

## Appendix 1

# Allerdale Borough Council

## Annual Governance Statement 2018/19

### 1. Introduction - Scope of Responsibility

- 1.1 Allerdale Borough 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 The Council has approved and adopted a local code of corporate governance, consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. This local code is subject to regular review and updating.
- 1.3 The 2016 CIPFA/SOLACE Framework requires local authorities to be responsible for ensuring that:
  - their business is conducted in accordance with all relevant laws and regulations;
  - public money is safeguarded and properly accounted for;
  - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
- 1.4 The 2016 Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs and facilitate the effective exercise of their functions, which includes arrangements for the management of risk.
- 1.5 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 requires 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 Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its priorities and to consider whether those priorities 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 following section summarises the key elements of the Council's governance arrangements in place during the year ended 31 March 2019 and up to the date of approval of the financial statements.

### **3. Key Elements of Allerdale Borough Council's Governance Framework**

- 3.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements, including:

#### **Council, Leader & Executive Committee**

- Provide leadership, develop and set policy
- Develop and set policy to achieve the priorities identified in the Council Plan
- Support Allerdale's towns and communities to thrive and succeed

#### **Senior Management Team & Statutory Officers**

- The Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective senior management team
- The Council's Section 151 Officer is the Head of Financial Services and is responsible for ensuring proper administration of the Council's financial affairs
- The Monitoring Officer is the Head of Governance and is responsible for ensuring legality and promoting high standards of public conduct

### **Decision-Making**

- Constitution, Scheme of Delegation and decision-making process reviewed regularly
- All meetings held in public
- Decisions are recorded on the Council's website

### **Risk Management**

- Risk registers identify both operational and strategic risk
- Key risks are considered by the senior management team and Audit Committee every quarter

### **Scrutiny & Audit**

- Overview & Scrutiny Committee reviews Council policy and can challenge decisions
- Audit Committee reviews governance, costs vs budget and delivery of agreed Internal Audit plans

#### **4. How we comply with the 2016 CIPFA Framework 'Delivering Good Governance in Local Government'**

- 4.1 Allerdale Borough Council has approved and adopted a Local Code of Corporate Governance, the requirements of the 2016 Framework and a number of specific strategies and processes for strengthening corporate governance.
- 4.2 The Council structures its approach to compliance around the seven principles set out in the 2016 Framework.

#### **PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 4.3 The Monitoring Officer works with the Constitution Review Group to conduct regular reviews of the Council's Constitution, including the decision-making framework and delegation arrangements, and makes recommendations for changes where appropriate.
- 4.4 The Council has a Code of Conduct for elected and co-opted Members, a Code of Conduct for employees and a Local Code of Corporate Governance that provides guidance for officers and members on expected standards of behaviours to ensure integrity.
- 4.5 Members receive annual training on Standards Arrangements, declarations of interests and the Code of Conduct as part of the Authority's discharge of its statutory duty to promote and maintain high standards of conduct by its

members. The Code of Conduct focuses upon the Nolan principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. It sets an objective, non-political and high standard whose purpose is to remind members of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct is measured.

- 4.6 The Monitoring Officer works closely with the Standards Committee and Independent Person on any complaints regarding the potential breach of the Code of Conduct by members. Complaints are handled in accordance with the Authority's arrangements for dealing with standards allegations under the Localism Act 2011 and the outcome of such investigations are published on the Council's website.
- 4.7 The Monitoring Officer arranged for independent national experts to review the Council's procedures for handling complaints that Members may have breached the Code of Conduct to benchmark the Council's arrangements against best local practice elsewhere to ensure that the Council has the best possible arrangements achievable under the legislation. An action plan is currently being developed to deliver the outcome of the review.
- 4.8 All employees participate in the Council's framework of behaviours describing "What Great Looks Like". The framework describes the strengths and behaviours that are important for every role, identifies areas of development for the workforce and defines the expected standards of behaviour for staff. The framework has been reviewed.
- 4.9 As part of its 2018/19 Plan, the Assurance Risk and Audit team completed a survey of the ethical culture at the Council and identified actions for management to consider.
- 4.10 The Council has participated in the National Fraud Initiative data matching exercise, delivering on time against the timetable required. The Corporate Fraud Group comprising the Section 151 Officer, the Monitoring Officer, the Assurance, Risk and Audit Manager and representatives from other services continue to meet to discuss fraud hot topics and monitor the progress of the NFI data matching. Fraud bulletins are published on the Council's intranet monthly.
- 4.11 The Councils updated complaints system and procedures – including the Council's mobile app – make it easier for complainants to submit complaints, track their progress and quickly access the outcome of complaints. The objective of the complaints process is to identify opportunities for improvements and to endeavour to resolve complaints satisfactorily at local level. The Council's whistle blowing arrangements are publicly available to ensure there is a clear channel of confidential reporting for the public.

**PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

- 4.12 All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication. All Council meetings are video-recorded for reference.
- 4.12 The Council engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and representation on the governing bodies of external organisations, neighbourhood forums, businesses and other local authorities.
- 4.13 The Council regularly consults on issues including on the proposed budget, changes in taxi fares, and the Housing Strategy, Economic Growth Plan and Heritage Strategy as well as the Local Plan (Part 2). When a consultation is held, the Council routinely includes all parish and town councils, as well as partner organisations such as Cumbria County Council. For the Local Plan a number of engagement events were held with staff and the public where people were encouraged to ask officers questions about the proposals. The Council also carries out a biannual survey of residents asking their views on things like council services, proposed budget savings, their local area, and their lifestyle. The survey is used to inform policy decisions and provide insight into the satisfaction levels of Council and other service providers. The 2018 Residents Survey was used to inform the development of the Council's new Council Plan 2019-2023.
- 4.14 The Council publishes information relating to all of its expenditure on its website each month and publishes an annual Pay Policy Statement detailing the remuneration of senior officers.
- 4.15 A range of media is used to inform residents and employees about the progress made in delivering the Council's plans including press releases, Facebook and Twitter.

**PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- 4.16 The Council Plan sets out a strategic vision for the borough and is completely refreshed every four years. During 2018/19 a new Council Plan for 2019-2023 was developed based on discussions with members and officers, an analysis of evidence and intelligence about Allerdale, consideration of residents' views (via the 2018 Residents Survey) and wider external consultation on the draft with stakeholders.
- 4.17 To translate the Council Plan into clear delivery activities and targets a Corporate Business Plan is developed each year. The Business Plan sets out specific activity that will be undertaken towards achieving the objectives set out in the Council Plan and is the vehicle by which the Council reports progress against Council Plan commitments. The Business Plan gives a fuller picture of how the whole organisation contributes to the delivery of the priorities in the Council Plan. Along with setting out specific projects and activities, the Business Plan also sets out a series of key performance indicators under each Council Plan priority theme.

- 4.18 More specific strategies and plans focus on sustainable economic, social and environmental benefits such as the Local Plan, Business Growth Strategy, and the Tackling Poverty Strategy. 4.19 The Council's decision-making process takes account of the economic, social and environmental impacts of policies and plans. Reports to committees require a consideration of these factors along with risk and financial implications.

**PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 4.20 All decisions are subject to scrutiny by members, review of options and risk by officers and members and key performance indicators are in place for all services.
- 4.21 The senior management team monitor key performance indicators on a monthly basis to ensure that the Council's priorities and performance targets are being met and potential intervention where expected performance is not being achieved. Progress against Council Plan priorities and performance more generally is reported to the Executive and Overview and Scrutiny Committee quarterly for discussion.
- 4.22 The Council has a programme of transformation projects. Budget proposals are developed by services, challenged and subject to scrutiny by the Corporate Leadership Team through the Star Chamber exercise.
- 4.23 The Council regularly engages with other authorities to learn and understand how best practice has been delivered elsewhere. Together, these practices also provide assurance that Council is achieving best value.

**PRINCIPLE E: Developing capacity and capability, including the capability of its leadership and the individuals within it**

- 4.24 A key element of the Council's service planning is to maximise the investment in staff through staff training and development including using its relationship with the Centre for Leadership Performance and the Apprenticeship Levy. All third tier managers have now completed leadership and management training. The majority of Council officers completed an e-Learning package including key legislation and policies. This was also available to Members.
- 4.25 All employees have development objectives identified as part of their 'What Great Looks Like' appraisal and complete quarterly reviews with their managers to discuss progress. The organisations values have been refreshed and published as part of an Organisational Development Strategy, which will be rolled out across the organisation in 19/20.
- 4.26 Members are required to complete a comprehensive induction following their election and receive an induction pack including all relevant policies and procedures. All members are given the opportunity and encouraged to develop individual personal development plans to identify development needs.
- 4.27 The Council works across a range of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

- 4.28 To ensure that we have a clear focus on the priority programmes and projects a Programme Management Office (PMO) was set up that includes dedicated internal resource that co-ordinates the resource, internally and externally, that is required for success delivery of the projects and programme outcomes. There is visible sponsorship for Programmes by the Sponsoring Group (SMT) and direction and oversight from elected members through CLT. The PMO has set up a Programme and Project Framework, which includes a control framework setting out who does what, when and how risks and issues are escalated. A dashboard records progress of all projects which is scrutinised at a monthly SMT Sponsoring Group.

**PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management**

- 4.28 The risk management framework confirms the Council's approach to identifying and controlling risk and is reviewed annually. The Council maintains a risks and issues log for corporate risks. Service risks are discussed with teams, reviewed and updated regularly and are escalated when necessary.
- 4.29 The Council's Integrated Assurance Strategy brings together risk management, the three lines of defence model and assurance mapping as a means to aid setting and achieving objectives, promoting good governance and providing assurance. The senior management team and third tier managers attend risk facilitation workshops lead by the Assurance Risk and Audit Manager every six months. The Audit Committee also attend risk workshops to support their role in risk management. The Council has a Corporate Governance Group consisting of officers from across the Authority who meet throughout the year to assess the processes in place to produce a governance statement and to review progress on improvements in governance arrangements.
- 4.30 Service performance is monitored and is reported to the Executive committee quarterly. The Council's Financial Regulations provide the governance framework for managing the Council's financial affairs. The Council's financial management arrangements conform to the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government". The Assurance, Risk and Audit team provide regular reports on the effective operation of processes and associated internal controls together with an annual assessment of the overall control environment.
- 4.31 The Council employs officers with dedicated responsibility for information governance, security and records management. The Council undertook organisation-wide work on data protection leading up to and following the introduction of the new General Data Protection Regulation (GDPR) in 2018. The work has included introducing new policies, procedures and guidance and training all officers within the Council in connection with how information should be securely handled, transmitted, stored and maintained.
- 4.32 The Council consistently meets statutory deadlines for the publication and audit of its annual statement of accounts.

**PRINCIPLE G: Implementing good practices in transparency, reporting, and accountability**

- 4.33 All reports, minutes and decisions are published on the Council's website. The Council follows best practice on providing clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. A new website was implemented in 2018/19 to with significantly improved navigation and reporting tools.
- 4.34 The Council' Overview and Scrutiny Committee holds decision-makers accountable and reports regularly to full Council with updates on its work and recommendations from any work completed.
- 4.35 The Council reports regularly to elected members and senior management team on its operational and financial performance. The Council publishes information for all expenditure every month on its website to encourage openness and transparency of public spending.
- 4.36 All audit recommendations are reported to the Audit Committee, to ensure that officers undertake any follow-up actions as appropriate.

## **5 Review of Effectiveness of the Governance Framework**

- 5.1 The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers who have responsibility for the development and maintenance of the governance environment, the Assurance, Risk and Audit Manager's annual report and by comments made by the external auditors and other review agencies.
- 5.2 The Council has used a number of ways to review and assess the effectiveness of its governance arrangements including a detailed review of the qualitative and quantitative evidence about the financial year 2018/19.
- 5.3 The Governance Group, the Assurance, Risk and Audit team and other key Officers have reviewed key performance indicators and met with Heads of Service and third tier managers to discuss their areas. There have been consultations with the Monitoring Officer, the Assurance, Risk and Audit Manager and the s151 Officer. All service areas have completed managers' assurance statements and the feedback has been analysed.

### ***Assurance from Internal and External Audit***

- 5.4 One of the key assurance statements the Council receives is the annual report and opinion of the Assurance, Risk and Audit Manager. The Assurance, Risk and Audit Manager's opinion for 2018/19 concludes that the overall effectiveness of the Council's risk management, control and governance processes are 'substantial'.
- 5.5 The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements made by the Council for securing economy, efficiency and effectiveness in its use of resources.

### ***Self-assessment and review of performance***

- 5.6 Managers' Assurance Statements, signed by Heads of Service, confirm codes of conduct, financial regulations, and other corporate governance processes



have been operating as intended throughout the year. The responses reflected the uncertainty around changes to the business continuity arrangements. Responsibility for coordinating business continuity has changed and an improvement plan is in place

5.7 During 2018/19:

- no formal reports were issued by the S151 Officer or Monitoring Officer;
- no breaches of member or officer Codes of Conduct occurred, however 3 complaints were referred for investigation;
- no objections were received from local electors;
- no Judicial Review claims were successfully brought against the Council.

***Follow-up issues and areas for improvement***

5.8 The Council received an Investigatory Powers Commissioners Office Inspection Report which included one critical recommendation in respect of the Senior Responsible Officer ensuring that Authorising Officers are able to comply with RIPA through proper application of council policy, procedure and through applied knowledge of the legislation which affects compliance status if not addressed. There are also 4 core recommendation improvements which must be made in relation to policy, member engagement and training. An action plan is currently being drafted to address these recommendations.

5.9c

The recent changes to arrangements for business continuity will be monitored.

**6 Conclusion**

6.1 At the date of this draft statement the following significant governance issues requiring action have been identified:

Issues Identified	Planned Action
IPCO Inspection recommendations	Completion and Delivery of Action Plan to address all recommendations
Planning and decision making around the Councils projects requires further development including introduction of compliance checks over key procurement activities	<p>The Programmes and Project Office was created and a comprehensive Governance Framework developed for all programmes and projects, which needs to be embedded. This will be monitored by the Council's Assurance Framework.</p> <p>The Procurement function has been reorganised and brought within the Programmes and Project Office.</p>

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Cllr Marion Fitzgerald  
Leader of the Council  
Allerdale Borough Council

Dated:

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Ian Frost  
Chief Executive  
Allerdale Borough Council

Dated: