

Report of:	Head of Governance and Corporate Services
Contact Officer:	Judith Aupers
Telephone No:	(01543) 464 411
Key Decision:	No
Report Track:	Audit & Gov Cttee: 19/06/18

AUDIT & GOVERNANCE COMMITTEE**19 JUNE 2018****ANNUAL GOVERNANCE STATEMENT 2017-18****1 Purpose of Report**

- 1.1 To set out the Council's Annual Governance Statement for the year 2017-18.

2 Recommendations

- 2.1 That the Committee approves of the Annual Governance Statement for 2017-18.

3 Key Issues and Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2015 require the Council to review the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).
- 3.2 The Council's draft Annual Governance Statement (AGS) for 2017-18 (which is current up to June 2018) is attached as Appendix 1.
- 3.3 The draft AGS has been compiled by the Leadership Team. The AGS has been drafted using various sources of assurance which together form the review of the Council's governance arrangements. The key sources of assurance are:
- (i) assurances from the Heads of Service;
 - (ii) assurances from the 3 statutory officers;
 - (iii) the risk management reports;
 - (iv) the annual internal audit report / opinion; and
 - (v) external assurance reports.
- 3.4 The review of the Council's governance arrangements has identified areas for improvement and these are set out in the action plan contained within the AGS at Appendix 1.

3.5 An update on the progress in actioning the issues from the 2016-17 AGS is attached at Appendix 2. In summary, of the 8 items:

- 4 items have been completed or are on target to be completed;
- work is in progress on 3 of the items; and
- work on the remaining 1 item has been deferred until 2018-19.

The outstanding issues have been included in the AGS for 2017-18 where appropriate.

4 Relationship to Corporate Priorities

4.1 The Council's corporate governance arrangements and internal control framework cuts across all corporate priorities.

5 Report Detail

5.1 The Council's Code of Governance was updated in June 2017 to reflect the latest guidance from CIPFA/SOLACE. A copy of the full Code of Governance can be found on the Council's website. A diagram illustrating the Council's Governance Framework is appended to the AGS.

5.2 The preparation and publication of an annual governance statement is necessary to meet the statutory requirement set out in the Audit and Accounts Regulations 2015 which requires authorities to "conduct a review of the effectiveness of system of internal control" and to "prepare an annual governance statement".

5.3 Following approval of the Annual Governance Statement it will be signed by the Chair of the Audit & Governance Committee, the Leader and the Managing Director.

5.4 The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 3.3. The Leadership Team has been consulted on the draft AGS to ensure that:-

- all of the significant issues have been identified and included, so far as is reasonably possible; and
- all of the issues included are considered to be significant.

5.5 It is not possible to give a single definition as to what constitutes a "significant governance issue" and judgement has to be exercised. Cipfa/SOLACE has not provided guidance on this in their new Framework so reference continues to be made to the guidance given in the previous framework. Factors used in making such judgements include:-

- the issue has or could seriously prejudice or prevent achievement of a principal objective;

- the issue has or could result in a need to seek additional funding to allow it to be resolved, or has/could result in significant diversion of resources from another service area;
- the issue has or could lead to a material impact on the accounts;
- the Chief Internal Auditor has reported on it as significant, for this purpose, in the Internal Audit Annual Report;
- the issue, or its impact, has or could attract significant public interest or seriously damage the reputation of the Council;
- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

5.6 Progress in addressing the significant issues identified in the Annual Governance Statement will be monitored through reports presented to the Audit and Governance Committee.

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 **Best Value**

None

7 Appendices to the Report

Appendix 1 Annual Governance Statement 2017-18

Annex 1 Summary of Governance Framework

Appendix 2 Progress Report for AGS 2016-17

Previous Consideration

None

Background Papers

- Annual Internal Audit Report 2017-18
- Strategic Risk Register
- Heads of Service Assurance Statements for 2017-18
- Statutory Officers' Assurance Statements for 2017-18

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2017-18**

1. Scope of Responsibility

- 1.1 Cannock Chase District Council (the 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 the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The 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*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which require all relevant authorities to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.
- 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 can therefore 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 the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being 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 2018 and up to the date of approval of the Annual Governance Statement.

3. The Governance Framework

3.1 The Council has adopted a local Code of Governance, which can be found on the Council's website. The Code is comprised of 6 key principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.
4. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
5. Managing risks and performance through robust internal control and strong public financial management.
6. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 The key components of the Governance Framework are summarised in the diagram at Annex 1.

3.3 A key element of the Council's governance arrangements concerns safeguarding. Cannock Chase District Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services.

We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:

- Having a Child & Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
- Having child & adult protection processes which give clear, step-by-step guidance if abuse is identified
- Safeguarding training programme in place for staff and members
- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership

4. Review of effectiveness

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 led by the Head of Governance & Corporate Services who has responsibility for the development and maintenance of the

Code of Governance. The review is informed by the work of Members, the senior officers within the Council and also by comments made by the External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.

4.2 **The Authority** - the Head of Governance and the Monitoring Officer, on behalf of the Council, undertakes reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Governance, reviews of the Constitution, Financial Regulations, the Scheme of Delegation and policies, processes and practices throughout the year. No new issues have been identified in 2017-18 but there are still 2 issues outstanding from the previous review:

- The need to review the Code of Conduct for Employees; and
- Development of the Information Governance framework.

4.3 **The Executive** - the Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance and financial management reports. Individual Cabinet members receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet. There is a formal Shadow Cabinet in place, which receives equal information to the Cabinet and provides an opportunity to challenge decisions and how they are made.

4.4 **Overview and Scrutiny committees** - the Council has 4 Scrutiny Committees (one for each of the Council's Strategic Priorities). The Scrutiny Committees review decisions made by Cabinet and areas of concern. They can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Scrutiny Committees:

- (i) determine their own work programme at the beginning of each year and this includes the provision of updates, briefings and reviews of services/activities; and
- (ii) consider regular performance management information from senior management.

4.5 **The Audit & Governance Committee** - is responsible for overseeing the Council's governance arrangements.

The Committee monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud & corruption arrangements throughout the year. The Audit & Governance Committee receives quarterly reports on:

- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and
- updates on the management of the Council's strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the

Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly

4.6 **The Standards Committee** - is responsible for the ethical framework of the Council. The Committee works closely with the Monitoring Officer in dealing with complaints about Members conduct and promoting high standards of conduct.

4.7 **Internal Audit** – is responsible for reviewing the effectiveness of the Council’s governance arrangements, including the system of internal control, and reporting on its adequacy. Internal Audit is a key source of assurance for the Annual Governance Statement and operates in accordance with the Public Sector Internal Audit Standards.

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work undertaken on the annual audit plan for 2017-18 has been used to provide an independent view on the adequacy of the governance framework.

In their annual report to the Audit & Governance Committee, the Chief Internal Auditor has independently assessed the Council’s internal control environment as being satisfactory overall based on their work during the year. The Chief Internal Auditor has not identified any issues for inclusion in the Annual Governance Statement.

Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

4.8 **Risk Management** - during 2017-18 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. There is currently 1 red risk for inclusion as a significant governance issue:

- Vulnerability of Cannock Chase Council’s financial stability as a result of public expenditure reductions and changes to the Government’s funding regime.

Two amber risks have also been identified for inclusion through other assurance sources and are attributed accordingly.

4.9 **Statements of Assurance from Heads of Service** - assurances were sought from the Heads of Service as to the effectiveness of a number of aspects of the Governance Framework as it operates in their service areas. The following significant governance issues have been identified:

- Cyber security – the need to ensure that there are adequate arrangements in place to repel and/or recover from Cyber attacks;
- Re-tendering of contracts – as a result of the failure to plan adequately for the re-tendering of a number of key contracts before they came to an end, there is a need to develop and maintain departmental contracts registers

and procurement plans to support the timely planning for the procurement of contracts in future; and

- Corporate Plan – ensuring that there are detailed action plans in place to support the delivery of the Council's priorities as set out in the Corporate Plan 2018-23 and that these plans are managed.

4.10 **Statements of Assurance from the Statutory Officers** - assurances have been sought from the Head of Paid Service (ie Managing Director), the Monitoring Officer (Head of Law & Administration at SBC) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance.

- The Head of Paid Service has overall responsibility for the organisation, appointment and management of staff.
- The Chief Financial Officer (s151 Officer) has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with.
- The Monitoring Officer has overall responsibility for:
 - reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 - matters relating to the conduct of Members and officers; and
 - the operation of the Council's constitution.

The Statutory Officers have identified the following as significant governance issues:

- Vulnerability of the Council's financial stability as a result of reductions in public expenditure and changes to the Government's funding regime; and
- Management capacity to deliver the Council's Corporate Priorities and statutory duties.

4.11 **External Audit / Other Review Agencies** - during the year the Council received the following key reports:

- (i) Audit Findings (dated 19 September 2017 and reported to Audit & Governance Committee 19 September 2017); and
- (ii) Annual Audit Letter (dated October 2017 and reported to Audit & Governance Committee 5 December 2017).

The reports offered an unqualified opinion on the Council's financial statements and its arrangements for value for money and effective use of resources. No significant concerns were identified.

4.12 **Leadership Team** – in addition to the individual Heads of Service and Statutory Officers assurances, the members of Leadership Team have been consulted on the draft annual governance statement and the significant governance issues that should be included within it.

5. Opinion on the Governance Framework

5.1 The review of the effectiveness of the governance framework show that the arrangements continue to be fit for purpose and **reasonable assurance** can be given that the framework is operating adequately in practice.

5.2 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and it's operation in practice.

5.3 Whilst the governance framework is considered to be adequate a number of issues have been identified that need to be addressed to further enhance the Council's governance arrangements. These are outlined in section 6 together with the actions to be taken.

5.4 The Audit & Governance Committee will have responsibility for ensuring the delivery of the actions needed to improve the Council's governance framework.

6. Significant Governance Issues

6.1 The Council's key governance issues for the past year and the year ahead are summarised in the table below together with the actions planned to address them.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Financial Regulations</p> <p>The Financial Regulations have been revised and will be going to Leadership Team for consideration prior to reporting to Council for approval.</p>	Head of Finance	September 2018
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been rescheduled for 2018-19.</p>	Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services	September 2018

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Information Governance</p> <p>Work on implementing the General Data Protection Regulations is ongoing. The Data Protection Policy has recently been updated so the focus for 2018-19 is to provide training for employees and Members and to revise the Retention of Documents Schedule.</p>	<p>Head of Governance & Corporate Services</p>	<p>September 2018</p> <p>January 2019</p>
<p>Financial Stability</p> <p>The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green Designer Outlet Village in 2020/21.</p> <p>The Balanced Budget in 2020/21 in addition is based upon the current Local government Finance Regime, however fundamental changes to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset) combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme creates a key strategic risk for the financial stability of this and all other councils.</p> <p>Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.</p>	<p>Managing Director and Head of Finance</p>	<p>Ongoing</p>

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Management capacity and delivery of the Council’s corporate priorities and statutory duties - management capacity continues to be an issue. The situation will be managed by:</p> <ul style="list-style-type: none"> • Leadership Team are assessing the need for additional project and programme management capacity to deliver capital and revenue projects; and • Increasing capacity with the Property Services Team to address building compliance issues and support the delivery of regeneration schemes. 	<p>Managing Director</p>	<p>September 2018</p> <p>December 2018</p>
<p>Cyber Security</p> <p>With the rise in cyber attacks nationally, it is planned to:</p> <ul style="list-style-type: none"> • Update firewall system • Provide cyber awareness training for users (Members and Employees) 	<p>Head of Technology</p>	<p>June 2018</p> <p>October 2018</p>
<p>Corporate Plan and Delivery Plans</p> <p>Following the production of the new Corporate Plan for 2018-23, it is necessary to ensure that there are detailed action plans in place to support the delivery of the Council’s priorities and that these are managed.</p>	<p>Head of Governance & Corporate Services and Leadership Team</p>	<p>Plans in place - June 2018</p> <p>Management of plans – ongoing</p>
<p>Contracts Register</p> <p>As a result of the failure to plan adequately for the re-tendering of a number of key contracts before they came to an end, there is a need to develop and maintain departmental contracts registers and procurement plans to support the timely planning for the procurement of contracts in future.</p>	<p>Head of Governance & Corporate Services and Leadership Team</p>	<p>October 2018</p>

Signed:

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Chair of the Audit & Governance Committee

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Date

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Leader of the Council

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Date

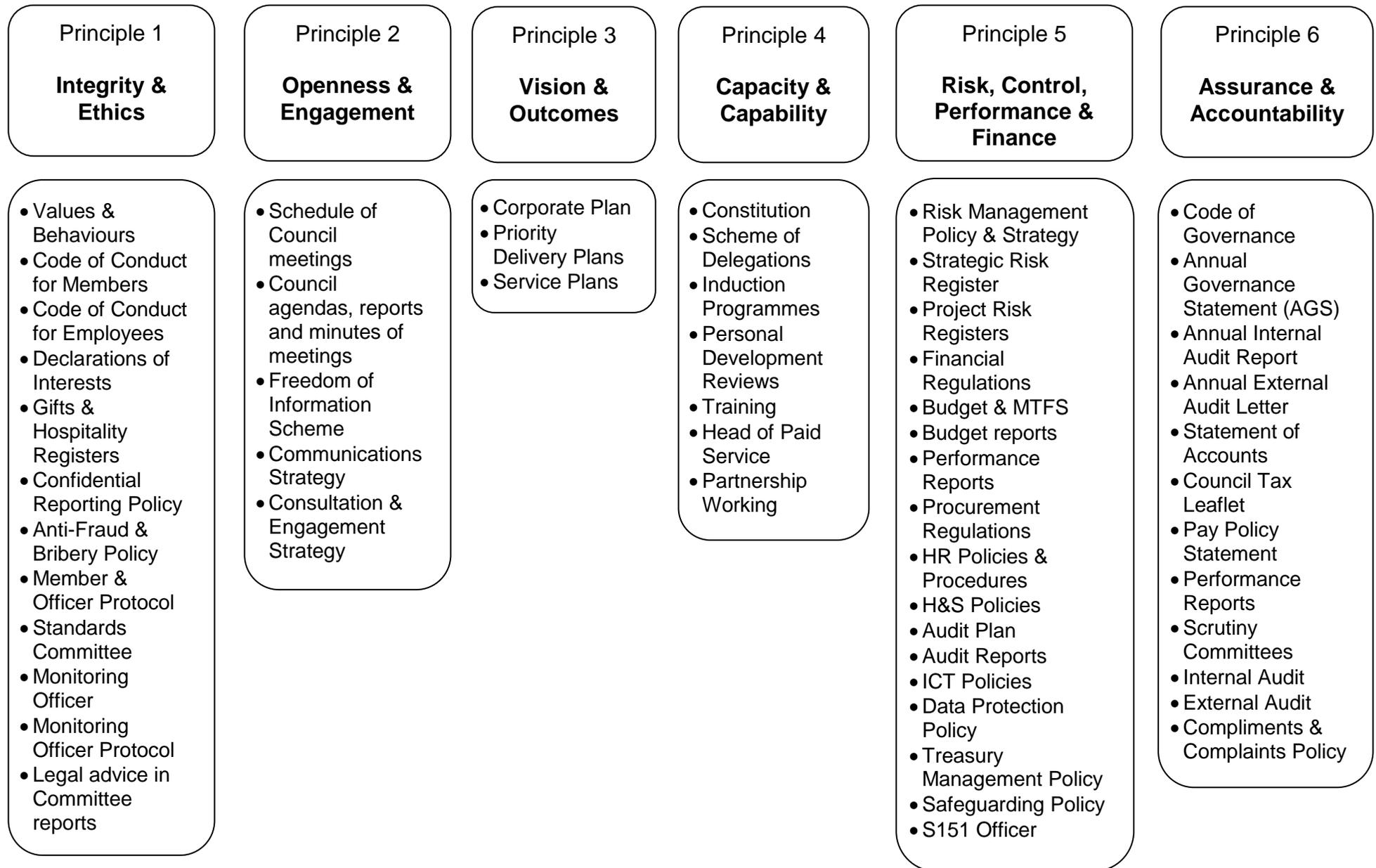
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Managing Director

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Date

on behalf of Cannock Chase District Council

Annex 1Governance Framework

ITEM NO. 7.

**PROGRESS REPORT AS AT 31 MARCH 2018
ON THE SIGNIFICANT GOVERNANCE ISSUES
FROM THE ANNUAL GOVERNANCE STATEMENT FOR 2016-17**

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
1	<p>Financial Stability</p> <p>The Council in 2016-17 implemented its Financial Recovery Plan to deliver a sustainable budget from 2019/20. The plan delivered £1.6 million of ongoing savings with a residual (manageable) shortfall of £0.181 million in 2019/20. The approved budget will however require the use of £0.508 million and £0.571 million of working balances in 2017-18 and 2018-19 respectively.</p> <p>In addition to managing income and expenditure carefully in each of the years the implementation of the Mill Green Designer Outlet Village represents a key budgetary issue with Business Rates currently budgeted for in 2019/20.</p> <p>Work is ongoing to address the underlying shortfall in 2019/20 however the Medium Term Financial Plan will need to be carefully monitored to reflect potential changes to key funding regimes e.g. New Homes Bonus and Business Rates (100% retention envisaged for 2019/20) and the timelines for Mill Green and other business rates growth within the District.</p>	<p>Managing Director and Head of Finance</p> <p>Ongoing</p>	<p>The Approved Budget and Plan currently provides an ongoing balanced budget with the use of balances required in 2019/20 pending the opening of Mill Green Designer Outlet Village in 2020/21.</p> <p>The Balanced Budget in 2020/21 is based upon the current Local government Finance Regime. However fundamental changes to Government Funding, details still to be determined, are set to take place in 2020/21 (implementation of 75% Business Rates Retention; Fair Funding and Business Rates Reset).</p>	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
1	Financial Stability - continued		<p>This, combined with the ongoing uncertainty in relation to the longevity of the New Homes Bonus grant scheme, creates a key strategic risk for the financial stability of this and all other councils.</p> <p>Details are unlikely to become clear before the Autumn of 2019 and hence Budget strategies need to be developed reflecting the various scenarios and efficiency savings implemented as soon as practically possible.</p>	
2	<p>Management capacity and delivery of the Council's corporate priorities and statutory duties - management capacity has been reduced further as part of the work on the Financial Recovery Plan. The situation will be managed by:</p> <ul style="list-style-type: none"> • establishing a clear link between the management capacity available and the delivery of the Council's agreed priorities via the PDPs; and • Leadership Team will monitor the situation on a monthly basis to identify any potential issues. 	<p>Managing Director Ongoing</p>	<p>The issue of management capacity remains a high risk for the organisation in terms of delivery and resilience.</p> <p>Leadership Team have recently started to review delivery of the Council's General Fund and S106 Capital Programme and will be considering in further detail the need for additional project and programme management capacity.</p> <p>It has been identified during 2017-18 that the organisation does not have sufficient capacity/expertise in Property Services.</p>	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
2.	Management capacity and delivery of the Council's corporate priorities and statutory duties - continued		<p>It has been concluded that in order to meet building compliance requirements and support regeneration schemes that a Property Services Manager will be recruited, thus increasing the capacity in this area.</p> <p>Certain pieces of work have been externalised due to lack of capacity e.g. Playing pitch/sports facilities evidence base for Local Plan; scoping options for review of Environmental Services in conjunction with Stafford Borough Council</p>	
3	Financial Regulations - a review of the Financial Regulations is due to be completed.	Head of Finance October 2017	The Head of Finance is currently considering comments received from statutory officers on the revised regulations. Once finalised, the Regulations will be submitted to Leadership Team and then to Council for approval in 2018-19	
4	Employees' Code of Conduct and Embedding Values This has not been reviewed for some years and needs to be updated. Values need to be incorporated into the Employees' Code of Conduct and embedded into the Personal Development Review Process.	Head of Human Resources, Head of Law & Administration and Head of Governance & Corporate Services March 2018	Work on revising the Code of Conduct for Employees has been scheduled to commence in June 2018	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
5	<p>Information Governance</p> <p>An information governance framework is to be established under the direction of a nominated SIRO. This will include a review of the existing arrangements for Data Protection and Freedom of Information.</p>	<p>Head of Governance & Corporate Services March 2018</p>	<p>Good progress has been made towards ensuring compliance with the General Data Protection Regulation. A revised Data Protection Policy has been prepared and the data audit is nearing completion.</p>	
6	<p>Cyber Security</p> <p>With the rise in cyber attacks nationally, it is planned to:</p> <ul style="list-style-type: none"> • Procurement of replacement web filtering system • Procurement of replacement email filtering system • Review additional anti-malware system • Provide awareness and training for users (Members and Employees) 	<p>Head of Technology December 2018 December 2018 On going 3 monthly review October 2017 – revised to February 2018</p>	<p>The web and email filtering systems will now be reviewed when the current contract ends as it is considered that they are working efficiently,</p> <p>An updated firewall system has been tested and will be installed in June 2018.</p> <p>Members and Employees receive alerts from the Technology service as new risks arise.</p> <p>A cyber awareness course is to be provided to all employees by October 2018</p>	
7	<p>Annual Report</p> <p>Development and publication of an Annual Report</p>	<p>Head of Governance & Corporate Services September 2017</p>	<p>The Annual Report for 2016-17 has been published.</p>	

No.	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
8	<p>Complaints Reporting</p> <p>To refresh the Council's complaints policy and as part of this, to provide an annual report on complaints and lessons learnt</p>	<p>Managing Director December 2017</p>	<p>A new Complaints policy was developed and consulted upon with Members and Officers. The Policy was approved at Council on 21/02/18.</p> <p>An Annual Report will be developed and submitted to Cabinet no later than September 2018.</p>	

KEY TO STATUS INDICATORS:

STATUS	DESCRIPTION
	The action is making significant progress towards completion or has been completed
	The action is making some progress towards being completed
	Work has not commenced on the action