Appendix A

CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1.0 Executive Summary

Senior Management and Members are committed to ensuring a sound system of governance (including the system of internal control) is in place to help the Council deliver effective and efficient services to the residents of Central Bedfordshire.

Each year the Council is required to produce a Governance Statement (AGS) which is the result of a review of how those governance arrangements have been working.

This statement has been considered and approved by the Council's Audit Committee on XXXXX.

Opinion on Governance Arrangements

Overall, we are of the view that the arrangements continue to be appropriate and fit for purpose, section 3 of the statement outlines how we have arrived at this.

There are a number of key Strategic and Governance areas where the Council intends to take steps over the coming year to further enhance our arrangements, these are detailed in section 6 below. We will monitor the implementation of these matters as part of the Council's Performance Management arrangements and report progress as part of our next annual review.

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J JAMIESON
LEADER OF THE COUNCIL

Dated

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R CARR
CHIEF EXECUTIVE

Dated

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2.0　What is Corporate Governance?

Good Governance in the Public Sector to us means:

> **'Achieving our intended outcomes whilst acting in the public interest at all times.'**

Corporate governance generally refers to the systems, processes, culture and values by which the authority directs and controls its activities and through which it engages with and leads the community. The framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money. The governance framework is described in our Code of Corporate Governance ("Local Code" -
http://www.centralbedfordshire.gov.uk/council/transparency/internal-audits/audit-risk.aspx

The system of internal control is a significant part of the corporate 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 risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the year ended 31 March 2018 and up to the date of the approval of the statement of accounts.

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements.

2.2　Our Governance Arrangements

The Council's governance framework contributes to the delivery of the Council's vision and values and the key elements of the processes and systems that comprise the framework are as follows:

- Strategic leadership provided by Members including the development and review of the Council's visions, priorities and values. These detail the Council's vision of its purpose and intended outcomes for residents and service users to all;
- Key policies are defined in the "Policy Framework" within the Budget and Policy Framework Procedure Rules in the Council's Constitution. This

framework is reviewed periodically to ensure it remains fit for purpose strategically and that it is aligned to corporate priorities;

- Business planning processes which ensure that services are delivered in line with the Council's vision and values and representing the best use of all Council resources;
- Measuring performance and achievement of objectives through the mechanism of the Council's performance management system;
- A written Constitution specifying the roles and responsibilities of elected Members and Officers with protocols for effective communication;
- The Council has adopted arrangements to promote high standards of ethical governance and includes Codes of Conduct defining the standards of behaviour for both Members and Officers and a Member/Officer Protocol as part of the Constitution. Further guidance is provided in the Council's Ethical Handbook;
- The Schemes of Delegation to Members and Officers within the Constitution sets out the principles, processes and controls for decision makers. Codes of Financial and Procurement Governance set out the constraints within which Officers may work and these Codes are supported by more detailed procedure rules;
- Embedded internal systems to ensure Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk management and financial considerations. Member level decisions are based on reports and are recorded;
- An Audit Committee to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process;
- Statutory Officers to support and monitor the Council's governance arrangements, ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;
- Policies for confidential reporting (whistleblowing) and an Anti-Fraud Strategy are in place to support the governance within the Council. There is a corporate complaints process with separate procedures for Children's Services and Adult Social Care where complaints procedures are governed by Regulations. There are also formal processes for registering complaints in respect of the Council's Housing Landlord functions and for receiving, evaluating and investigating complaints against Members;
- A consultation strategy to ensure the Council consults with and engages the diverse communities of Central Bedfordshire, allowing them to input to the planning of services provided for them and the review of those services as appropriate;
- A system of Overview and Scrutiny Committees with responsibility for key areas and who receive reports on keys issues including budget monitoring, performance and efficiency information and provides independent checks

and balances on the exercise of functions and responsibilities by the Council.

3.0 REVIEW OF EFFECTIVENESS

The Council's review of the Governance Framework and the effectiveness of the system of internal control comprises:

- The completion of self-assurance statements by directors;
- Annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit and Risk[1]. This report draws on the outcome of audit reviews undertaken throughout 2017/18 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls;
- the work undertaken by the external auditor reported in their annual audit and inspection letter.
- other work undertaken by independent inspection bodies.
- Peer reviews

(1) Central Bedfordshire Council's Vision

The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the Council's medium term plan identifies the following priorities:

- Enhancing Central Bedfordshire.
- Great residence services.
- Improving education and skills.
- Protecting the vulnerable and improving wellbeing.
- Creating stronger communities.
- An efficient and responsive Council.

The Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes. Further work is being undertaken this year to narrow the focus of these priorities and ensure there are SMART delivery plans and appropriate governance and accountability.

The Council has adopted a set of organisational values that describe the type of organisation we want to be and the principles that will guide us in achieving our priorities and vision. These set out the way the Council will work and interact with its customers, members and staff.

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[1] The role of Chief Internal Auditor within Central Bedfordshire Council is undertaken by the Head of Internal Audit and Risk

The Council's values are:

Respect and Empowerment
– we will treat people as individuals who matter to us.

Stewardship and Efficiencies
– we will make the best use of the resources available to us.

Results Focused
– we will focus on the outcomes that make a difference to people's lives, and

Collaborative
– we will work closely with our colleagues, partners and customers to deliver on these outcomes.

(2) Service Quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people.

At a strategic level, the Senior Management review reports on the performance of the Council on a monthly basis. They also review the MTP progress or status report on a quarterly basis. This report is presented to the Executive with any specific issues addressed through the Overview and Scrutiny Committees.

Directorates provide operational level performance data via the Council's website the latest details of which are:
http:/centralbedfordshireperformance.inphase.com

The Head of Paid Service, Monitoring Officer and Chief Finance Officer also met on a regular basis as statutory officers to consider and address any corporate issues or matters of probity that may benefit from their collective input and approach.

(3) Key Roles and Responsibilities

The Council's Constitution sets out how the Council operates and sets out clearly what matters are reserved to full Council and those powers which have been delegated to committees and officers, Executive and Members.

(4) Codes of Conduct and standards of behaviour of Officers and Members

Central Bedfordshire Council continues to promote high standards of ethical governance. Complaints about the Council's Members is regularly reviewed via the performance reports to Senior Management and bi-annually at General Purposes Committee which has responsibility for overseeing the arrangements for the Code of Conduct.

The Council's Ethical Handbook contains additional Codes relating to Gifts and Hospitality, Planning and Licensing Good Practice, Confidential Reporting (Whistleblowing) and guidance for Members on Property and Transactions and Commercial Property Management.

(5) Decisions, processes and controls

The Scheme of Delegation within the Constitution sets out the powers delegated to various Officers as well as the limits, processes and controls for those powers.

The Code of Financial Governance sets out the limits within which officers may make decisions on spending, within the budget approved by the Council. The Code is supported by detailed procedure rules which are maintained on the Council's intranet.

The Code of Procurement Governance defines the procurement process and references the relevant levels of authority dependent upon financial thresholds. The Code is supported by detailed procedure rules which are maintained on the Council's intranet. The rules are promoted to staff through bespoke training courses. They are also embedded in a Procurement Tool Kit which is made available to all members of staff who are involved in procurement, and is available as an interactive version on the Intranet. A two-page pictorial summary of the rules is also made available.

The Council has a Risk Management Strategy and Policy Statement. The Strategic Risk register has been regularly reviewed and refreshed during the year. Senior Management have received regular risk reports during the year, which have also been presented to the Audit Committee.

Committee reports require officers to set out the risk management considerations in terms of current and potential risks and how they will be managed and mitigated. It is recognised that the transparency and robustness of operational risk management arrangements would benefit from improvement and work to progress this will continue over the coming year.

(6) Audit Committee

The Audit Committee provides independent assurance of the adequacy of the Council's control environment and oversees the financial reporting process.

The Audit Committee met regularly during 2017/18, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor as well as other officers as and when appropriate. The Chair of the Audit Committee presents an annual report to Council detailing the work of the Committee in the preceding year.

(7) Compliance with relevant laws and regulations

The Council continues to have access to a team of professional legal staff with specialist knowledge of its functions via LGSS Law ltd, a firm wholly owned by the Council, Cambridgeshire County Council and Northamptonshire County Council. LGSS Law ltd have advised on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully.

All reports considered by the Executive, the Council's regulatory committees and by Overview and Scrutiny Committees include advice on the legal implications and risks of the proposed decisions. These reports are reviewed by a senior legal adviser to ensure that the legal implications have been accurately reflected.

The Monitoring Officer or, as appropriate, a senior lawyer attends meetings of the Council, the Executive and regulatory committees to advise on legal issues as they arise.

(8) Counter Fraud, Whistle-blowing and complaints

There is a Confidential Reporting Policy in place and the revised Counter-Fraud and Corruption Strategy was approved in April 2018 -
http://www.centralbedfordshire.gov.uk/schools-portal/finance/regulations/procedures.aspx

The Council welcomes feedback and has a three stage complaints process for customers with separate statutory procedures for Children's Services and Adult Social Care.

(9) Development and Training for Officers and Members

We have offered a range of Learning and Development opportunities with a focus on providing a wealth of on-demand resources (e-learning, webinars, e-books etc) linked to the Corporate Vision, Values and Priorities. These are designed to provide individuals with the skills to do their job and to support them and the organisation in meeting their objectives and statutory requirements in the context of the Council and local government.

The Member Development Programme has supported all Members and has provided essential updates and training sessions.

(10)   Channels of Communication

Central Bedfordshire Council has continued to enhance its communication with the public, staff and other stakeholders during 2017/18. It has maintained presence on social media and continued to provide the quarterly community magazine, and weekly staff and Member bulletins.

(11)   Equality and Diversity

The Council has continued to promote equality of opportunity and eliminate unlawful discrimination, harassment and victimisation and foster good relations during 2017/18. Equality Impact Assessments have been conducted for the development of relevant strategies, policies and services and the Council's Equality Forum have been available to quality assure any significant Council Strategies and Policies.

(12)   Partnership governance

The Council's Constitution includes a detailed Partnerships Protocol that sets out the arrangements and principles for established and future public and private sector partnerships.

The Protocol prescribes the key requirements to ensure accountability (internally amongst partners and externally to communities), value for money, leadership, decision-making, scrutiny and risk management.

All partnerships are required to have detailed terms of reference that fully set out all of the arrangements and key partnerships review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

(13)   Internal Audit

The Internal Audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. All Internal Audit reports included an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These were submitted to service managers and senior management as appropriate.

The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews progress in implementing high risk recommendations made in audit reports.

A self-assessment review is undertaken annually by the Head of Internal Audit and Risk against compliance with the Public Sector Internal Audit Standards 2013 on the effectiveness of the Internal Audit function. No issues of concern were raised as a result of this review.

(14) **LGA Peer Review**

Our recent LGA Corporate Peer Review (May 2017) was overwhelmingly positive and concluded "Central Bedfordshire Council is an impressive council" and the review has resulted in a series of actions being progressed which are detailed in the feedback report – available here:
http://centralbeds.moderngov.co.uk/documents/s74230/Appendix%201%20-%20Corporate%20Peer%20Challenge%20-%20Feedback%20Report.pdf

The review focused on partnerships and in particular on:
1. Understanding of the local place and priority setting
2. Leadership of Place
3. Financial planning and viability
4. Organisational leadership and governance
5. Capacity to deliver

The main conclusions were:

- Sound financial management is well understood across the Council and has allowed us to avoid some of the more draconian service reductions that others have implemented.

- Strong partnership working is evident in some contexts with a desire for even stronger external collaboration specifically on Central Bedfordshire specific issues.

(15) **Best Value Inspection comparison review**

In light of the well-publicised difficulties of a neighbouring Local Authority, the opportunity was used to undertake a self-assessment against the published Best Value Inspection Report for Northamptonshire County Council. This self-assessment has confirmed the findings of the LGA Peer review above in that Central Bedfordshire is financially stable, well governed and well placed to continue to provide effective services to our citizens, albeit in ongoing challenging circumstances. The full self-assessment and presentation of the key findings are an item on the Agenda of the May 2018 meeting of the Audit Committee.

4.0   ANNUAL AUDIT REPORT FOR 2017/18

The Council's Head of Internal Audit submitted his opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 30th May 2018. The Internal Audit work programme included reviews of the fundamental financial systems and other assurance work on other non fundamental systems.

The Head of Internal Audit reported that his opinion was that overall the Council's system of internal control, governance framework and risk management arrangements were Adequate. In general, the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

Nine of the fundamental system reviews received Adequate Assurance audit opinion, only Swift Financials has received a Limited Opinion and it is expected that all of the key issues will be resolved as part of the coming software replacement or upgrade project.

The majority of audit reviews of areas other than the fundamental systems have received Adequate Assurance opinions. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues and Internal Audit has continued to track the implementation of high priority recommendations throughout the year and report to the Audit Committee.

5.0   PREVIOUS SIGNIFICANT GOVERNANCE ISSUES

The significant governance issues identified in the 2016/17 Annual Governance Statement were:

- New EU Regulations relating to data protection will be effective as from May 2018 and this will require updating of processes and procedures to ensure compliance
- Future challenges arising from significant government cuts in funding

Both of these issues are ongoing:
- New EU Regulations relating to data protection will be effective as from May 2018 and this has required the updating of processes and procedures to ensure compliance. The action plan for management of this issue included regular reviews of the Council's current and planned compliance supported by legal advisors and an officer working group. A programme for raising awareness and implementation of necessary improvements has been carried out together with updates to senior management and assurances for Audit Committee. It is considered that by May 2018 the

Council will have achieved full compliance and therefore it has not been entered onto the Strategic Risk Register

- Central Bedfordshire does continue to face significant future challenges arising from a significant reduction in Central Government funding with the Revenue Support Grant being completely phased out by 19/20. The Council is mitigating this by being prudent in its medium term financial plan and continues to consider longer term planning. The Council is pursuing a significant transformation programme throughout the organisation to ensure that modern, efficient and effective ways of working are in place to support all service provision whilst continuing to drive down costs and seek out appropriate opportunities. There is a particular focus across the Council on the digitisation of services to provide better customer access and enhance the customer experience. Staff are being enabled to work in an agile manner, from any location. Resources have been set aside to assist with the transformation programme.

6.0   2017/18 Significant Strategic and Governance Issues:

The following are the key areas where the Council intends to take steps over the coming year to further enhance our strategic approach and governance arrangements.

Key Improvement Area	Lead	Target
Respond to the learning points from the LGA Corporate Peer Review	Richard Carr, Chief Executive	July 2018
Shaping the Educational Landscape Programme	Sue Harrison, Director of Children's Services	September 2018
Operational Risk Management	Charles Warboys, Director of Resources	April 2019
Respond to the learning points from the Best Value report self-assessment.	Charles Warboys, Director of Resources	September 2018 - January 2019
The Council faces a number of strategic issues which will require senior management and Member attention during the year including: Growth Agenda (Housing, Local Plan, Growth Corridor); Ageing Population; Health and Social Integration (STP) Digitisation	All Directors	March 2019

Key Improvement Area	Lead	Target
Major System implementations and processes eg SAP S4 Hana, Acolaid, Swift.	All Directors	Individual Implementation dates to be confirmed.
GDPR compliance	Stephan Conaway, Chief Information Officer	May 2018

7.0   Strategic Risks

The Council's Strategic Risk Management regime is subject to regular monitoring by senior management and reported through to Audit Committee for oversight.

The following Strategic risks which remain from the 2016/17 period have an impact on governance:

- Failure to deliver major transformation programme within Children's Services.

- Risk of failure to deliver community cohesion in the context of the demographic growth in Central Bedfordshire. Some settlements will experience considerable expansion and we need to manage potential resentment, secure equal access to facilities and enhance a sense of community.

- Fragility of Partners/Failure of Partners: Central Bedfordshire's vision cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, independent care providers and Town and Parish Councils are experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility and volatility. There is an increased risk that services to our public will be compromised and that increased costs will fall on the Council.

- The political and economic uncertainty around potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union and other significant international events, which may impact on Council objectives.

- Failure to deliver adequately on the diverse range of change projects that currently make up the transformation programme.

8.0 COMPLIANCE WITH CIPFA CODE OF PRACTICE ON MANAGING THE RISK OF FRAUD AND CORRUPTION

To help Councils recognise and address their fraud risks, CIPFA published a Code of Practice on Managing the Risk of Fraud and Corruption in December 2014. This sets out five principles that organisations should adhere to:

- Acknowledge responsibility
- Identify risks
- Develop a Strategy
- Provide resources
- Take action

The Code includes a requirement for organisations to include a statement within their Annual Governance Statement about their adherence to this Code. A detailed review of the Council's arrangements against the Code has been undertaken to address any gaps identified and action has been taken to address any issues identified.   The Confidential Reporting Policy has been updated to support compliance with the Code. There is an annual report to the Audit Committee on the Council's anti-fraud work.

Having considered all the principles and the Anti-Fraud and Corruption Strategy approved during the period, we are satisfied that, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.