

**ANNUAL GOVERNANCE STATEMENT 2015/16**

<u>Report of the:</u>	Head of Corporate Risk
<u>Contact:</u>	Gillian McTaggart
<u>Urgent Decision?(yes/no)</u>	No
<u>If yes, reason urgent decision required:</u>	
<u>Annexes/Appendices (attached):</u>	<u>Annexe 1</u> - Draft Annual Governance Statement 2015/16
<u>Other available papers (not attached):</u>	None

**REPORT SUMMARY**

**This report seeks the Committee's formal approval of the Annual Governance Statement and the arrangements made for its preparation as part of the 2015/16 financial statements.**

**RECOMMENDATION (S)**

**That the Committee:**

- (1) Confirms the adequacy of the arrangements made for preparing the Annual Governance Statement (AGS).**
- (2) Considers and endorses the 2015/16 AGS prior to it being certified by the Chief Executive and the Chair of Strategy & Resources.**
- (3) Due to the Strategy & Resources Committee being held on 21<sup>st</sup> June 2016, the Director of Finance and Resources in consultation with the Chair of Strategy & Resources be given delegated authority to make any amendments to the draft AGS as recommended by the Committee.**

*Notes*

## **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 Corporate Governance affects all aspects of the Council's services because it relates to the framework in which decisions are made. It is defined as the system by which local authorities direct and control their functions and relate to their communities.
- 1.2 The Annual Governance Statement underpins everything that the Council does and supports the core values of openness and integrity.
- 1.3 The Committee's terms of reference covers the responsibility for review and approval of the Annual Governance Statement.

## **2 Background**

- 2.1 The Council's governance arrangements aim to ensure that its sets and meets objectives. It acts lawfully, open and honestly. All monies and resources are accounted for, safeguarded and used economically, efficiently and effectively.
- 2.2 The Accounts and Audit (England) Regulations 2011 require that councils produce a statement to cover their whole internal control environment, both financial and non-financial. The Annual Governance Statement is designed to provide assurance concerning our governance arrangements.
- 2.3 The Annual Governance Statement provides an overview of the Council's key governance systems and explains how they are tested and the assurances that can be relied upon to show those systems are working effectively. It also identifies opportunities to identify areas of improvement.

## **3 Proposals**

- 3.1 The Framework "Delivering Good Governance in Local Government" published by CIPFA in association with SOLACE in 2007 sets the standards for Local Authority governance in the UK. This Framework was reviewed in 2012 and an addendum issued providing further advice to encourage governance standards are the best.
- 3.2 The Council's governance framework comprises the system, processes, culture and values which direct and control it and through which it accounts to, engages with and leads the community. The Local Code of Corporate Governance was updated and approved by Strategy and Resources Committee on 12 November 2013. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
  - The work of internal and external audit
  - The Risk Management framework

- Corporate Assurance Framework
  - Arrangements for Business Continuity
  - Performance Management Framework
  - Divisional Assurance Statements completed annually by the Heads of Service
- 3.3 At least once a year a review must take place of the effectiveness of the systems of internal control. It is designed to manage risk at a reasonable level. The Council cannot eliminate all risk of failure to achieve policies and objectives and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risk of achievements of the Council's aims and objectives. To evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 3.4 The Annual Internal Audit Report for the year ended 31 March 2016, which is reported in more detail in a separate report to this Committee, forms a key part of corporate governance. For 2015/16, based upon and limited to the work performed, the organisation has an adequate and effective framework for risk management and governance. However, our work has identified further enhancements to the framework of internal control to ensure that it remains adequate and effective.
- 3.5 The Governance Framework has been in place for the year ended 31 March 2016. The Annual Governance Statement will be considered by the Strategy and Resources Committee as part of the approval of the Statement of the Accounts.
- 3.6 The significant control issues identified within the 2014/15 Annual Governance Statement are listed in the table below with the agreed action and the current status. A number of issues have been rolled forward into the 2015/16 Annual Governance Statement.

**Significant Control Issues from 2014/15 AGS**

<b>Issue</b>	<b>Agreed Action</b>	<b>Current Status</b>
<b>Financial Pressures</b> - The Council continues to be at risk of budgetary cuts and increase reliance on income streams.	A new medium term financial strategy support by a 4 year cost reduction plan is in place.	<b>Included in 2015/16 AGS due to the ongoing financial pressures.</b>
<b>Corporate Governance</b> – A review of corporate governance has identified a number of weaknesses and failure to comply with procedures.	The Corporate Governance Group has identified an action plan to address issues.	<b>Although a number of issues are being addressed this has been rolled forward to 2015/6 to ensure work is refined and the impact monitored.</b>

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<b>Issue</b>	<b>Agreed Action</b>	<b>Current Status</b>
<b>Procurement</b> – the Council is at risk of non-compliance and legislation and Contract Standing Orders.	An independent review of procurement capacity will be completed and the officer led Procurement Group will be established to implement agreed actions.	<b>Rolled forward to 2015/16</b> <b>The review identified a number of actions which are being addressed through joint working with the London Borough of Sutton and updated Contract Standing Orders and this is included in 2015/16 AGS.</b>
<b>Managing Resources</b> – the Council has limited resources and skills to deliver improvements.	As part of embedding the new management structure, need to ensure there is adequate resilience and the correct skill sets within each department. A development programme is in place for the Leadership Team.	<b>The Leadership Team development programme has been completed although there remain issues with the resources available to deliver savings and efficiencies. This is included in 2015/16 AGS.</b>
<b>Performance Management</b> – the current framework does not produce the information to address and measure key targets.	As part of developing the new Corporate Plan, the performance framework will be adapted to ensure it captures and measures key actions aligned to the key risks.	<b>The new PI's have been agreed and new framework will be in place for the autumn committee cycle. This is included in 2015/16 AGS.</b>
<b>Information Governance</b> – the Council need to ensure that the mandatory training is complete and all staff are aware of the policies.	Policies have been updated and training provided to all staff.	<b>The Information Governance Action Plan is regularly reviewed by the Corporate Governance Group.</b>
<b>Homelessness</b> – the rising cost of homelessness has resulted in significant increased budgetary constraints.	A number of initiatives have been agreed by the relevant committee to reduce expenditure including the introduction of a Private Sector Leasing Scheme, Residential Property Fund and the refurbishment on an existing property to provide temporary accommodation.	<b>- -A Homelessness project group meets fortnightly to address both demand and supply issues. A project plan is in place and the proposed allocation policy will be fully implemented by Dec 2015. This is included in 2015/16 AGS.</b>
<b>Fraud-</b> fraud training and awareness needs to be provided to all staff.	Training was scheduled but delayed due to other corporate training. Policies have been updated and drafted.	<b>The policies to be agreed by committee and training rolled out in 2016.</b>
<b>Transparency</b> – The Council have not met all the requirements of the Transparency Agenda.	An action plan was agreed in 2015/16 and a number of actions completed. Joint working with the London	<b>This is included within 2015/16 AGS in meeting procurement regulations.</b>

Issue	Agreed Action	Current Status
	Borough of Sutton will ensure that the Council is compliant with the Transparency Agenda.	

#### 4 Financial and Manpower Implications

4.1 There are no financial or manpower implications for the purpose of this report.

4.2 **Chief Finance Officer's comments:** None for the purposes of this report

#### 5 Legal Implications (including implications for matters relating to equality)

5.1 The AGS is a statutory requirement as set out in Regulation 4(2) of the Accounts and Audit Regulations 2011. In addition guidance for the review was issued by CIPFA / SOLACE in 2007, updated 2012.

5.2 External Audit will review the statement as part of the Audit of the 2015/16 financial statements

5.3 The Annual Governance Statement must be included with statement of accounts.

5.4 **Monitoring Officer's comments:** None for the purposes of this report

#### 6 Sustainability Policy and Community Safety Implications

6.1 There are no implications for these areas for the purposes of this report.

#### 7 Partnerships

7.1 There are no implications for these areas for the purposes of this report.

#### 8 Risk Assessment

8.1 The completion of the Annual Governance Statement ensures the Council's compliance with the Accounts and Audit Regulations and ensures effectiveness of the system of internal control encompassing internal audit and the role of the Scrutiny Committee as an Audit Committee.

8.2 The Annual Governance Statement forms an integral part of the corporate governance arrangements.

8.3 The significant control issues identified in the Annual Governance Statement reflect the generally high risk to the delivery of public services during a period of recession and funding cuts.

## **9 Conclusion and Recommendations**

- 9.1 Members of the Committee are asked to confirm the adequacy of the arrangements for the compilation of the Annual Governance Statement.
- 9.2 The AGS should reflect major risks, provide an accurate representation of arrangements in place during the year and highlight areas for improvement.
- 9.3 Responsibility for authorising the statement lies with the Chief Executive and the Chairman of the Strategy and Resources Committee. The Committee normally endorse the AGS prior to it being reported to the Strategy & Resources Committee. However due to a change in dates, the Strategy & Resources Committee are meeting earlier on 21st June 2016 in advance of this meeting.
- 9.4 It is recommended that delegated authority be given to the Director of Finance & Resources in conjunction with the Chair of Strategy & Resources to make any amendments as recommended by Committee to the Draft AGS.

**WARD(S) AFFECTED: (All Wards);**