	<b>2012/13</b>
High	1	1
Substantial	17	10
Limited	4	6
Minimal	0	1
Not given	4	4
<b>Total</b>	<b>26</b>	<b>22</b>

- 3.24 61% of assessed reports had a positive assurance assessment at the time of the audit, identifying control assurance as 'substantial' or 'high'.

- 3.25 Of the seven audits which received a 'limited' or 'minimal' controls assurance assessment during the year, two (Property Maintenance and Grounds Maintenance Contract Monitoring) had been subject to follow-up review prior to year end. Both audits were reassessed as having an improved control environment at the time of the follow-up, thereby providing 'substantial' controls assurance. The remaining 5 audit projects, which were awaiting follow-up at 31 March 2013, (CCTV, Cemeteries, Staying Put Service, Sports Development Administration and Sports Development Investigation), are scheduled for a follow-up review during 2013/14 – allowing sufficient time for management action to be taken to address identified control weaknesses.
- 3.26 In February a significant irregularity was identified which was then investigated by management and Internal Audit. The total value of the irregularity is £8,676. The member of staff has been dismissed. The investigation undertaken was very thorough and it did not identify any systemic weaknesses.

### **Risk Management**

- 3.27 Last year's Annual Governance Statement identified the need for improved strategic and operational risk management processes.
- 3.28 Strategic Risk management has been led by the Head of Audit Partnership and Audit Manager. With support from Zurich Municipal a clear methodology was developed and applied both with Cabinet and Strategic Management Team. The Strategic Risk Register has been agreed by Cabinet and Audit Committee and has also been updated and refreshed. This work has been highly successful and is now well embedded in the Council.
- 3.29 A process for identifying operational risks is now embedded as part of the service planning process and is monitored as part of the performance management report.

### **Bribery Act**

- 3.30 The Bribery Act 2010 (the Act) came into force on 1 July 2011 following the publication of detailed guidance by the Justice Department on 31 March 2011. A report was considered by Cabinet in October 2011, which agreed an anti bribery policy and an action plan to address the implications of the report on the range of Council services. A progress report was considered by SMT in March 2013 and a revised timetable to achieve the outcomes agreed.

## **4. REVIEW OF EFFECTIVENESS**

### **Introduction**

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority, who have responsibility for the development and maintenance of the governance environment, and also by comments made by the work of internal and external audit.

### **Standards**

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- 4.2 This year has marked something of a major change in relation to the approach to the Code of Conduct and the registration of members' interests. The Standards provisions contained with the Localism Act 2011 became effective. The Council adopted its new Code of Conduct in May 2012, effective from 1 July 2012 and this includes revised arrangements for the Standards Committee, registration and disclosure of interests and dispensations
- 4.3 Within the spirit of the lighter touch approach, the Council has sought to have as consistent and proportionate approach across the Borough's parish and town councils as possible. The lateness of the publication of the regulations covering the declaration of disposable pecuniary interests meant some councils choose to adopt a Code prepared by the National Association of Local Councils.
- 4.4 A review of the Constitution was concluded in March 2013 and covered amongst other things:
- Updating the standards Committee procedure rules including any amendments to public participation rules.
  - Update of the terms of Reference of the Audit Committee
  - Consideration of the Community Right to Challenge provisions
  - Council procedure rules including process for themed debates at council, handling of and number of questions

The Council will continue to consider further amendments to its decision making processes to support good governance.

### **Scrutiny Committees**

- 4.5 A 'Call-in' procedure is in place which allows Scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. Both Scrutiny Committees have a well developed forward looking work programme, and are providing a healthy and robust challenge to Cabinet and senior management. There were no call ins during the year.

### **Audit Committee**

- 4.6 The Audit Committee receives regular updates from the Head of Audit Partnership on the assurance which can be placed against various systems and processes reviewed during the year, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance. The Committee received training on risk management and the role of Internal Audit during the year.

### **Internal Audit**

- 4.7 Based on internal work undertaken throughout the year, current risk assessments, and the adequacy of action plans provided by Heads of Service,

the Head of Audit Partnership assesses the overall level of internal controls in place to inform his Annual Internal Audit report. The Annual Internal Audit report provides evidence to support the Annual Governance Statement. Going forward under MKIP, the Internal Audit Service will be measuring itself against best practice. The Internal Audit service has adopted the new Public Sector Internal Audit Standards (effective from 1 April 2013) and will be subject to an external compliance assessment during 2013/14

### **External Audit**

- 4.8 With the abolition of the Audit Commission the Council's external auditor following a national tender process run by the Audit Commission is Grant Thornton UK LLP. Key relationships have remained constant and good initial discussions have taken place between the Council and Grant Thornton.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 On the basis of this Annual Governance Statement compiled and reviewed by the Council's Strategic Management Team, we are satisfied that the Corporate Governance arrangements for the Council are adequate and are operating effectively.
- 5.2 The main areas for members and senior management attention moving forward are:
- Sittingbourne Town Centre Regeneration – this project is hugely important to the Council and the Scrutiny report identified a range of governance issues which need to be addressed.
  - Localisation of Business Rates – the localisation of business rates gives rise to a whole new set of financial opportunities and risks for the Council. These need to be much better understood in the early part of 2013/14.
  - Prioritisation – with a continued reduction in the resource base it will be necessary to reassess lower priority activities to ensure that resources are available to allow the Council's highest priorities to be achieved.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



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Signatures

Leader of the Council Andrew Bowles  
Date

Chief Executive Abdool Kara  
Date