

B. Annual Governance Statement



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1. Scope of responsibility

Medway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, 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 a regard to a combination of economy, efficiency and effectiveness.

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

The Council approved a local code of corporate governance at its meeting on 13 November 2008, and this is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. The code is set out within the Council's constitution and a copy is on our website at www.medway.gov.uk and can also be obtained from the Monitoring Officer at Medway Council, Gun Wharf, Dock Road, Chatham (01634) 332133. The code is reviewed each year to ensure it remains fit for purpose, for example it was amended in 2012 to reflect changes to Councillor Conduct Complaints under the Localism Act 2011.

Corporate governance is overseen by the Audit Committee each year when it reviews this statement, under delegation from the full Council. The operational elements of the Council's governance framework are the responsibility of the Chief Finance Officer and the Monitoring Officer within their statutory roles. Cabinet as the Executive also plays a significant role in ensuring that decision making and policy setting is undertaken appropriately.

This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit Regulations 2011 in relation to the publication of a governance statement.

2. The purpose of the governance framework

The governance framework comprises the culture and values, systems and processes, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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 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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The following section of the statement summarises Medway Council's governance framework that has been in place for the year ended 31 March 2016 and up to the date of approval of this Statement. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

3. The Council's Governance Framework

(a) Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area

The council works with its partners to set the vision and priorities for the area. The council manages a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities.

The council's well established 'framework for managing performance' at Medway Council sets out how the Council Plan helps to inform and shape the council's own priorities.

In 2016 the council reviewed the Council Plan 2016/17-2020/21, its corporate business plan, to an aligned timetable with the resources strategy and budget. In February 2016 the council refreshed the Council Plan performance indicators. The Plan forms an essential part of the council's governance framework, setting out the council's priorities and the measures against which success will be judged.

(b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Council has ensured that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made.

(c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Councillor Conduct Committee. The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.

The Council takes fraud and corruption very seriously and has:

- An Anti-Bribery Act policy
- A Fraud Resilience Strategy
- An Anti Money Laundering Policy

The outcome of complaints made under the whistle blowing policy are reported to the Audit Committee on an annual basis, in order that they can keep them under review.

(d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Diversity and racial impact assessment where appropriate
- Risks, mitigations and opportunities

All reports to the Council or Cabinet are checked by the Chief Finance Officer (the section 151 Officer) and the Chief Legal Officer (the Monitoring Officer) for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. Cabinet reports include a mandatory paragraph on risk to enable the Council to consider the implications of its decisions.

(e) Developing the capacity and capability of Members and officers to be effective.

The Council has ensured that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well.

(f) Engaging with local people and other stakeholders to ensure robust public accountability.

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We have sought and responded to the views of stakeholders and the community.

4. Review of effectiveness

Medway Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Head of Internal Audit's annual review of the code of corporate governance checks the control environment within the two directorates and the business support department, and the results of this review have been used to inform our assessment of significant control issues for the Council. That report concluded:

"The AGS provides a reasonable and evidenced summary of the Authority's governance arrangements, which meets the requirements of the CIPFA/SOLACE framework. The overall opinion on the AGS is therefore "strong"."

Assurances have been provided from the Corporate Management Team that key elements of the control framework were in place during the year in their divisions and control weaknesses were identified and addressed.

5. Governance: Key Areas of Focus

The Authority faces another challenging year in 2016/17 as it seeks to manage significant budget reductions, increasing demand for some services and new ways of working, whilst ensuring it complies with its statutory duties. The following represent the key issues to be addressed in relation to significant governance issues:-

- (a) A continuation of the significant reductions in Government grant funding over the medium term and the on going demands for greater expenditure, particularly for children's services and older people are considerable challenges. The Council has plans in place to respond to these financial tests for 2016/17 but the budget reductions will require careful monitoring and immediate action if they fall behind during implementation. The Council will need to ensure that decisions are taken with "due regard" for the Public Sector Equality Duty. The Cabinet chaired by the Leader of the Council will need to monitor the robustness of saving proposals contained in the budget with action needed by Corporate Management Team throughout the year as appropriate.
- (b) The Council is exploring a number of new approaches to service delivery to compliment those already in place such as the Building Control Partnership and Medway Norse. The creation of Medway Commercial Group has seen the tele-healthcare and CCTV services take a more commercial route. The Council has for some time had a commissioning team that is shared with the Clinical Commissioning Group and we continue to explore the benefits to be realised in health and social care through joint working. The Council is seeking to deliver many of its services through digital means and has engaged consultants to assist in setting a vision for that work. Other services are looking at the ability to increase external income as a means of countering reduced revenue budgets. These new approaches provide an organisational challenge, require appropriate governance and new skill sets and significant cultural change.
- (c) Discussions about the possibilities for devolution of powers and funding from central government are taking place and pose a political and constitutional challenge as well as significant opportunities for Medway the area. As the possible approaches locally that could come forward including Medway Council emerge, careful thought will need to be given to the governance and management of those.

6. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2015/16 although we recognise the areas for additional focus identified in section 5.

We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation and conduct a further annual review.

The financial management arrangements of the Council conform with the CIPFA "Statement on the Role of the Chief Finance Officer in Local Government (2010)".

.....
Leader of the Council

.....
Chief Executive

Portfolio of evidence to support the Annual Governance Statement

3. (b)

The Council has done this by:

- Appointing a four year Leader of the Council; executive members (Cabinet Members), with defined executive responsibilities, including appointing a lead member for Children's Services, with responsibility for making sure the statutory functions for Children's Services are carried out.
- Agreeing a scheme of delegated executive responsibilities to directors, deputy directors, assistant directors and other senior officers and protocols that make clear the respective roles of Members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities
- Setting clear role definitions for chairs of committees and councillors in their different roles
- Ensuring that the Constitution is regularly reviewed – several amendments have been made to the Constitution this year.
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making the Chief Finance Officer (as Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. Medway Council's financial management arrangements conform with the governance requirements of the CIPFA Statements on the Role of the Chief Financial Officer in Local Government (2010).
- Making the Director of Children and Adults Services responsible to the authority for ensuring that the statutory functions of children's services and adults services are carried out.
- Make the Director of Public Health responsible for ensuring that the statutory public health functions are carried out.
- Making the Chief Legal Officer (as Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Ensuring significant partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements which are approved for example by Cabinet.
- Having in place effective and comprehensive arrangements for the scrutiny of services including a Scrutiny Officer (the Head of Democratic Services)

3. (c)

The Council has done this by establishing and keeping under review:

- The Council's Constitution
- A Members' Code of Conduct
- An Employee Code of Conduct
- A protocol governing Member/Employee Relations
- A Members' Planning Code of Good Practice
- A Members Licensing Code of Good Practice
- Communications Protocol
- Contract Standing Orders and Financial Regulations

The Monitoring Officer is responsible for the review of the constitution, and for ensuring that it is kept up to date.

Conduct of Members is monitored by the Councillor Conduct Committee, which also considers investigations of allegations of misconduct by Members. There has been one formal complaint this year which was fully investigated and the Committee took no further action. The conduct process has a strong emphasis on informal resolution.

The Council has:

- Ensured the Cabinet make decisions with reasons in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that legal, financial and risk implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees and those decisions delegated to senior named officers by Cabinet in line with the executive decision making regulations
- Rules and procedures, which govern how decisions are made
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintained an effective Audit Committee and Councillor Conduct Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation, making a powerful contribution to continuous service improvement and the achievement of best value. The strategy is reviewed annually.

3. (d)

The Council has ensured that under the risk management system:

- Officers formally identify and manage risks
- Elected Members are involved in the risk management process
- A risk assessment of every key or strategic decision is undertaken
- Risks to financial and other key internal controls are mapped
- Business continuity planning is reflected; and
- The Cabinet reviews and, if necessary, updates its risk management processes at least annually
- Detailed risk assessment of budgets are carried out with signed acceptance form from managers highlighting risk areas

3. (e)

The Council has done this by:

- Developing leadership skills and capacity across the Council through a learning and development programme for staff
- Ensuring that the Chief Finance Officer and Monitoring Officer are both members of the Corporate Management Team
- Developing our approach to workforce planning
- Encouraging quality mark accreditation for services
- Maintaining and developing our personal development review system
- Cascading regular information to Members and staff by paper and electronic means regarding emerging issues
- Holding a full induction and training programme for all Members to attend

3. (f)

The Council has done this by:

- Improving effective corporate consultation including maintaining effective mechanisms for ongoing engagement eg, Children in Care Council, Young Commissioners, Learning Disability Partnership Board, Tenants Forums, Medway Ambassadors Scheme and the Community Safety Partnership
- Carrying out in depth consultation exercises as required to inform policy development and service change – eg Maintaining effective data exchange through the Corporate Research and Information Group to plan and coordinate consultation and to share findings
- Making use of local forums at ward, parish and neighbourhood level to maintain communication with all the Council's communities and other stakeholders e.g. Rural Liaison Committee with parishes, community futures workshops in our most deprived areas to inform the development of communityowned action plans, participation in Partner and Communities Together (PACT) meetings
- Maintaining and reviewing an effective complaints procedure

4.
Throughout 2015/16 the Council has received and considered a number of reports including:-

- (a) A review of the Constitution (April 2016)
- (b) Exemptions to the contract procedure rules (January 2016)
- (c) Budget Report 2016/17 (February 2016)
- (d) Council Plan 2016/17 (February 2015)
- (e) Special urgency decisions (April 2015, January 2016)

Cabinet has considered and approved a number of reports in its role as the executive:-

- (a) Revenue Budget monitoring 2015/16 (August 2015, February 2016)
- (b) Capital monitoring 2014/15 (August 2015, February 2016)
- (c) Capital and Revenue Budget 2016/17 (February 2016)
- (d) Six monthly review of the risk register (April 2015, October 2015)
- (e) Annual Review of the Risk Management Strategy (October 2015)
- (f) Medium Term Financial Plan 2015/20 (September 2015)
- (g) Statement of Accounts 2014/2015 (July 2015)
- (h) 2014/15 Year End Performance Monitoring (July 2015)
- (i) Council Plan 2016/17-2020/21 Monitoring (February 2016)

The Audit Committee have considered a wide variety of issues including:-

- (a) Review of Risk Management (September 2015)
- (b) Internal Audit and Counter Fraud Partnership (September 2015)
- (c) Revised Internal Audit Plan 2015-16 (January 2016)
- (d) Corporate Fraud (September 2015)
- (e) Statement of Accounts 2013/14 (July 2015)