

ANNUAL GOVERNANCE STATEMENT

2018/2019

1. SCOPE OF RESPONSIBILITY

East Staffordshire Borough Council (ESBC) 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. ESBC 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.

In discharging this overall responsibility, ESBC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

ESBC has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be found on our website, or can be obtained from the Corporate and Commercial Team. The statement explains how ESBC has complied with the code, and also meets the requirements of The Accounts and Audit Regulations 2015, regulation 6(1)(b), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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.

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 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 ESBC's policies, 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.

The governance framework has been in place at ESBC for the year ended 31st March 2019 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The clear statement of corporate objectives in the Corporate Plan and Service Plans, with the monitoring of achievement of corporate objectives via quarterly monitoring at the Corporate Management Team, Cabinet and Scrutiny. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is carried out with key stakeholders externally and through internal communications. Service Plans are communicated through internal communications and via the employee appraisal process;
- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and Council services and meetings are open to the public except where confidential matters are being disclosed. In addition, delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing details of future key decisions to be made by the Council;
- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer and Monitoring Officer, having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered;
- The statutory officers have the statutory duty to report to all the local authority's Elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget set;
- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;
- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an

annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan;

- The Council maintains an Internal Audit Service, which operates to the Public Sector Internal Audit Standards;
- The Council has a formally constituted Audit Committee, the Scrutiny (Audit & Value for Money Council Services) Committee, which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment;
- The Council has positions for two independent members to reside on the Scrutiny (Audit & Value For Money Council Services) Committee;
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter;
- There is a robust risk management approach which is considered and overseen by the Scrutiny (Audit & Value for Money Council Services) Committee. The policy enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually being developed, maintained and embedded through the proactive participation of all services, which strengthens the links between risk management and audit;
- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a performance management framework designed to secure continuous improvement in the way in which its services are delivered;
- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;
- The adoption and use of PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enables the Council to proactively monitor and appraise appropriate projects;
- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and Members through to Cabinet;
- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website and social media, and through the Customer Service Centres;

- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;
- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;
- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with and relevant partnerships are reviewed;
- Developing the capacity and capability of Members in order to improve and become more effective, and also ensure that officers (including statutory officers) have the capability and capacity to deliver efficiency; and
- The authority's financial management arrangements conform to the governance requirements of the CIPFA statement on The Role of The Chief Financial Officer in Local Government. By doing so, the Authority is able to demonstrate that the core principles are adhered to and achieved.

4. REVIEW OF EFFECTIVENESS

ESBC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has carried out throughout 2018/19 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included a new Public Health Funeral Policy, a refreshed Gambling Act Policy, a new corporate Digital Strategy, a refreshed Homelessness Strategy and new policies and procedures which were necessary to ensure compliance with the General Data Protection Regulations.
- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;

- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;
- 2018/19 was the first full year with the new scrutiny arrangements. The Scrutiny (Audit & Value For Money Council Services) Committee; and the Scrutiny (Economic Growth, Communities and Health) Committee carried out a number of internally and externally focused reviews which included income generation, a watching brief of the leisure services outsourcing project, a review of the merger of Burton Queens Hospital and the Royal Derby Hospital, Virgin Care and East Staffordshire CCG, Domestic Violence, Anti-Social Behaviour and Adult Social Care in the borough.
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Scrutiny (Audit & Value For Money Council Services) Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, CW Audit, and implementing advice and guidance;
- The Scrutiny (Audit & Value For Money Council Services) Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Scrutiny (Audit & Value For Money Council Services) Committee has received training and briefing sessions to support with its effectiveness;
- There have been a number of training and briefing sessions that were made available and delivered to Scrutiny (Audit & Value For Money Council Services) Committee Members;
- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;
- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;
- The Scrutiny (Audit & Value for Money Council Services) Committee received and reviewed the quarterly financial performance reports.
- The Scrutiny (Audit & Value for Money Council Services) Committee and the Scrutiny (Economic Growth, Communities and Health) Committee received and reviewed quarterly corporate plan performance reports;
- Internal Audit review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control;

- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;
- There are quarterly review meetings that are held with external auditors and the Council's three statutory officers on an individual basis;
- There are regular meetings that are held between the Head of Internal Audit/ the Chief Executive and the Head of Internal Audit/Chief Finance Officer;
- The Council's Project Management approach has been regularly improved, which included specific recommendations put forward by the Scrutiny (Audit & Value for Money Council Services) Committee; and
- There are regular meetings between the Council's three statutory officers to discuss risk and governance.

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5. SIGNIFICANT GOVERNANCE ISSUES

During the 2018/19 financial year no significant governance issues arose.

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed:

Leading Member on behalf of East Staffordshire Borough Council

Signed:

Chief Executive on behalf of East Staffordshire Borough Council

