

GOVERNANCE COMMITTEE

WEDNESDAY, 24TH JUNE 2015, 2.30 PM

COMMITTEE ROOM 1, TOWN HALL, CHORLEY

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following reports that were unavailable when the agenda was published.

Agenda No	Item	
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5	ANNUAL GOVERNANCE STATEMENT	
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		(Pages 165 - 176)
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	Report of the Monitoring Officer (to follow)	
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GARY HALL
CHIEF EXECUTIVE

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Report of	Meeting	Date
Head of Governance and Property	Governance Committee	24 June 2015

ANNUAL GOVERNANCE STATEMENT

PURPOSE OF REPORT

1. To present the draft Annual Governance Statement (AGS) to the Governance Committee for review and approval.

RECOMMENDATION(S)

2. That the draft Annual Governance Statement appended to this report be approved and referred to the Executive Leader of the Council, the Chief Executive and Head of Governance and Property for signature.

EXECUTIVE SUMMARY OF REPORT

3. Pursuant to the Local Government Act 1999, the Authority are required to continuously review our system of Governance. As part of this review we publish an Annual Governance Statement (AGS) alongside the annual financial statements.
4. CIPFA and SOLACE issue guidance on the form of the AGS and the self-assessment process that authorities must undertake to compile it.
5. This draft AGS is presented to Members of this Committee to review and approve. It has been properly drafted in accordance with the guidance issued. The assessments which have informed the preparation of the AGS demonstrate that the Council have strong governance arrangements.
6. When approved the AGS will be formally signed off by the Leader of the Council and the Chief Executive. It will then be submitted for external audit alongside the 2012/13 financial statements.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND

8. Under the Accounts and Audit (Amendment) Regulations 2011 every Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
9. CIPFA and SOLACE have issued a Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
 - develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
 - review their existing governance arrangements against the Framework;
 - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
10. The CIPFA SOLACE Framework defines proper practice for the form and content of the AGS. The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.
11. The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
 - the monitoring officer in meeting his/her statutory responsibilities;
 - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - directors assigned with the ownership of risks and the delivery of services;
 - members (e.g. through audit or scrutiny committees); and
 - others responsible for providing assurance (e.g. Internal & External Audit).
12. Thus as a corporate document, the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.
13. The guidance also states the need for a review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

CORPORATE SELF-ASSESSMENT

14. A corporate group consisting of the following officers contributed to the self-assessment and draft AGS:
 - Chief Executive (S151 Officer)
 - Head of Governance and Property(Monitoring Officer)
 - Head of Policy & Communications
 - Head of Human Resources & Organisational Development
 - Head of Shared Assurance Services
 - Principal Auditor
15. Section 5 of the Appendix discloses what the management group consider to be main opportunities to enhance the Council's governance arrangements taking account of organisational changes and the corrective action implemented following last year's self assessment. This view has been derived from the group's cumulative knowledge of the

Council's system of governance and the views of independent assurance sources such as External Audit.

16. The role of the Chief Finance Officer and the role of the Head of Internal Audit has been assessed, to ensure that the roles are undertaken to professional standards and that the Council ensures that appropriate support arrangements are provided to enable them to fulfil their duties.

SERVICE ASSURANCE STATEMENTS

17. In addition to the corporate self-assessment, assurance has also been obtained from Heads of Service, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any non-compliance issues.
18. The completed Service Assurance Statements have been analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Again, any non-compliance issues emerging from the Service Assurance Statements have also been included in Section 5 of the AGS at the Appendix.

RESULTS OF ASSESSMENTS

19. The Council were found to have strong governance arrangements with few identified areas for improvement. The Committee are asked to consider section 3 of the AGS which details how the Council discharge their obligations.
20. Section 5 of the AGS identifies proposed areas for improvement. The section is headed "Significant Governance Issues" but this is a little misleading. These are issues that have been highlighted as needing improvement, the issues are not in themselves significant. They are areas which suggest partial compliance with requirements or where there is insufficient evidence to demonstrate full compliance. There are no areas of significant non-compliance by the Council.

IMPLICATIONS OF REPORT

21. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

22. Contained in the body of the report.

COMMENTS OF THE MONITORING OFFICER

23. Contained in the body of the report.

CHRIS MOISTER
HEAD OF GOVERNANCE AND PROPERTY

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	16 June 2015	

CHORLEY COUNCIL**ANNUAL GOVERNANCE STATEMENT****1. Scope of responsibility**

Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We are responsible for safeguarding public money making sure it is properly accounted for and used economically, efficiently and effectively. Chorley Council also has a duty under the Local Government Act 1999 to take steps to constantly review and improve the way in which our functions are exercised. In undertaking this review we are obliged to have regard to a combination of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

Chorley Council has approved and adopted a 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 on our website. 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 in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides for how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements;

Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Public Service Reform Strategy, which clearly articulates a shared vision for the Borough of Chorley.

Long term outcomes and interim performance targets have been established for each

strategic objective.

The Public Service Reform Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet. They form the basis for training provided within the Council's organisational development plan and Circle of Service event for managers of the council.

Reviewing the authority's vision & its implications for the authority's governance Arrangements

The Public Service Reform Strategy and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally. As part of the annual consideration of the Corporate Strategy the Monitoring Officer and Section 151 Officer comment on the strategy in the report presented to Full Council providing an opportunity to consider implications on governance arrangements prior to any changes being adopted.

A performance management framework is in place for both the Council and the Public Service Reform Board, the latter providing clear arrangements for joint working, including specific Board projects.

Translating the vision into objectives for the authority and its partnerships

The Council have a robust process of consultation with residents and partner organisations on setting objectives based upon the council's vision. This process includes undertaking surveys of residents online and in hard copy, engagement events with the public and consultation with partners.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

The Council's Corporate Strategy contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both performance indicators and local performance targets. Feedback is sought from customers and residents about the services they receive to ensure that the council meets expectations. This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.

The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.

Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Governance Committee.

The Council have also introduced a project management system on which all corporate projects must be placed which monitors progress against set milestones and co-ordinates best use of resources.

Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and

accountable to local people. It contains clear distinctions between what constitutes an executive and non-executive decision.

Decision-making within the Council's Policy and Budgetary Framework is facilitated through the Executive Cabinet and by individual Executive Members but is supported by a framework of Statutory and Overview & Scrutiny Committees.

Non Executive Functions are undertaken by Full Council or the relevant committee subject to any delegations. The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Council's Constitution contains the formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality. Both members and officers have been extensively briefed on personal conduct and disclosure requirements.

An automated system has been established on the Council's intranet for officer and member disclosures.

Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Head of Governance arranges for the review of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.

The Council operates a call in process on all Executive Member decisions providing an opportunity to test the reasons for the decision before a Call in Panel of the Overview and Scrutiny Committee, and have adopted the new regulations governing the publication of council decisions.

All data collected by the council is required to have a procedure governing its collection and as part of the reporting system the data collector and authoriser are required to confirm the data has been checked.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

As part of the Council's project management procedure Project Managers are required to complete a risk assessment.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council maintains an anti-fraud and anti-corruption strategy and an anti-fraud action plan. This is reviewed annually and appropriate training is provided.

Ensuring effective management of change and transformation

Proposals for change and transformation are considered by the Executive and, particularly around staff changes the Council maintain HR policies and procedures to manage these changes.

Ensuring the authorities financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the financial management arrangements conform with the governance requirements. Any issues would be identified in the Councils annual audit.

Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the Council is fully compliant in all aspects

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Council's Monitoring Officer is the Head of Governance, an experienced solicitor with significant Local Government Experience.

All Council, Executive Cabinet and Executive Member decisions are considered by the Monitoring Officer and require a comment to be added prior to the decision being made.

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Council's head of paid service is appointed by Council decision and the role is prescribed by the Council's constitution.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines for audit committees. These extend to monitoring the Council's governance, risk management and internal control and include reviewing the adequacy of the governance framework.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Head of Governance and Property Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or

omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The standard committee reporting procedure and template now requires the monitoring officer and statutory finance officer to consider legality and compliance in respect of all decisions made by members.

Arrangements for whistle blowing and for receiving and investigating complaints from the public

The Council has an up to date Whistle Blowing Policy, which has been publicised via the Council web site, intranet and other channels. All members of staff are briefed on the Policy including how, and whom they should make a disclosure.

The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training

Formal induction programmes and training & development plans are in place for both members and senior officers. All senior officers participate in the corporate staff appraisal scheme.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Strategies are in place in respect of communications, marketing and consultation and include Council administered forums and public meetings.

Enhancing the accountability for service delivery effectiveness of other public service providers

The Chief Executive has regular meetings with counterparts in public service providers. The Authority participate in three tier forum meetings with County and Parish Councils.

Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements

The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

4. Review of effectiveness

Chorley 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
 - Chief Executive (S151 Officer)
 - Head of Governance and Property (Monitoring Officer)
 - Head of Policy & Communications
 - Head of Shared Assurance Services
- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

- The Council has also introduced Service Assurance Statements requiring Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, the Head of Governance has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Governance Committee

- The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines. These extend to monitoring the Council's governance, risk management and internal control framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The Report identified the following areas as having Limited Control
 1. Plant and Equipment – Management actions have been agreed to strengthen the maintenance and checking of asset registers and security of equipment.
- The Annual Report in itself is a tool not just for reporting on internal control but improving them.
- The Internal Audit Team is subject to on-going inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

Theme	Agreed Improvement
1. Staff/Member Development	1.1 To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.
	1.2 To ensure that the Governance Committee comply with the latest CIPFA guidance on Audit Committees.
2. Information Management	2.1 To ensure that there are clear document retention guidelines which are complied with by Services.
	2.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.
	2.3 To ensure that an effective Disaster Recovery Plan is in place.
3. Equality & Diversity	3.1 To ensure full compliance with the Council's Equality Scheme.

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.

Clr. A. Bradley
Leader of the Council

G Hall
Chief Executive
& Section 151 Officer

C Moister
Head of Governance and Property
& Monitoring Officer