ANNUAL GOVERNANCE STATEMENT 2017/2018

1.   SCOPE OF RESPONSIBILITY

Cheltenham Borough Authority ("the authority") is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The authority has a Best Value 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 these responsibilities, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The authority has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)" ('the Framework'). This statement explains how the authority has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the authority to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its "Statement on the Role of the Chief Finance Officer in Local Government (2015)". The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Chief Finance Officer is the Statutory Section 151 Officer (S151 Officer).

2.   THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled including 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, cost effective services.

The system of internal control is a significant part of the governance 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 on-going process designed to:

- Identify and prioritise the risks to the achievement of the authority's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at the authority for the year ended 31st March 2018 and up to the date of approval of the Annual Statement of Accounts.

3. THE GOVERNANCE ENVIRONMENT

The key elements of the authority's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;

- Reviewing the authority's vision and its implications for the authority's governance arrangements;

- Measuring the quality of services for users, ensuing that they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;

- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;

- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;

- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;

- Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA* Statement on the Role of the Chief Financial Officer in Local Government (2015);

- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;

- Whistleblowing and for receiving and investigating complaints from the public;

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and

- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the authority's overall governance arrangements.

The main areas of the authority's governance framework, and the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law • Behaving with Integrity • Demonstrating strong commitment to ethical values • Respecting the rule of the law

- The roles and responsibilities of Members and all office holders are set out in the authority's Constitution. The Constitution also sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The Constitution is supported and underpinned by a Code of Conduct for Members', Code of Conduct for Employees and a Protocol for Member/Officer Relations.

- The Code of Conduct for Members' requires declarations at meetings to be made by Members where necessary and these declarations are recorded in the minutes of the meeting. .

- The authority has a Standards Committee to maintain and promote high standards of conduct by observing and monitoring the operation of the Code of Conduct for Members'.

- Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance.

- The s151 officer leads the promotion and delivery of good financial management through the Executive Board, bridging the gap programme, attendance at Council, Cabinet and Committee meetings and organises specialist workshops/training for officers and Members as appropriate and as part of the new member induction programme.

- Registers of interest are completed annually by Members and officers and a register of gifts and hospitality is maintained.

- The Monitoring Officer and s151 meet regularly with the Chief Executive to discuss any matters relevant to their statutory functions. Both the s151 officer and the Monitoring Officer are members of the authority's Strategic Leadership Team (SLT).

- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit Committee.

- Whistleblowing policies have been updated and have been ratified by the Audit Committee. Gloucestershire wide counter-fraud unit has been established to help prevent and detect fraud and corrupt practices, including misuse of power. The service reports to Audit Committee twice a year.

B. Ensuring openness and comprehensive stakeholder engagement • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively

- The annual accounts are published in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny in a timely manner.

- A Transparency Policy Statement is in place and the authority publishes data such as payments to suppliers, senior officers' salaries and structure, contracts and tenders etc in line with the local government transparency code which is available on the authority's website.

- Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. Where statutory timescales are not met then the appropriate consultation takes place with the

- Chair of the Overview and Scrutiny Committee with regard to call-in. Council, Cabinet and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve. Reports also address financial legal, equalities, risk and sustainability implications to aid Members in their decisions making.

- Members and the public are able to ask questions at Council, Cabinet and the Overview and Scrutiny Committee. Public questions can be asked at other committee meetings, eg, Licensing, Planning. All meetings are held in public unless exempt business is under discussion.

- Overview and Scrutiny committee promotes open and transparent decision making, democratic accountability and holds the Cabinet to account for its decisions.

- As part of the budget setting process consultation takes place through the authority's website and by attendance at meetings of the parish councils and business community by the Chief Finance Officer and Cabinet Member Finance / Leader of the Council.

- Engagement with staff happens in a number of ways; whole authority staff sessions held a minimum of once a year, directorate team meetings, divisional team meetings, one-to-one meetings, monthly "wearecbc newsletter with a foreword from a member of the Executive Board, etc.

- Outside the budget process, engagement and consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year or around specific topics, eg, Cheltenham Plan.

- A statement on Community Involvement is published which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications.

- Performance against the corporate plan is reported on an annual basis, considered by the Overview and Scrutiny Committee and Cabinet and the report is published on the authority's website.

- Transparency data is published on the website and includes, supplier payments, senior management structure charts, annual pay policy statement, and from 2018 gender pay gap as at 31 March for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
• Defining outcomes
• Sustainable economic, social and environmental benefits

- The vision for Cheltenham is articulated in the Cheltenham Vision document approved by Council on 26 March 2018. The vision sets out the ambitions, aspirations and actions that the authority, together with its key partners, will take to bring about a thriving town in terms of businesses and their workforces, culture and creativity, people and communities.

- The values contained within the vision for Cheltenham reflect the fact that sustainability is of central importance to how the ambitions for the town will be achieved.

- The authority's objectives and actions to deliver the place vision provide the framework for the corporate plan. The plan is reviewed and updated on an annual basis. The document sets out the context of the year ahead in terms of needs, challenges and opportunities, the actions to deliver the priority outcomes and the milestones, indicators and risk by which progress will be measured. Economic, social and environmental impacts are factors taken into account in delivery of the corporate plan actions.

- Having adopted the Joint Core Strategy the authority will develop and adopt its local plan which sets out the detailed plans for delivering sustainable, social and environment benefits across the Borough.

- All Cabinet and Council reports include an environmental impact assessment.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

- A mixed economy approach to service delivery is in place. In order to continue to deliver the priority outcomes of Members, and to operate within a more constrained financial cost base, the authority has over a number of years created a number of new organisations to deliver once in-house provided services at reduced cost.

- Each commissioned service is assigned a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery. Each member of the Executive Board holds accountability for a commissioned service and provides the strategic guidance and support to the client officers. Exec Board and client officers keep relevant Cabinet members appraised of commissioned service performance as well as Cabinet Members being engaged directly in performance meetings with commissioned service providers.

- Council approved in February 2018 a new Executive Board structure with a focus on place and growth, finance and assets and people and change. The Medium Term Financial Strategy (MTFS) has been reshaped in line with these areas with a member of the Executive Board having individual and collective accountability, working with Members, to achieve financial sustainability.

- As part of the 2017-18 budget process Council approved the authority's first commercial strategy which sets out the authority's ambition to be an enterprising and commercially focused authority with the objective of working towards becoming financially sustainable by 2021/22.

- Budgets are prepared annually in accordance with objectives, strategies and the MTFS is finalised following consultation with Members, customers, stakeholders and officers.

- Financial stewardship in respect of both capital and revenue proposals is reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Senior Leadership Team

- The MTFS is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Executive Board to determine any necessary mitigating actions which would then be discussed with the Cabinet.

- Processes are in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities, for example, risk management, development and delivery of the corporate strategy, performance management, medium term financial planning, budget monitoring are designed to capture and incorporate external factors and to enable the authority to respond appropriately.

- Corporate risks are considered by SLT on a monthly basis and service risks are monitored and managed at directorate team level. Any risks scoring 16 or more are escalated to the corporate risk register..

- Corporate performance is reported as explained in section C above.

- SLT meets on a monthly basis to consider progress with corporate projects which are supported by their own governance arrangements. Any significant variances against

expected time, cost, and quality would be discussed with the relevant cabinet member and appropriate action taken, within the approved budget and policy framework.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

- The authority was reaccredited with the Investors in People (IiP) award in February 2017 which demonstrates a commitment to the development of staff to achieve the authority's corporate and strategic objectives.

- Going forward, and as set out within the corporate plan approved by Council, an organisational change programme will focus on the modernisation of the authority, with staff having the necessary skills, behaviours and competencies to achieve the authority's future ambitions. This programme will also include a review of the service management organisational design as approved by Council in July 2017 and will ensure that the recommendations flowing from the IiP assessment are addressed.

- Working with Publica the authority is able to share the learning that is being created through the development of Publica's own transformation programme. The Publica human resource and ICT services will be particularly important to support this authority's change programme and the new Executive Director will be the lead commissioner for these services from Publica.

- All new employees take part in an induction programme. Ongoing staff development needs are identified through the appraisal process and the authority supports staff development which is delivered through Publica learning and development team and through external programmes as necessary or appropriate.

- All new Members undertake a comprehensive Members induction programme which is delivered after each borough election (ie every 2 years). Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (eg Planning and Licensing) are required to undertake training before attending those committee meetings. The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.

- Officers undertake annual performance reviews by way of an appraisal process. Officers discuss actions and training for the forthcoming year and plan how this will be actioned. Regular 1-2-1s take place during the year. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge. The Chief Executive is appraised by the Group Leaders.

F. Managing risks and performance through robust internal control and strong public financial management
- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

- A corporate governance group meets on a quarterly basis, is chaired by the Chief Executive, and its attendees are the other statutory officers, plus internal audit, counter fraud, risk manager and HR.

- Officers are required to maintain Service / Operational Risk Registers and the Senior Leadership Team reviews the corporate risk register on a monthly basis which is then

- considered by the informal cabinet. Any service level risks which score 16 or above are incorporated in the corporate risk register.

- The MTFS is reviewed and updated on regular basis to ensure the s151 Officer, Senior Leadership Team and Members are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet and any significant variances explained.

- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Authority has met its governance reporting obligations.

- External Audit recommendations are reported to Audit Committee following the completion of their annual audit process with follow-ups of recommendations also reported.

- Internal Audit is delivered through the South West Audit Partnership (SWAP) and processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed up and reported to Audit Committee with further follow up is reported where recommendations have not been actioned in full.

- The Audit Committee reviews and approves the Risk Management Policy on an annual basis. Risks are identified when undertaking Internal Audit reviews and reported when necessary.

- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.

- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.

- Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit Committee.

- The authority's services are delivered through a mix of direct service delivery and delivery through other standalone organisations, e.g., Cheltenham Borough Homes, Ubico deliver environmental services including waste management, street cleansing and grounds maintenance; The Cheltenham Trust is responsible for the authority's town hall, Pittville Pump Room, Leisure@ and Prince of Wales Stadium. Contracts and agreements are in place with each of these organisations which include performance management and reporting arrangements. Client officers monitor contractual requirements and performance measures.

- Organisational performance against the authority's corporate plan objectives is reviewed by the Senior Leadership Team and by the Overview and Scrutiny Committee on a quarterly basis and reported to Cabinet.

- A County Wide Counter Fraud Unit has been established and supports all the Gloucestershire Local Authorities, West Oxfordshire District Authority and other third parties. Where investigations identify possible improvements to the internal control framework. The Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.

- An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed.

- The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.

- Audit reviews ensure data is held securely whether electronic or hard-copy.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- **Implementing good practice in transparency**
- **Implementing good practices in reporting**
- **Assurance and effective accountability**

- The authority publishes its performance in achieving delivery of its corporate plan objectives on an annual basis. Performance monitoring reports considered by Overview and Scrutiny are published on the authority's website in accordance with publication standards and guidelines.

- Data in respect of transparency is published on the Authority's website.

- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the authority has met it's governance reporting obligations

- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported

- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations haven't been actioned in full.

4. REVIEW OF EFFECTIVENESS

The authority 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, the annual opinion from the Head of Internal Audit, the officer Corporate Governance Groups and comments made by the external auditors, other review agencies and inspectorates.

The authority's process for maintaining and reviewing the effectiveness of the governance framework has included the following:

Executive Directors and Service Managers complete an Annual Assurance Statement at the end of each financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

SLT review the Corporate Risk Register on a quarterly basis and service risk registers are held by each service manager. .

The SWAP Assistant Director (Head of Internal Audit) provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the authority, which includes its governance arrangements.

Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Standards Committee/Sub-Committee as set out in the Constitution.

A full induction programme is delivered for newly elected members.

The s151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.

The External Auditors (Grant Thornton) present progress reports to the Audit Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee.

Performance with regard to achievement of corporate priorities, budgets and risk are reported and monitored as outlined in this statement.

The Audit Committee review the Annual Governance Statement.

The Audit Committee review the Annual Statement of Accounts and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.

Council approves the annual budget, reviews and approves the Treasury Management Strategy.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Executive Director/Service Manager.

The Annual Internal Audit Opinion for 2017/18, in respect of the areas reviewed during the year, was 'XXXXXXX

The Authority's Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from SWAP or Grant Thornton.

5.   SIGNIFICANT GOVERNANCE ISSUES DURING 2017/2018

This section will be completed once the Internal Audit Plan for 2017/18 has been finalised and the Annual Internal Audit Opinion has been drafted

6.   APPROVAL OF LEADER AND CHIEF EXECUTIVE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Cheltenham Borough Council:

Steve Jordan   **Pat Pratley**

Leader of the Authority   **Chief Executive**

Date: **Date:**
(END)