

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	9th February 2017	AGENDA ITEM NUMBER
TITLE:	Annual Governance Statement – 2016/17 Review and Update on 2015/16 Significant Issue(s)	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Annual Governance Review – Outline of Framework.		
Appendix 2 – Summary of Significant Issue 2015/16 and Actions		

1 THE ISSUE

- 1.1 The aim of the report is to update the Committee on the Annual Governance Review and allow the Committee to contribute to the process which will result in the publication of the Council's Annual Governance Statement 2016/17.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to note progress of the review and raise any issues for consideration as part of the Annual Governance Review.

3 FINANCIAL IMPLICATIONS

- 3.1 A robust review of the Council's internal control and governance framework and the subsequent implementation of action plans form an essential part of the financial management framework.

4 THE REPORT

- 4.1 The Council has adopted a Code of Corporate Governance and uses a methodology for producing an Annual Governance Statement based on the Accounts & Audit Regulations and the CIPFA / SOLACE 'Delivering Good Governance in Local Government'. These regulations have recently been updated with some minor changes and our ongoing review reflects these.

4.2 The methodology requires:-

- The involvement of all Divisional Directors
- The use of Service Specialists to review evidence with relation to :-
 - Finance
 - Strategic Performance
 - Corporate Communications
 - Information Governance
 - Human Resources
 - Health & Safety
 - Environmental Impact & Sustainability
 - Equalities & Diversity
 - Safeguarding
 - Procurement

4.3 The review of governance covers all significant corporate systems, processes and controls, spanning the whole range of Council activities, including in particular those designed to ensure:

- Council policies are implemented;
- Quality services are delivered efficiently and effectively;
- Council's values and ethical standards are met;
- Compliance with laws and regulations;
- Financial statements and other published performance information are accurate and reliable;
- Human, financial, environmental and other resources are managed efficiently and effectively.

4.4 The 2016/17 Annual Governance Review has commenced and by March all Divisional Directors will have had the opportunity to contribute to the review and highlight any potential issues for consideration for reporting in the Annual Governance Statement.

4.5 In addition to consulting 'key' Corporate Officers and Divisional Directors, Strategic Directors (including the Chief Executive) and Cabinet will be asked for their input.

4.6 The Annual Governance Statement is a 'management' statement and as such is signed by the Chief Executive and Leader of the Council whilst the Audit Committee oversee the process and delivery of any actions where significant issues are identified.

4.7 In deciding which issues are 'significant' Councils are required to exercise sound judgement and guidance is limited to that provided by the Chartered Institute of Financial Accounts (CIPFA) as follows:

- The issue has seriously prejudiced or prevented achievement of a principal objective;

- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose;
- The 'Head of Internal Audit' has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- The issue has resulted in formal action being taken by the Chief Financial Officer and / or the Monitoring Officer.

4.8 Work on the governance review will continue following this Committee meeting. Key milestones in finalising the Annual Governance Statement are:

- 1) Report to Audit Committee.
- 2) Report to Senior Management Team.
- 3) Chief Executive & Leader of the Council sign the Statement linked to the approval of the Annual Accounts.

4.9 It should be noted that a requirement of the Accounts and Audit Regulations 2015 is that the 2017/18 audited Statement of Accounts (including the annual governance statement) will be published by the earlier date of 31st July 2018. Based on this requirement we have already amended the governance review timetable / processes to complete the work within the revised timescales as a 'dry run'.

4.10 As part of the agreed process the Corporate Audit Committee is required to monitor the implementation of any agreed actions which have been recorded against 'Significant Issues' reported in the previous year's Annual Governance Statement. The 2015/16 Annual Governance Statement recorded the financial challenge faced by the Council as a 'Significant Issue'. The description of the Issue and mitigating actions were recorded in the Statement (See Appendix 2).

4.11 The latest position with regard to these actions is as follows -

a) Using the Corporate Plan to help focus services on doing the right things for the Bath & North East Somerset Community; *The Corporate Plan was approved in February 2016 and was used as a framework to help manage the ongoing budget, MTFP and strategic review process.*

b) Using the Medium Term Financial Plan to enable sensible prioritisation of resources in the right areas and transparency on savings to be achieved; *The latest MTFP and budget proposals will be reported to Cabinet and Council in February indicating significant savings and additional income generation proposals totalling £14.7M. A Council Tax increase of 3.5% (including the adult social care 2% increase) is also to be recommended to Council. The Council has a prudent level of general reserves and can use these to support and smooth the effects of policy changes and delivery of the financial savings.*

c) Regularly monitoring of delivery against the annual revenue budget, alongside sensible utilisation and management of its reserves; Performance against budget is regularly reported to Cabinet throughout the year. *The current forecast outturn position reported to February Cabinet is for an overspend of £1,039,000 which equates to 0.37% of gross budgeted spend (excluding Schools). The forecast outturn position includes the*

requirement for the delivery of £12.644m savings as part of the approved budget for 2016/17, a significant element of which has been confirmed as delivered.

d) Working effectively with Key Partners, especially those in the West of England and in Health to support the most vulnerable in the community; *Significant work at a WOE level has occurred throughout the year over many different areas to improve efficiency and effectiveness of services, most notably agreement to the creation of a new WOE Mayoral Combined Authority and continuation of schemes within the City Region Deal. In addition we have extended our joint working with the NHS through the letting of community health and social care services to Virgin Care through our Your Care Your Way programme.*

e) Adopting a range of innovative tools such as the use of council owned companies, more commercialisation, increases in digital provision, asset rationalisation, shared and devolved services and invest to save initiatives; *Additional support and validation of our proposals was sought by EY and an intensive programme of works occurred throughout the summer and autumn months to identify a range of options to close the existing and future budget gaps. This involved a rigorous process of consideration of innovative and best practice examples from around the country. All of this work was supported closely by Cabinet Portfolio holders and a series of challenge sessions held to clarify and validate proposals and existing budgets.*

f) Enabling its key governance mechanisms to both support key change projects and monitor delivery of significant savings programmes; *All levels of decision making both at officer and member level have been actively involved in the development, delivery and monitoring of savings proposals and associated delivery programmes. Cabinet Members took a very active role in the Strategic Review, budget setting and MTFP processes.*

g) Ensuring that any Strategic Review projects of its key support and governance services such as Finance and Audit enable the strengthening and prioritisation of the right skills and expertise within those functions to support sound financial control. *Both Finance and Audit have continued to ensure that they have prioritised their resources to support the ongoing financial challenge, most notably this included extensive senior finance management involvement within the strategic review, budget setting and MTFP processes.*

4.12 Based on our review work so far and taking into account the key criteria for inclusion and actions relating to the significant issue for 2015/16 we have identified the following areas as meriting further management consideration as to whether they should be included within the 2016/17 statement –

- Ongoing Financial Challenge
- Creation of new WOE Mayoral Combined Authority
- East of Bath Park & Ride Scheme
- Your Care Your Way Programme

This does not mean that there have been governance failures in these areas but rather that they have had a potentially significant impact on the Council's operations, its governance and/or its resources This review work is ongoing and to assist this process the Committee's views are sought about any other issues they would recommend for consideration.

5. RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. No significant issues to report for the Committee.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7. CONSULTATION

7.1 The report was consulted on with the S151 Officer for comment.

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Background papers	None
Please contact the report author if you need to access this report in an alternative format	