



Annual Governance Statement 2016/17

This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) Mid Suffolk District Council (MSDC)

Introduction

The Leaders of each Council and the Chief Executive all recognise the importance of having good rules, systems and information available to guide the Councils when managing and delivering services to the communities of Babergh and Mid Suffolk.

Each year the Councils are required to produce an Annual Governance Statement which describes how its corporate governance arrangements have been working.

What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

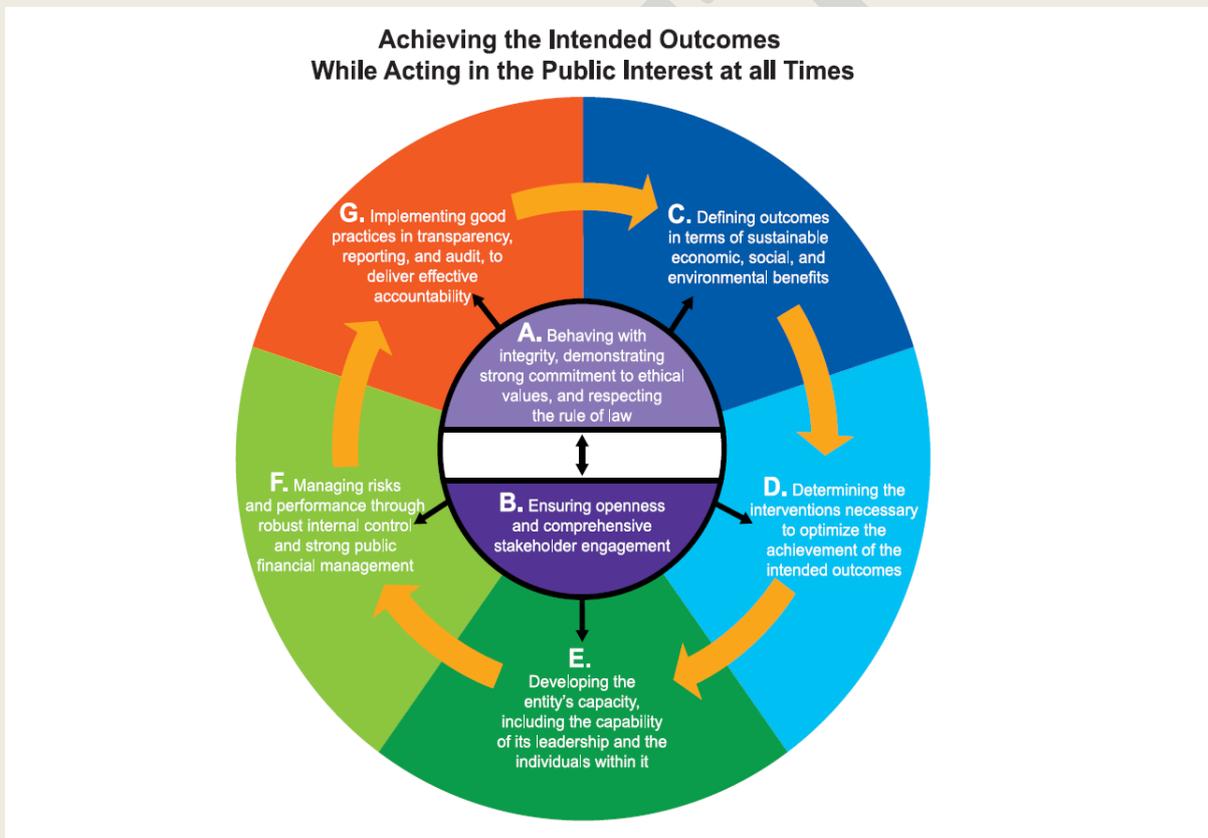
Each Council's governance framework aims to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The governance framework comprises the culture, values, systems and processes by which the Councils are directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The Councils have a Local Code of Corporate Governance. It is consistent with the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A high level summary of the principles can be found on the following page.

Core Principles of Good Governance

The diagram from the *International Framework*, below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.



How do we know our arrangements are working?

Governance framework

This Statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous Statements which are available on the Councils' websites.

Assurance Required Upon	Sources of Assurance	Assurances Received
<ul style="list-style-type: none"> • Delivery of Joint Strategic priorities • Services are delivered economically, efficiently and effectively • Management of risk • Financial planning and performance • Effectiveness of internal controls • Community engagement and public accountability • Shared service governance • Project management and project delivery • Commissioning and Procurement processes • Roles and responsibilities of Members and officers • Standards of conduct and behaviour • Training and development of Members and officers • Compliance with laws and regulations, internal policies and procedures 	<ul style="list-style-type: none"> • Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) • Council, Executive, Strategy, Committees and Panels • Various service policies • Risk Management Strategy and framework • Project management methodology • Strategic Delivery Programme • Outcome focussed performance framework • Medium Term Financial Strategy • Complaints procedure • Head of Paid Service, Monitoring Officer and S151 Officer • HR policies and procedures • Prevention of Financial Crime Policy which includes Whistleblowing and other countering fraud arrangements • Staff and Member training • Codes of conduct • Senior Leadership Team and Extended Leadership Team • Independent external sources 	<ul style="list-style-type: none"> • Regular performance and financial reporting • External audit reports • Internal audit reports • Officer governance group • On-going review of governance • External reviews and inspectorate reports • Customer feedback • Peer reviews • Council's democratic arrangements incl, scrutiny reviews and the Joint Audit and Standards Committee • Staff surveys • Community consultations

The Councils: How they work

Councillors of each authority meet together as the Council. Meetings are normally open to the public. The conduct of each Council's business is defined by formal procedures and rules, which are set out in their respective Constitutions.

The Constitution explains the role and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the financial management and procurement arrangements and the Code of Conduct for Members.

Further information on the Councils' Constitution and decision making structure including dates of meetings, agendas and reports can be found on each Council's websites.

The Joint Strategic Plan sets out how the Councils aim to provide services to deliver positive, sustainable change in our individual and business communities over the next five years.

The priorities will be delivered under five key strategic outcomes:

- Housing delivery – More of the right type of homes, of the right tenure in the right place;
- Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type, in the right place and encourage investment in skills and innovation in order to increase productivity;
- Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient;
- Assets and investments – Improved achievement of strategic priorities and greater income generation through use of new and existing assets; and
- An enable and efficient organisation – The right people, doing the right things, in the right way, at the right time, for the right reasons.

The Chief Executive is the Councils' Head of Paid Service and is responsible for the Councils' vision and leadership supported by the Senior Leadership Team (SLT). The Chief Executive leads the organisation to achieve demanding strategic goals, ensuring that SLT drives performance that focuses on outcomes and delivery. The Chief Executive has strong and productive relationships with all stakeholders, working especially with the Leaders of the Councils and their senior councillor colleagues.

The Councils are required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair. Following a recent change in staff the position from January 2017 is currently held by the Temporary Assistant Director – Law & Governance.

The Councils and their decisions are open and accessible. All reports requiring a decision are considered by Legal, Finance and Internal Audit (risk) staff before being considered by the relevant decision making forum.

In meeting the requirements of the Local Government Transparency Code 2015 the Councils have also published on their website a wide range of open data and information.

Change of Governance – Adopting the Cabinet-Leader Model

In autumn 2016 the Leaders of both Councils set out their intentions to pursue a move to the 'leader-cabinet' governance system effective from May 2017. In December 2016 both Councils agreed to adopt the Leader-Cabinet model of governance.

The decision is closely linked to the current work being undertaken by the two Councils with the Local Government Boundary Commission for England (LGBCE). As part of these electoral reviews the Councils need to provide details of their governance arrangements to the LGBCE as part of each Councils' 'council size' submission.

The Councils' well established joint cross-party 'Strengthening Governance' Task and Finish Group have met regularly to consider the decision and its broader implications. This includes a session facilitated by the Centre for Public Scrutiny (CfPS) which focused on the development of design principles and a common understanding of the outcomes of any governance change.

The adoption of a 'leader-cabinet' model will deliver a number of the Councils' Joint Strategic objectives, namely:

- A more consistent, clearer, proportionate and efficient mechanism for decision making, ensuring increased officer and Councillor capacity for delivery;
- Greater levels of openness, transparency and collaboration through a stronger Scrutiny Committee function, with legally enshrined mechanisms e.g. 'Key Decision' thresholds and 'Call-ins';
- Increased responsibility, separation, and clarification of functions leading to increased accountability to Council and the electorate; and
- Parity and flexibility for the leaders and cabinets to represent and influence within the 'Suffolk system' through wider partnership working, particularly in the context of Devolution within Suffolk.

Adoption of revised Constitution

In order to operate within this governance structure, it is necessary to make a number of changes to each Council's Constitution. These changes are primarily

concerned with the Council and Cabinet procedural rules, the responsibility of functions, the scheme of delegations, the financial regulations and Contract Standing Orders.

The Strengthening Governance Task and Finish Group were consulted on the approach to the constitution review and the amendments that followed. The Senior Leadership Team (SLT) and other key officers were also consulted on the changes, particularly in relation to the officer scheme of delegations.

The Monitoring Officer is required to undertake annual reviews of each Council's Constitution. This function is allocated to the Joint Audit and Standards Committee who see that the Constitution is reviewed section by section on a rolling basis, with any compulsory changes being dealt with on an ad hoc basis. The Joint Audit and Standards Committee will submit any recommendations for changes to the Constitution to full Council for approval. This will result in a complete review of each Council's Constitution being concluded at least every five years.

Role of the Audit Committee

The Joint Audit and Standards Committee has, amongst other functions, responsibility for undertaking the Councils' responsibilities in relation to financial governance issues; considering the effectiveness of the joint risk management arrangements, the control environment and associated anti-fraud and corruption arrangements; and be satisfied that the joint Annual Governance Statement properly reflects the risk environment and any actions taken to improve it. This meets the core functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.

The Committee ensures a consistency of approach, avoids duplication of resources and improves joint working between both Councils and will only address matters which are being progressed across both Councils.

Issues that are pertinent only to a single Council area will remain the preserve of that Council's Audit Committee.

Role of the Joint Scrutiny Committee

The general role of the Joint Scrutiny Committee is to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Councils functions; make reports and/or recommendations to the full Councils and/or the Executive and Strategy Committees with respect to matters with the discharge of any function and any matters affecting the area or its inhabitants.

This Committee will seek to address matters which are being progressed across both Councils. Issues that are pertinent only to a single Council area will remain the preserve of that Council's Scrutiny Committee.

Financial implications

The Government's new arrangements for funding local government, although reducing, provides more certainty and control of risk. Councils are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas.

The way we operate, our priorities and resources are changing dramatically as a result of this, we have developed:

- A new business model to enable us to respond to changes in Government funding that will support the delivery of strategic priority outcomes and medium term financial sustainability;
- An investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future;
- Achieving efficiencies and cost reductions, through collaborative working and getting the basics right;
- A clear financial strategy, including a revenue budget and capital investment strategy that supports the above and sets out how we aim to tackle the Budget gap over the next 4 years; and
- A more commercial approach, which includes the establishment of a Holding company through which we can generate additional income.

During 2016/17 the finance team changed the role of the Financial Services Officers to Business Partners. The role of the Business Partner is to support the operational delivery teams in all aspects of financial management including robust budget monitoring, budget setting, using a zero based budget approach, and challenge and advice. They are supporting delivery of outcomes and ensuring controls are in place during transformation.

Ensuring compliance with relevant laws and regulations

Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures, including proactive monitoring of proposals and decisions.

Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Councils where, in her opinion, a proposal, decision or omission by the Council, its Councillors or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the Monitoring Officer attends Senior Leadership Team meetings. It has not been necessary for the Monitoring Officer to issue any reports under Section 5 of the Local Government and Housing Act 1989 for the year 2016/17.

Role of the Chief Financial Officer

Each Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) as set in the Addendum to Delivering Good Governance in Local Government: Framework (2016 Edition) (CIPFA/SOLACE).

The s151 Officer attends Senior Leadership Team, this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.

All material financial decisions must be approved by the s151 Officer. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.

Processes, systems internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists across both organisations and that value for money is achieved.

The Corporate Manager – Financial Services has responsibility for Finance for both Councils, is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

Ensuring development needs for staff and Councillors are met

The leadership development programme continued through extending Leadership in Mind sessions investing in individual 360 profiles and completing a full organisational cultural survey.

The results of the cultural survey are now being used to plan and deliver bespoke interventions for teams. An updated one to one process was developed with Union collaboration and is continuing to evolve.

A programme of learning and development events which continued to underpin the essential skills and behaviours required by staff were designed and delivered. For example, negotiation and influencing workshops, fair and consistent selection, one to one conversations – stage 2 (dealing with challenging behaviours and issues). In line with the All Together Programme workshops on dealing with change have been offered to staff. Through these workshops we have promoted a variety of supports for health and wellbeing.

The Councillor Support Programme launched back in May 2015 received positive feedback and this programme of work continues to be developed and focussed on supporting Councillors to fulfil their roles within their communities.

We have conducted an organisation wide cultural survey the results of which are being used to raise awareness and encourage constructive behaviours.

Statutory Officers' working group

Regular Statutory Officers' meetings have been reinstated to identify and discuss any potential governance issues.

Strengthening Governance Working Group

A Strengthening Governance Working Group exists attended by appropriate senior officers. The Group meet on a regular basis focussing on strengthening governance across the Councils with specific reference to constitutional reform, scrutiny and schemes of delegation. Additional areas considered include implementation of a Leader/Cabinet model, implementation of the modern.gov capability, approach to risk management and its framework and commissioning and procurement for outcomes.

As a result and working with Councillors a number of reforms to the constitution have been successfully implemented alongside a very successful roll out across the organisation of the revised commissioning and procurement framework.

Understanding of business intelligence and performance has progressed significantly alongside the review of the Risk Management Strategy.

Performance Management

Councillors approved our new performance framework in December 2015 which recognises the importance of good governance in managing risks and performance through robust internal control and strong public financial management. It also provides a strong evidence base for organisational improvement and transformation, better decision making and the efficient use of our resources.

The developing new approach focuses us on measuring the desired results and outcomes of key projects and activities, underpinning the agreed priorities and ambitions of the Councils, shifting us towards measuring the impact the Councils (and partners) are having on improving community conditions and quality of life, across Suffolk, in each District and in each Place.

A joint progress report containing high level indicators was presented to Councillors at Strategy and Executive in July 2016, with a performance report containing an executive summary of achievements for the period April to August 2016 presented in September 2016. Following discussion with our Councillors it was agreed that we would develop a tried and tested approach using tracking (lagging) and influencing (leading) indicators. This approach fits with our agreed Performance Framework, building upon clarity of our outcomes and an understanding of the environment around us (the trackers), identifying and measuring the key activities that will deliver our agreed priorities (the influencers). A report was presented to Councillors in

December 2016 identifying our half-yearly position using these indicators. It set a baseline upon which future reports will track our progress and identify trends.

Our framework also includes an ability to self-serve, on our websites, a range of more traditional output 'Facts and Stats' information, and of Socio-economic parish profiles.

Information Governance

We continue to work closely with Suffolk County Council delivering efficient IT facilities for staff and Councillors. Babergh and Mid Suffolk IT staff are now managed by Suffolk County Council staff directly. This ensures tighter integration and enables quicker development when integrating systems. We now have a single Open Housing system which collects rents and deals with Housing repairs for both Babergh and Mid Suffolk. We have recently re-launched our new joint website.

We are preparing for our move to Endeavour House and digitising as much information as possible and loading it into existing back office IT systems so that staff can access the information from anywhere, at anytime. As part of this work we are carrying out a detailed information management audit which will become a register of all the information we hold both electronically and in storage. The audit will go further to identify how long data should be kept and whether information can be shared with external partner organisations. We have carried out a series of FOI and Data Protection training days for staff including training the Senior Information Risk Owner (SIRO) so that all staff understand the risk and learn how best to respond to requests.

The Information Governance Board continues to meet quarterly and review processes and procedures as well as any breaches that may have occurred to establish lessons learned.

Managing key risks

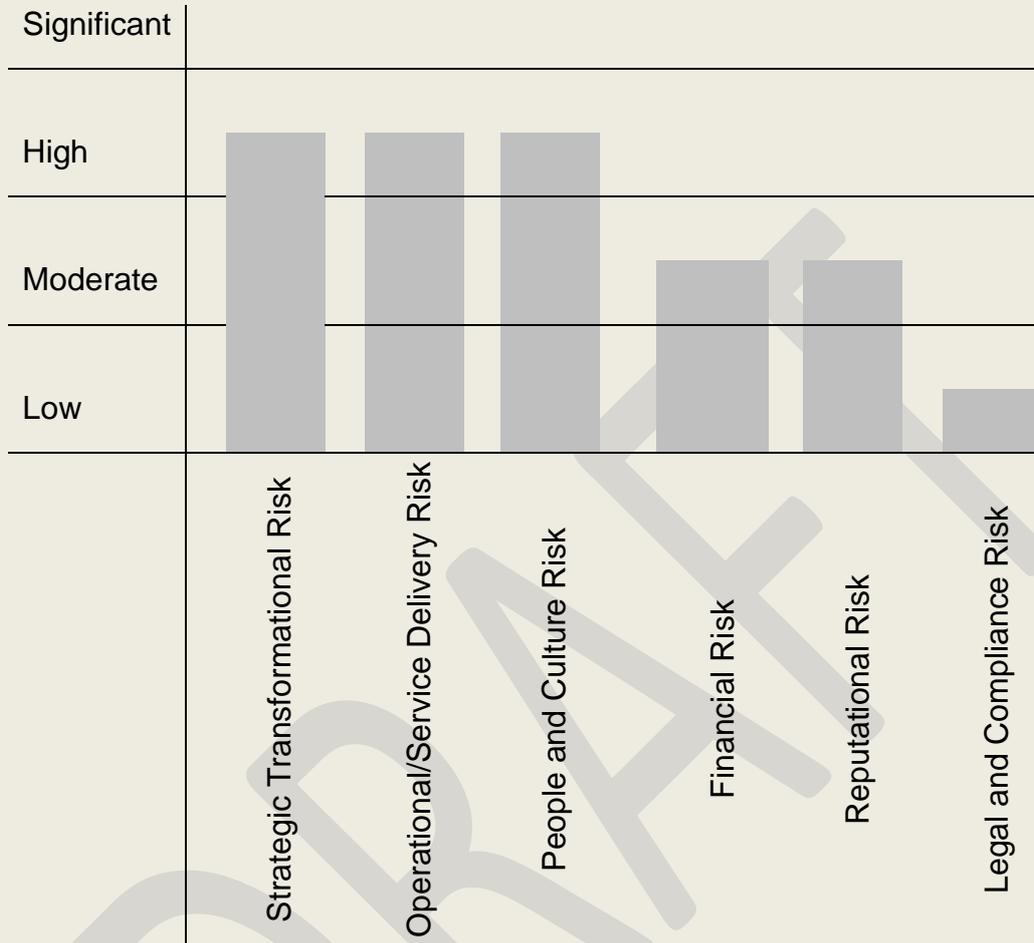
All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning and delivery.

Risk Management Strategy

The Councils have a Risk Management Strategy. It was reviewed by the Joint Audit and Standards Committee in January 2016 to ensure it remains appropriate and reflects the approach the Councils wish to take to the management of risk.

The successful delivery of the Councils' strategic priorities depends on the Councils' ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The Risk Management Strategy recognises this and different 'risk appetite' limits have been set that reflect key service aspects as shown below:

Risk Appetite by area 2016



Significant Risk Register

As part of good governance, the Councils’ manage and maintain a register of its Significant Business Risks - assigning named individuals as responsible officers for ensuring the risks and their treatment measures are monitored and effectively managed.

The risk register is a critical tool for the service in capturing and reporting on risk activity and the organisations risk profile. The risk register is a working spreadsheet where new risks are captured, others are managed to extinction and some require close and regular monitoring.

Risk review process

SLT regularly review and update the Significant Risk Register, which is reported to the Strategy and Executive Committees half yearly (Cabinet from May 2017 onwards) and the Joint Audit and Standards Committee annually.

Primarily Councillors and management will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operation risks are the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Role of the Audit and Risk Management Services Team

It is the role of the Audit and Risk Management Services team within the Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the organisations to take control of the risks that threaten delivery.

Counter Fraud and Corruption Arrangements

Councillors of the Joint Audit and Standards Committee receive an annual report entitled 'Managing the Risk of Fraud and Corruption' that provides a clear basis for raising awareness by setting out information that has been communicated to Councillors, staff and other stakeholders of the work the Councils undertake to manage the risk of fraud and corruption. It brings together in one document a summary of the outcomes of our work to deter, prevent and detect frauds and corruption over the last 12 months.

Each Council's expectation of propriety and accountability is that Councillors and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.

With the exception of Housing Benefit fraud, which moved to the DWP within a new team called the 'Single Fraud Investigation Service (SFIS) on May 2015, all other corporate fraud responsibilities remain the responsibility of management. These are set out in the Councils' 'Prevention of Financial Crime Policy'.

Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and service managers believe the Councils are susceptible to fraud. This register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the Internal Audit planning process.

Whistleblowing and investigating Complaints

A strong ethical and performance framework is in place to enable staff and Councillors of both Councils to operate effectively in their respective roles. Internal Audit has created a single document entitled 'Prevention of Financial Crime Policy', which includes the Whistleblowing Policy. The Whistleblowing Policy allows staff, Councillors and members of the public, including contractors, to raise matters in a confidential manner to the Council.

A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Councils.

The Joint Audit and Standards Committee receive reports on any complaints made against Councillors relating to breaches of the Code of Conduct. Details of how to make a complaint and the Committee's procedure for dealing with Councillor complaints are available on each Council's website.

Internal Audit

The Councils consider their Internal Audit and Risk Management Services team to be a key component of its governance framework.

Internal Audit is required by the Public Sector Internal Audit Standards (PSIAS) to review how they work each year. The Corporate Manager – Internal Audit annually considers the effectiveness self-assessment and shares the results with the Assistant Director – Corporate Resources. The Corporate Manager – Internal Audit concludes that Internal Audit was acting effectively and largely conforms with the PSIAS.

One of the key assurance statements the Councils receive is the annual report and opinion of the Corporate Manager – Internal Audit. In respect of the twelve months period ending March 2017, their opinion was that the Councils' control environment and systems of internal control provide adequate assurance over key business processes and adequate assurance over financial systems.

Where issues have arisen during the year, action plans have been agreed with relevant managers to address the weaknesses identified.

Commissioning and Procurement

The Councils' Joint Contract Standing Orders (CSOs) were reviewed in line with business requirements and a revised version implemented in November 2016, accompanied by an update of the Commissioning & Procurement Manual. The Procurement Scheme of Delegation has been reviewed and in response to the

Councils' business requirements simplified to enable improvement in the efficiency of the Councils' procurement processes.

Investment Programme

The design of a Capital Investment Funds, governance framework and delivery model, to achieve the Councils' approach to investment in land and property to generate financial returns and meet key strategic outcomes. Providing the Councils with a clearly defined approach to investment and expedient governance and delivery arrangements enable the Councils to maximise financial returns and maximise impact against key strategic priorities.

Looking ahead 2017/18

Cabinet-Leader model

Continued discussion and agreement of the wider opportunities for governance reform and new ways of working need to be considered beyond May 2017. A significant factor in any governance change is that of cultural change and ensuring the continuation of fully open, transparent and accountable ways of working.

This reflects advice that CfPS has given to other local authorities embarking on review and change of their governance arrangements. This approach will allow different methods and systems for decision-making to be discussed and experimented with, modified and refined over time.

Finance business model

With the councils having more responsibility for the level of funding they receive we recognise that we will need to keep our financial strategy under constant review and adapt our business model to continue to respond to the challenges.

Further development of the business model will focus on:

- Maximising income and incentivised funding;
- Using one off or temporary money to generate ongoing funding and income streams or to reduce our costs;
- Not simply monitoring and managing resources and what we spend but 'resource weaving' to make sure that the funds that are available work together, complement each other and produce the maximum outcomes across different activities and with different partners. We need to ensure that our resources are being used to their optimum effect;
- Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the Medium Term Financial Strategy; and

- Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.

Information Governance

Our focus for next year is:

- Moving into Endeavour house, whilst still providing a first class service out in the Districts;
- Joining up our Planning, Building Control, Enforcement Control and Land Charges system so we have a single joint system between Babergh and Mid Suffolk. This will allow the service areas to integrate and enable staff to deliver a first rate, consistent service;
- We are looking to store more information in the Cloud making it more accessible to staff and Councillors; and
- Develop our Business Intelligence capabilities; sharing data with partner organisations that will allow authorities as a whole to share, analyse and make better more holistic decisions on how to direct our budgets effectively.

Performance

Performance monitoring is essential if we are to track our progress in delivering the key outcomes outlined in the Joint Strategic Plan. Monitoring projects and activities and discussing individual performance (through 1-1 conversations) is vital for performance management and for us to reach our intended goals.

Our performance outcome approach is still in its infancy and we will continue to develop the use of tracking and influencing indicators, and an understanding of our key achievements and impacts in support of the Joint Strategic Plan. We will also continue to embed performance monitoring through ongoing performance conversations that facilitate better decision making, service improvement and transformational thinking.

Half-yearly reports will be presented in future to the Councils' Cabinets, however data will be collected quarterly with visibility on our internal Intranet sitting alongside our project and programme work.

Our traditional output performance information, for each quarter of 2016/17, is available as 'Facts and Stats' on our website. An ambitious plan is in place to build upon this information for 2017/18.

Risk Management

The Audit and Risk Management Services team will look to further strengthen the risk management process across both Councils. Work of the team will be directed to effect the achievement of the following risk management areas:

- Promoting the consistent use of risk management and ownership of risk at all levels;
- Continual development of the Significant Risk Register and operational/project and programme registers;
- Building and maintaining a risk aware culture across the Councils, including appropriate education and training;
- Developing, implementing and reviewing the risk management framework and risk management processes to ensure they remain fit for purpose;
- Linking with other functions of the Councils, namely Health and Safety and Performance Management.
- Reporting, escalating and communicating risk management issues to key stakeholders.

Commissioning and Procurement

The Councils will be implementing a Contract Management System during 17/18 enabling improvement in transparency and management of contracts, this will follow the updating of the tendering system.

An electronic supplier portal to the Councils' Finance system will be implemented in 17/18 enabling suppliers to have access to real time information with regard to their purchase orders from the Councils and payment of invoices. Suppliers will also be able to submit invoices through the portal which will improve the Councils' payment processes.

Conclusion

The Annual Governance Statement provides an assurance of the effectiveness of each Council's system on internal control. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There have been no governance issues identified during the year that are considered significant in relation to each Council's overall governance framework.

We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

Signed

Arthur Charvonia, Chief Executive

Date xx/xx/xxxx

Signed

Jennie Jenkins, Leader of the Council –
Babergh DC

Date xx/xx/xxxx

Signed

Nick Gowrley, Leader of the Council – Mid
Suffolk DC

Date xx/xx/xxxx

DRAFT