

Annual Governance Statement 2011/12

Scope of Responsibility

Craven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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 include arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code can be obtained from the Council's website www.cravendc.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement explains how Craven District Council has complied with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. The Statement also sets out significant governance issues that will be addressed during 2012/13.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements 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 that 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 the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the Good Governance framework and adapted for local authorities. They are defined as follows:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Governance Framework has been in place at the Council for the year ended 31st March 2012, and up to the date of the approval of the Statement of Accounts for 2011/12.

The Council's Governance Framework

Set out below are the key elements of the Council's systems and processes that comprise our governance arrangements in accordance with the six principles:

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 produces and publishes a Council Plan which sets out the Council's Vision, and states clear key priorities for improved outcomes for citizens. The Council Plan is published as a four year rolling document. A review of the Plan, including the Council's vision, mission and priorities is carried out on an annual basis through the strategic planning process. This process is informed by community and member consultation, reflecting political and community objectives, and acts as the basis for setting the Council's priorities. Service Plans are also produced on an annual basis setting out the key goals, actions and targets for the year, for each service area. The Plans incorporate improvement actions and performance indicators, including those relating to the delivery of the Council Plan.

The Council has a Medium Term Financial Strategy and budgets that are soundly based and are designed to deliver the Council's priorities. The financial management system includes:

- A Medium Term Financial Strategy highlighting key financial risks and pressures on a four year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subject to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and International Financial Reporting Standards
- Budget Monitoring Reports and Quarterly Value for Money (VFM) Clinics which combine budget and performance monitoring.

A Performance Management Framework sets out the formal arrangements for effective performance management, and is used to monitor and report progress against the Council Plan, Annual Service Plans, Budgets and Performance Indicators.

The Council has a Value for Money Framework detailing the Council's principles and actions for securing Value for Money in the services it delivers. This includes a programme of Service Reviews to secure efficiencies and improve effectiveness.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council has the following arrangements in place:

A Constitution, updated on a rolling basis, setting out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are lawful, efficient, open, transparent and accountable to local people. This includes Standing Orders; Financial Regulations, Committee Membership and Terms of Reference, Scheme of Delegation to Officers, and Members and Employee Codes of Conduct / Protocol.

Regular meetings between the Leader of the Council, the Chief Executive and Group Leaders.

Lead Members and Champions for specific Council Priorities.

A designated Head of Paid Services (the Chief Executive), responsible and accountable to the Authority for all aspects of operational management, in accordance with Section 4 of the Local Government and Housing Act 1989.

A designated Section 151 Officer (the Corporate Head of Financial Management), 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, in accordance with Section 112 of the Local Government Finance Act 1988

A designated Monitoring Officer (the Strategic Manager Legal and Democratic Services), responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with, in accordance with Section 5 of the Local Government and Housing Act 1989.

An Independent Remuneration Panel that reviews Members' remuneration.

Recruitment and Selection and Job Evaluation Policies and Procedures, providing a framework for the recruitment and selection of employees which reflects fairness, equity and best practice.

A strategic planning process, communication strategy and performance framework to ensure the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

Effective mechanisms to monitor service delivery, e.g. the Performance Management Framework, the complaints, comments and compliments procedure, and customer satisfaction surveys.

An Asset Management & Capital Working Group, including a Lead Member, to oversee effective asset management, as well as an Officer with specific responsibility for asset management.

Constitutions, Terms of Reference or Service Level Agreements are in place for each partnership, as appropriate. These measures ensure that there is clarity over the legal status of powers, and roles and responsibilities in respect of each partnership in which the Council is involved. A review of Partnerships was conducted by Overview and Scrutiny during the year with the aim of achieving a more efficient and effective approach to partnership working across the Council. As a result, a comprehensive database of partnerships was compiled and this will be maintained on an ongoing basis. It was also recommended that an agreed partnerships framework was adhered to and this is included as an improvement action in Appendix A.

Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

A Values Working Group was established at the end of the 2010 and a set of shared core Values was launched in January 2011. During 2011/12 these Values have become embedded in the culture of the organisation, guiding and influencing the way the Council and its staff work, and helping to continually improve performance.

The Council has developed and adopted formal Codes and Protocols aimed at ensuring high standards of conduct and personal behaviour, which make up the Council's ethical framework for both Members and employees.

The Localism Act 2011 introduced changes to the standards regime. The Council has a duty under the act to promote and maintain standards. The Council has reviewed its role and has decided to retain its Standards Committee.

The Council's Standards Committee acts as the main means to raise awareness and takes the lead in promoting and maintaining high standards of conduct and the effectiveness of the ethical framework.

Arrangements are in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and appropriate processes exist to ensure they continue to operate in practice. These include a complaints procedure, standards hearings, codes of conduct, equality impact assessments of services, and policies and equalities training.

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

The Council's Overview and Scrutiny Committee provides constructive challenge in relation to the Council's services and those of other agencies. The Scrutiny Officer provides support to the Committee and the development of the scrutiny function. A work programme is formulated on an annual basis which complements the aims and objectives of the Council's Priorities in the Council Plan. Issues that arise during the year can also be referred to the Committee. Different methods are used to involve the public and stakeholders in Overview and Scrutiny Reviews, including surveys, press releases and invitations to meetings. An annual report is produced recording recommendations and actions.

The Audit and Governance Committee acts as the Council's responsible body charged with governance. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, approves the Final Statement of Accounts, and receives reports from External and Internal Audit.

The Council has a Standards Committee that is responsible for promoting and maintaining good ethical governance within the organisation and operates in accordance with legislative requirements.

The Call-In Procedure provides a mechanism for Members to directly challenge decisions made by the Policy Committee.

The Council has a Whistleblowing Policy and an Anti-Fraud and Corruption Policy.

Arrangements and processes are in place to ensure conflicts of interest on behalf of members and employees are avoided. Following a review, improvements to the procedures / systems relating to the approval of related party transactions were implemented in 2011/12.

The Council has an established Complaints, Comments and Compliments procedure which was subject to review in March 2012. There are also procedures in place to deal with complaints about Members.

In order to ensure those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical issues and their implications, the Council uses a standards report format. The reports include financial, legal and risk management implications, as well as relevance to Council Priorities. Wherever possible, reports are circulated in good time before meetings in order to meet the Access to Information requirements.

The Council has a formal system of Risk Management. Whilst responsibility for the identification and management of risks rests with service managers, corporate arrangements are coordinated by the Risk Management function to ensure that:

- the council's assets are adequately protected;
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures.

The system of risk management includes the maintenance of an overall and corporate risk register. The Risk Management Group and Corporate Leadership Team (CLT) are responsible for keeping arrangements for both risk registers under review. The Register is used to monitor risks and identify appropriate action plans to mitigate risks. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CLT and the Audit & Governance Committee.

The Council has policies in place to ensure compliance with established policies, procedures, laws and regulations.

Developing the capacity and capability of Members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively

The revised People Strategy 2012 – 2016 (formerly the Workforce Strategy) was approved by Policy Committee in November 2011.

Recruitment and selection procedures are based on recognised good practice that aims to secure applicants for employment from all sections of the Community.

Induction training is given to new Members and staff.

Protocols are in place which set out the roles and responsibilities of the three statutory officers.

Performance of officers is managed under the Council's Performance Development Review (PDR) system. This links individuals' performance to that of their Service and the Council. The PDR provides the opportunity to identify staff training and development needs.

An annual programme of Member Training is provided to meet Members' needs. The programme is considered by the Council's Audit and Governance Committee annually.

The Council revised its Training and Development Plan during 2011/12. A Leadership and Management Development Programme was launched in October 2011. This is a modular programme which focusses on developing managers' skills and effectiveness and ensuring the delivery of the Council's Core Competencies. In addition, supervisory development opportunities were made available to all staff via a variety of workshops to develop staff across the Council.

The Council has in place a Modern Apprentice Scheme. In partnership with Craven College, we have attracted over 30 apprentices. Of these we have recruited ten apprentices. Two have secured permanent roles with the Council's Planning Service and have promising careers for the future. Four apprentices have successfully gained permanent jobs with local businesses.

In March 2012 it was confirmed that the Council had retained its Investors in People (IiP) accreditation. The IiP award is a very challenging standard to meet and is increasingly seen as a measure of a quality employer. The award represents a significant achievement for the Council and it serves as a testament to the work of all staff and Members in establishing excellent management practices. Most importantly, it acknowledges the efforts of all the staff who have embraced the considerable changes that have been necessary to move the Council forward.

Various partnerships are in place with local schools, colleges and voluntary organisations to provide opportunities for work experience to individuals from all sections of the community.

Engaging with local people and other stakeholders to ensure robust local public accountability

The Council ensures its staff and the community are clear to whom and for what the Council is accountable through publication of its Constitution.

The Council's Community Engagement Strategy and Toolkit sets out how the Council will consult, engage and involve the public in service improvement and delivery. The Overview and Scrutiny function is one of the Council's primary means of engaging with local communities and stakeholders. An annual report on the activity of the scrutiny function is produced.

The Council also operates an Employers Consultative Working Group consisting of Members, the Chief Executive, Corporate Head of Business Support and Trades Union representatives.

Clear channels of communication are in place with the Parishes, for example the Parish Liaison Group and the Parish Clerks Forum.

All meetings of the Council, its Committees and Sub-Committees are open to the public, except when we have to discuss information in closed session to avoid the disclosure of exempt information.

The following includes some of the arrangements the Council has in place to enable us to engage with all sections of the community effectively:

- The annual consultation programme - Have Your Say
- A Residents Panel
- Active involvement with the Craven Youth Council
- Budget Consultation
- Publishing an Annual Statement of Accounts
- Publishing quarterly performance reports
- Crime and Disorder Committee
- Safety Partnership

The Council nominates Members on to outside bodies.

The Council is developing its approach to Community Led Planning, establishing Local Action Teams. A 'Localism Reserve' was established in 2011 to enable organisations and individuals including third sector, parish and town councils and community and business groups to provide Council aims, activities or services to benefit the economic and social community of the district.

Review of Effectiveness

Craven District Council 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 Council's Leadership Team, who have responsibility for developing and maintaining the governance environment, the Audit Manager's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage the main risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances, and should result in an action plan for addressing significant internal control issues.

This document is produced as a result of that review in respect of the 2011/12 financial year.

Key roles in maintaining and reviewing the effectiveness are performed by:

The Council

The Council is the supreme body of Members and has overall responsibility for the Council's policy and budget framework, which includes adoption of, and any fundamental changes to, the Council's Constitution.

Policy Committee

The Policy Committee is responsible for exercising the Council's powers within the budget and policy framework in the non-regulatory areas of its functions. It is also charged with making recommendations to the Council on the budget and framework and any plans, policies or strategies that have a significant corporate impact.

Overview and Scrutiny Committee

This Committee plays an important part in Members' influence on the Council's governance, including holding the decision-makers to account, primarily through the call-in procedure, contributing to policy development and review.

Audit and Governance Committee

The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice. The Committee's remit includes internal and external audit activities, the control environment, risk management and the review and approval of the Council's annual Statement of Accounts.

The Committee is also responsible for maintaining the Council's Constitution and for conducting community governance reviews within the District.

Standards Committee

The Standards Committee monitors compliance with codes and protocols, reviews the operation of the Members' Code of Conduct, ensures the provision of effective training and is responsible for the system that ensures complaints relating to alleged breaches of this Council's and the Parish Councils' Codes of Conduct are dealt with. The Committee is a consultee on all elements of the Constitution relating to the ethical framework.

Monitoring Officer

The Council's Monitoring Officer, the Strategic Manager Legal and Democratic Services, and the Council in general, oversee the operation of the Constitution in order to ensure that its aims and principles are given full effect. A Corporate Governance Working Group, consisting of the s151 officer, the Monitoring Officer, other relevant officers and Members, oversees the review of the governance framework, and prepares the Annual Governance Statement for approval at the Audit and Governance Committee.

Internal Audit

The work of the Council's Internal Audit Service is in compliance with the CIPFA 2006 Code of Practice on Internal Audit in Local Government in the United Kingdom.

The 2011/12 financial year was the second year of a 2-year arrangement agreed between Craven District Council and Harrogate Borough Council. The overall opinion of the Council's Internal Audit is that:

“... for the systems and areas reviewed, significant progress is being made. In most of the areas reviewed, fundamentally sound systems of internal control are in place. In others, the Authority is moving in a positive direction. In determining its opinions, Internal Audit takes into account that in some areas, ideal internal controls cannot be put in place (e.g. on the segregation of duties) due to management decisions made on resource and capacity issues.”

External Audit

The external audit of the Council is currently provided by the Audit Commission. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Audit Commission strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising have been included in their report to those charged with governance. The 2010/11 Audit highlighted a number of governance issues, which were incorporated into the Annual Governance Report Action Plan. Outstanding actions have been included in Appendix A, as well as recommendations arising from the 2011/12 Annual Governance Report.

Significant Governance Issues

It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

Issues that have been identified as Significant Governance Issues are included in Appendix A. Appendix B sets out the major issues arising from the work of Internal Audit ('Priority 1' issues). Under the Council's 2011/12 governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee. Outstanding Priority 1 issues arising during 2011/12, and brought forward from the previous year, have been set out in Appendix B.

The governance issues set out in Appendices A and B will be addressed during 2012/13. Progress on actions identified to address the recommendations of the Audit Commission's report will be subject to regular monitoring by the Council's Audit and Governance Committee.

APPENDIX A: SIGNIFICANT GOVERNANCE ISSUES 2011/12				
Ref	Gaps in 2011/2012	Improvement Action	Responsible Officer	Timescales
Audit Commission Annual Governance Report 2010/11				
1	The Council should consider its arrangements for preparing the financial statements and make sure that robust processes are in place for providing financial statements that meet the requirements of the Code.	Outstanding action: Ensuring that weaknesses in the preparation of the financial statements are addressed as part of the Financial Management Review. The Review consultation period has concluded and the revised structure will be implemented by December 2012.	Corporate Head of Financial Management	31 December 2012
Audit Commission Annual Governance Report 2011/12				
2	Implement the fixed asset register module in Agresso, as planned, to improve future asset management and the preparation of the financial statements.	As a result of unexpected difficulties, implementation of the Agresso fixed asset register module was not achieved, as planned, by the 2011/12 year end. Spreadsheets have been used to maintain a basic record as an interim measure. A revised project plan for implementation of the Agresso fixed asset register has been agreed. Internal Audit have been asked to provide assurance on implementation.	Corporate Head of Financial Management	31 December 2012
3	Ensure that the IT disaster recovery arrangements are tested annually.	Annual testing to be implemented to ensure the disaster recovery plan is resilient.	Deputy Chief Executive	31 March 2013
Overview and Scrutiny Recommendation 2011/12				
4	An agreed partnerships framework needs to be adhered to (including consideration of new partnerships) and a clear framework developed.	The planned action to develop a Partnership Framework to govern the Council's involvement in and management of partnerships has been carried forward from the previous year and highlighted as a recommendation by the Overview and Scrutiny Committee.	Deputy Chief Executive	31 March 2013
Asset Management Plan (AMP) 2011-2015 & Corporate Peer Challenge June 2012				
5	The AMP recommends reviewing the disposals policy during the plan period (2011/15), taking any adopted and approved changes through the appropriate channels. The Corporate Peer Challenge recommends that growth of the capital reserve would be partly met through more co-ordinated management of assets.	As part of the review of the Disposals Policy, to formally adopt and implement a protocol for the disposal of land and property at an undervalue.	Deputy Chief Executive	31 March 2013

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES 2011/12 (Outstanding Priority 1 issues arising from 2011/12 Internal Audit Work)			
Internal Audit Report C1/9 - Payroll Audit September 2011 (PARTIAL ASSURANCE)			
If payroll is to be run in-house, parameters should be automatically set within the payroll system that will identify any individual payment that is more or less than expected.	Following implementation of new shared service arrangements from 01/04/12, checks on payments to employees with both gross earnings over £5,000 per month and net earnings over £3,000 per month were introduced from July 2012. A 10% variance report with reasons for variances was implemented in September. Internal Audit are to assess the reasonableness of using a 10% variance rate and advise accordingly.	Accounting Technician	30 September 2012
Report C2/3 - Creditor Spending Analysis (PARTIAL ASSURANCE)			
Contract files should include all tendering documentation in order to evidence compliance with the CPRs and in line with DPA 1998 data retention principles	Refresher training on compliance with procurement rules is planned to be delivered to relevant staff. This will be undertaken when new procurement support arrangements have been implemented.	Insurance, Risk & Procurement Manager	31 December 2012
02/02 Payments & Creditors (PARTIAL ASSURANCE)			
There must be a segregation of duties between the Finance team member who creates and amends supplier details and the individual who pays the suppliers	To be actioned as part of the Financial Management Review	Corporate Head of Financial Management	31 December 2012

Through the actions referred to above, we propose, over the coming year, to address the issues that have been identified, with a view to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

Signed

.....
Councillor S Place
Chairman of the Audit & Governance
Committee

.....
Paul Shevlin
Chief Executive