Report of:	Head of Governance and Corporate Services
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Key Decision:	No
Report Track:	Audit & Governance Cttee: 27/06/17 Council (Code of Governance only)

AUDIT & GOVERNANCE COMMITTEE

27 JUNE 2017

CODE OF GOVERNANCE AND

ANNUAL GOVERNANCE STATEMENT 2016/17

1	**Purpose of Report**

1.1 To set out details of the Council's revised Code of Governance and the Annual Governance Statement for the year 2016/17.

2	**Recommendations**

That:

2.1 The Committee recommends the Code of Governance to Council for approval.

2.2 the Committee approves the Annual Governance Statement for 2016/17.

3	**Key Issues and Reasons for Recommendation**

3.1 Cipfa/SOLACE issued revised guidance on "Delivering Good Governance in Local Government" in 2016. The Council's Code of Governance has been updated to reflect the new guidance and the governance framework in place. A copy of the Code of Governance is attached at Appendix 1. A summary of the Governance Framework is given in Annex 1.

3.2 The Cipfa/SOLACE guidance is based on 7 principles of governance and these have been adopted in full with the exception of 2 principles (C and D in the

Guidance), which have been combined into 1 principle (number 3) in the Council's Code. Further details are given in 5.1.

3.3   For each of the 6 principles of good governance, the Code outlines what arrangements the Council has in place to support delivery of the principles in practice.

3.4   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).

3.5   The Council's draft Annual Governance Statement (AGS) for 2016-17 (which is current up to June 2017) is attached as Appendix 2.

3.6   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.

3.7   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 2.

3.8   An update on the progress in actioning the issues from the 2015-16 AGS is attached at Appendix 3. In summary, of the 10 items:

• 6 items have been completed or are on target to be completed;
• work is in progress on 1 of the items; and
• work on the remaining 3 items has been delayed.

The outstanding issues have been included in the AGS for 2016-17 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   In 2016 Cipfa/SOLACE updated their previous guidance on "Delivering Good Governance in Local Government". The new Framework is based on 7 principles of good governance. The Council's Code of Governance has been updated to reflect the new guidance. The 7 principles of governance have been adopted in full with the exception of 2 principles (C and D in the Guidance) which have been combined into 1 (3 in the Code of Governance).

The Cipfa/SOLACE principles are:

C. Defining outcomes in terms of sustainable economic, social and environmental benefits; and
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Council's combined principle is:

3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.

5.2   For each of the 6 principles of good governance, the Code outlines what arrangements the Council has in place to support delivery of the principles in practice. A copy of the Code of Governance is attached at Appendix 1. A summary of the Governance Framework is given in Annex 1.

5.3   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".

5.4   The CIPFA / SOLACE Framework has also updated the guidance on the content of the Annual Governance Statement. The Council's Annual Governance Statement has been updated accordingly. The key change is that the AGS no longer needs to include details of the Governance Framework; reference can instead be made to the Council's Code of Governance. For ease of reference a diagram illustrating the Council's Governance Framework is appended to the AGS.

5.5   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.

5.6   The Annual Governance Statement has been prepared using information from the sources of assurance outlined in 3.6. 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.

5.7 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.

5.8 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:   Code of Governance

Appendix 2:   Annual Governance Statement 2016/17

Appendix 3:   Progress Report for the Annual Governance Statement 2015/16

Annex 1:   Summary of Governance Framework

Previous Consideration

None

Background Papers

Annual Internal Audit Report 2016-17
Strategic Risk Register
Heads of Service Assurance Statements for 2016-17
Statutory Officers Assurance Statements for 2016-17

CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

1.1 Cannock Chase Council recognises that it 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. In discharging this accountability Members and officers will be responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal.

1.2 To this end the authority has approved and adopted this Code of Corporate Governance which is consistent with the principles and requirements of the CIPFA/SOLACE framework for *"Delivering Good Governance in Local Government"*.

1.3 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

1.4 The seven key principles of good governance are:

a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
b) Ensuring openness and comprehensive stakeholder engagement;
c) Defining outcomes in terms of sustainable economic, social and environmental benefits;
d) Determining the interventions necessary to optimise the achievement of intended outcomes;
e) Developing the entity's capacity, including the capability of its leadership and the individuals within it;
f) Managing risks and performance through robust internal; control and strong public financial management; and
g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

1.5 This Code applies to all officers and Members in the discharge of their duties.

2. PRINCIPLES OF GOOD CORPORATE GOVERNANCE

2.1 The authority supports and will apply the core principles of good corporate governance. In determining the Council's own Code of Governance it has elected to combine principles (c) and (d), set out at 1.4 above, into one principle "Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes". How the Council will do this is set out in the table below:

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Sub Principles	Arrangements the Council has in place
Core Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Behaving with integrity	• The Council has in place Codes of Conduct for both Members and Employees which set out requirements that support the need to behave with integrity. • The Council has a set of values which are underpinned by a set of expected behaviours. Integrity is one of the Council's values. • All new Members and Employees are made aware of the Conduct of Conduct when they join the Council.
Demonstrating strong commitment to ethical values	• A framework of policies for Confidential Reporting and Anti-Fraud & Bribery to discourage inappropriate activities and to encourage the reporting of any instances found. • Members are required to declare any conflicts of interest at annually and at meetings. • Employees are required to notify their line manager of any conflicts of interest and when tendering for goods or services they have to sign a declaration regarding any conflicts of interest.
Respecting the rule of law	• The Council has in place a Monitoring Officer who works with Members and Employees to ensure that the law is adhered to. • There is a protocol in place for the Monitoring Officer, which sets out their role and supports them in fulfilling their responsibilities. • Legal advice is given in reports for all decisions to be taken by Members.
Core Principle 2: Ensuring openness and comprehensive stakeholder engagement	
Openness	• The Council is committed to openness and holds meetings in public wherever it can. A schedule of Council meetings is available on the Council's website. • The agendas, reports and minutes of meetings are published on the Council's website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. • The Council has a Freedom of Information Scheme in place and seeks to publish information openly on it's website wherever possible and practicable to do so.

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Sub Principles	Arrangements the Council has in place
Engaging with stakeholders effectively, including individual citizens and service users	• The Council has in place a communications strategy which sets out how we will communicate with our citizens, service users and stakeholders. • The Council also has in place a consultation and engagement strategy which sets out how we will seek the views of our community eg on priorities, the budget, new projects. • Wherever we seek the views of our community, we endeavour to provide feedback on the information received and how we have used this to shape the Council's decisions.
Core Principle 3: Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes	
Defining outcomes	• The Council has established a clear vision of what it wants to achieve for the District and this is set out in the Corporate Plan. The vision and priorities have been informed by an analysis of the needs of the District and through consultation.
Planning and delivery of outcomes	• The Council's day to day services support the delivery of the vision and priorities. In addition, each year the Council determines a range of targeted actions and projects to help in achieving the vision; these are set out in the Priority Delivery Plans. Performance in achieving the Council's vision is monitored by the Leadership Team (Officers), the Cabinet and the Scrutiny Committees (elected Members).
Core Principle 4: Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Developing the Council's capacity	• Reviews of activities are undertaken to ensure continuous improvement in the delivery of services. • The Council works closely with partners (ie other public sector bodies, the voluntary sector and the private sector) to deliver agreed outcomes for the community.
Developing the capability of the Council's elected Members and employees	• The roles of Members, Committees, Officers and Statutory Officers are set out in the Council's Constitution, which is available on the Council's website. • The Council has a Scheme of Delegations in place, as part of the Constitution, which sets out the types of decisions and who can make them within the Council. • The Constitution also contains Financial Regulations and Procurement Regulations which provide a framework for officers in running services and making decisions. • An induction programme is in place to provide training and support for all new Members and employees.

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Sub Principles	Arrangements the Council has in place
	• Employees have an annual personal development review to assess their progress, performance and to identify any training and development needs. • The development of Members is led by the political groups but access to training is also made available through the Council. • The Council is committed to supporting the health and wellbeing of the workforce through appropriate HR policies, working practices and access to an Occupational Health Service.
Core Principle 5: Managing risks and performance through robust internal control and strong public financial management	
Managing risk	• The Council has a risk management policy and strategy in place. • A Strategic Risk Register is maintained by the Leadership Team and progress is monitored by the Cabinet and the Audit & Governance Committee. • Operational risks are identified and managed within the respective service areas.
Managing performance	• The performance in delivering day to day services is managed by the service managers and monitored by the Leadership Team. • The performance in delivering the Council's priorities is monitored by the Cabinet. • There are a number of Scrutiny Committees in place which monitor the performance of the Council and hold the Cabinet to account for the decisions it makes. Each Scrutiny Committee has oversight of one or more of the Council's priorities.
Robust internal control	• The internal control framework comprises a range of policies and procedures to ensure the sound management of the Council's operations and delivery of services. • The Internal Audit Section undertakes reviews of the systems that comprise the internal control and governance framework, provides assurance and makes recommendations for improvement. • The Audit & Governance Committee receives reports from the Chief Internal Auditor on the systems that comprise the internal control framework. The Committee also monitors the performance and quality of the Internal Audit service to ensure that it complies with the required national standards.

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Sub Principles	Arrangements the Council has in place
Managing data	• The Council has a Data Protection Officer and policy in place to ensure that personal data is held securely and managed appropriately.
Strong public financial management	• The Head of Financial Management is appropriately qualified, experienced and complies with the Cipfa Statement on the Role of the Chief Finance Officer in Local Government. • The Head of Financial Management prepares and advises the Council on it's Medium Term Financial Strategy and the budget. • Regular budget monitoring reports are provided to Members and Officers. • Financial Regulations provide a framework for the day to day management of the Council's financial transactions.
Core Principle 6: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Implementing good practice in transparency and reporting	• The following information is reported annually to Members and is available on the Council's website: ➢ Performance in delivering the Council's priorities; ➢ Statement of Accounts; ➢ Annual Internal Audit Report; ➢ Annual External Audit Letter; and ➢ Annual Governance Statement.
Assurance and effective accountability	• The Internal Audit Section provides assurances throughout the year on the key systems of internal control. • The External Auditor provides assurance on the Council's financial statements. • An annual review is undertaken of the Council's governance arrangements. • From time to time, the Council invites/ receives reviews of its services and acts on the recommendations made. • The Council has a compliments and complaints policy.

2.2   A diagram illustrating the Council's Governance Framework is given at Annex 1.

3.   MONITORING AND REPORTING

3.1   The authority will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice as set out in the CIPFA/SOLACE Framework. The review will be reported on both within the authority, to the Audit & Governance Committee, and externally with the published accounts, to provide assurance that:

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- corporate governance arrangements are adequate and operating effectively in practice; or
- where reviews of the corporate governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

3.2   The authority will prepare an annual Governance Statement and is so doing recognises that the process of preparing the Governance Statement should itself add value to the authority's corporate governance and internal control framework. It will be submitted to the Audit & Governance Committee for consideration and approval.

3.3   The Governance Statement will include the following information:

- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of: the authority; the Executive; the Audit Committee; the overview and scrutiny function; the Standards Committee; internal audit and other explicit review/assurance mechanisms including risk management arrangements;
- an opinion on the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide
- an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.

3.4   Approval and ownership of the Governance Statement will be maintained at a corporate level and will be confirmed by the Managing Director and Leader signing the statement on behalf of the authority.

3.5   In reviewing and approving the Governance Statement, Members will be provided with assurances on the effectiveness of the governance framework. The key sources of assurances will be:

- Internal and External Audit;
- the Statutory Officers;
- management; and
- relevant Committees.

4.   RESPONSIBILITIES

4.1   Corporate governance and good governance is everyone's responsibility.

4.2   There are however a number of specific responsibilities in relation to the implementation, monitoring and review of the Code and activities associated with the production of the annual governance statement. These are outlined below.

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4.3 **The Managing Director and the Leader** will be responsible for:

- Championing and role modelling good governance, in the spirit of this Code.

4.4 **The Head of Governance & Corporate Services and the Monitoring Officer** will be responsible for:

- overseeing the implementation and monitoring of the Code;
- reviewing the operation of the Code and advising on any changes that may be necessary to maintain it and ensure its effectiveness in practice; and
- reviewing and updating the Code of Governance as necessary.

4.5 **The Head of Governance & Corporate Services** will be responsible for:

- undertaking an annual review of the Code, to provide assurance on the extent of compliance with it. Details of the extent to which the authority is complying with the Code will be included within the Annual Governance Statement;
- co-ordinating the Council's governance assurances processes; and
- co-ordinating the production of an annual Governance Statement which will represent the overall levels of assurance within the Council on behalf of all Members and officers.

4.6 **The Monitoring Officer** will be responsible for:

- preparing an annual Monitoring Officer's Statement, which will also form part of the assurance required to be demonstrated in the annual Governance Statement.

4.7 **The Head of Financial Management** will be responsible for:

- preparing an annual section 151 Officer's Statement, which will also form part of the assurance required to be demonstrated in the annual Governance Statement.

4.8 **The Chief Internal Auditor** will be responsible for:

- reporting annually to the Audit & Governance Committee on audit activities during the year, with particular emphasis on the systems of internal control and the arrangements for corporate governance, providing some of the assurance required in the Annual Governance Statement.

CODE OF CORPORATE GOVERNANCE

Glossary

Term	Explanation
CIPFA	The Chartered Institute of Public Finance and Accountancy;
SOLACE	The Society of Local Authority Chief Executives and Senior Managers
Member	Elected councillor (including co-opted councillors)
Officer	Employee of the Council (including secondees)
Section 151 Officer	The statutory officer responsible for reporting on matters of financial compliance
Monitoring Officer	The statutory officer responsible for reporting on matters of legality
Constitution	The Council's rules and codes/protocols book

CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2016-17

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 2017 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. The work on developing the new Code of Governance and compliance with the Cipfa/SOLACE guidance has identified the following issues:

- The need to embed values and behaviours across the Council via the Personal Development Review (PDR) process;
- Annual report to Scrutiny Committee on complaints and the lessons learnt;
- An Information Governance framework to be set up; and
- Production of a formal Annual Report.

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 6 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 2016-17 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 2016/17 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.

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 issue has been identified:

- Cyber security – ensure that there are adequate arrangements in place to repel and/or recover from Cyber attacks; and
- Information Governance - the need to develop an information governance framework and ensure compliance with the new General Data Protection Regulation.

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;
- Management capacity to deliver the Council's Corporate Priorities and statutory duties; and
- The need to develop an information governance framework and ensure compliance with the new General Data Protection Regulation.

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

(i) Audit Findings (dated September 2016 and reported to Audit & Governance Committee 27 September 2016); and
(ii) Annual Audit Letter (dated October and reported to Audit & Governance Committee 30 November 2016).

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
Financial Stability 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**.** 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**.** 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.	Managing Director and Head of Finance	Ongoing
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: • 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.	Managing Director	Ongoing

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
Financial Regulations A review of the Financial Regulations is due to be completed.	Head of Finance	October 2017
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
Information Governance 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.	Head of Governance & Corporate Services	March 2018
Cyber Security With the rise in cyber attacks nationally, it is planned to: • 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)	Head of Technology	 December 2018 December 2018 On going 3 monthly review October 2017
Annual Report Development and publication of an Annual Report	Head of Governance & Corporate Services	September 2017
Complaints Reporting To refresh the Council's complaints policy and as part of this, to provide an annual report on complaints and lessons learnt	Managing Director	December 2017

Signed:

……………………………………………………   …………………………………

Chair of the Audit & Governance Committee   Date

……………………………………………………   …………………………………

Leader of the Council   Date

……………………………………………………   …………………………………

Managing Director   Date

on behalf of Cannock Chase District Council

Appendix 3

**PROGRESS REPORT AS AT 31 MARCH 2017
ON THE SIGNIFICANT GOVERNANCE ISSUES
FROM THE ANNUAL GOVERNANCE STATEMENT FOR 2015-16**

No	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
1.	**Budgetary Issues** The Council is facing a budget deficit in 2017-18 and 2018-19 arising from the Comprehensive Spending Review (CSR) and the loss of business rates arising from the closure of Rugeley Power Station. Work is ongoing to address this including progressing a transitional funding request, evaluating government consultation responses and determining and implementing a Financial Recovery Plan.	Managing Director and Head of Finance December 2016	Work on the development of the Financial Recovery Plan which identified savings options has been completed and a 3 year balanced budget was agreed by Council in February 2017. Considerable effort is being made on economic development schemes that would increase business rates income to mitigate the impact of the closure of Rugeley Power Station eg Kingswood Lakeside OPUS scheme, Mill Green Designer Outlet Village. A longer term plan is being developed to regenerate the power station site in the next 3-5 years which will generate further business rates and council tax revenues.	✔

No	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
2.	**Management capacity and the Council's strategic priorities -** this will be managed by establishing a clear link between the management capacity available and the delivery of the Council's agreed priorities. If management capacity has to be reduced further, it has to be linked to agreement on what priorities / services are no longer going to be delivered by the Council. This is linked to work on the Financial Recovery Plan.	Managing Director December 2016	As part of the Financial Recovery Plan process, a revised management structure has been agreed. Whilst this has reduced capacity further a number of changes have been made to mitigate the impact of the reduced capacity. All of the savings options identified as part of the Financial Recovery Plan process identify the impact that they will have on service delivery. The Priority Delivery Plans developed for 2017-18 take into account the reduced level of capacity to deliver projects but there remains a significant risk that the reduced management capacity will impact on the delivery of these corporate priorities. The organisation's management capacity is at a minimum level and the capacity to cope with unexpected, unplanned events is low.	✔

No	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
3.	**Public Service Reductions in the district of Cannock Chase** Actions include: • active approach to consultation on service changes; • understanding and identifying the impact across the district as a whole; and • working more closely with partners.	Managing Director Ongoing	The Cabinet has considered and responded to various consultations on public sector service reductions. Of particular concern are the proposals from Staffordshire County Council to effect significant reductions in Public Health budgets especially for Drug and Alcohol service. Agreement has been reached to invest locally and at the Edward Myers Unit in certain drug and alcohol interventions that partly mitigate the overall 50% reduction in the countywide drug and alcohol budget.	✔️
4.	**Housing & Planning Act** Implementation of proposals from the Housing & Planning Act 2016 and the impact on viability/funding of the Council's HRA due to the new government housing policies: • Pay to Stay • Starter Homes • Fixed Term Tenancies • Section 106 Dispute Resolution • Disposal of High Value Properties Policies and Procedures to be developed as required.	Head of Housing & Waste Management Timescale to be determined	The Government announced in 2016 that the Pay to Stay Policy would not be compulsory for Councils to implement. There has been no further guidance from the Government on the roll out of:- • Starter Homes • Fixed Term Tenancies • Section 106 Dispute Resolution • Disposal of High Value Empty Properties	❌

No	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
5.	**Financial Regulations** Now that the Procurement Regulations have been approved the review of the Financial Regulations can be completed.	Head of Finance October 2016	A full review of the Financial Regulations has commenced but was put on hold whilst work was being undertaken on the FRP process. The review will now be completed in 2017-18.	▲
6.	**Code of Governance** This is out of date (due to changes in the senior management structure). The new Cipfa/SOLACE Code of Governance is due out in April. The Council's Code will be updated following this.	Head of Governance September 2016	A new Code of Governance has been drafted.	✔
7.	**Employees' Code of Conduct** This has not been reviewed for some years and needs to be updated. Now the review of Values has been completed, these will be incorporated into the Employees Code of Conduct.	Head of Human Resources, Head of Law & Administration and Head of Governance November 2016	Work on the revised Code of Conduct has not been progressed due to other work taking priority, primarily work on the Financial Recovery Plan. It is now planned to commence work on this in 2017/18.	✖

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No	Issue & Action	Lead Officer & Timescale	Progress/Comments	Status
8.	**Information Governance** – an information governance framework is to be established under the direction of a nominated SIRO. This will include:			
	(i) a review of the existing arrangements for Data Protection	Head of Environmental Health - October 2016	The review of the policy has been completed.	✔️
	(ii) an IT Strategy; and	Head of Technology - September 2016	An IT Strategy has been drafted	✔️
	(iii) establishing an information governance framework.	Head of Environmental Health - October 2016	This is on hold pending discussions about a possible shared service for Information Governance.	❌

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

GOVERNANCE FRAMEWORK

Principle 1 **Integrity & Ethics**	Principle 2 **Openness & Engagement**	Principle 3 **Vision & Outcomes**	Principle 4 **Capacity & Capability**	Principle 5 **Risk, Control, Performance & Finance**	Principle 6 **Assurance & Accountability**
• Values & Behaviours • Code of Conduct for Members • Code of Conduct for Employees • Declarations of Interests • Gifts & Hospitality Registers • Confidential Reporting Policy • Anti-Fraud & Bribery Policy • Member & Officer Protocol • Standards Committee • Monitoring Officer • Monitoring Officer Protocol • Legal advice in Committee reports	• Schedule of Council meetings • Council agendas, reports and minutes of meetings • Freedom of Information Scheme • Communications Strategy • Consultation & Engagement Strategy	• Corporate Plan • Priority Delivery Plans • Service Plans	• Constitution • Scheme of Delegations • Induction Programmes • Personal Development Reviews • Training • Head of Paid Service • Partnership Working	• Risk Management Policy & Strategy • Strategic Risk Register • Project Risk Registers • Financial Regulations • Budget & MTFS • Budget reports • Performance Reports • Procurement Regulations • HR Policies & Procedures • H&S Policies • Audit Plan • Audit Reports • ICT Policies • Data Protection Policy • Treasury Management Policy • Safeguarding Policy • S151 Officer	• Code of Governance • Annual Governance Statement (AGS) • Annual Internal Audit Report • Annual External Audit Letter • Statement of Accounts • Council Tax Leaflet • Pay Policy Statement • Performance Reports • Scrutiny Committees • Internal Audit • External Audit • Compliments &