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ANNUAL GOVERNANCE STATEMENT

2017/18

Annual Governance Statement (AGS)

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.

The Council 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 regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, 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 demonstrates how Craven District Council has complied with the Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an annual governance statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes 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 on-going process designed to identify and prioritise the risks to the achievement of Craven District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts for 2017/2018.

Annual 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.

In preparing the Annual Governance Statement for 2017/18, the Council has reviewed the effectiveness of the principles and mechanisms to secure good governance in place as outlined in the Local Code of Governance.

The purpose of the review is to identify and evaluate the key controls in place to manage key risk, and evaluate the assurances received, identify gaps in controls and assurances. Areas of improvement have been identified and are outlined in the Statement.

Review of the governance framework is overseen by the Council's Strategic Finance Manager (s151 Officer) and undertaken by the Corporate Governance Working Group consisting of the Corporate Leadership Team (CLT) and representatives of the service managers that form the Council's Senior Leadership Team (SLT).

The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report, and also by the comments made by external auditors, and other review agencies and inspectorates.

The outcomes of the review are considered and approved by the 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.

Issues identified in the Annual Governance Statement and the management actions to reduce the risk have been reported to, either Audit & Governance Committee and or Policy Committee and or Council. These reports where appropriate have also included new issues for consideration.

Specific Assurances

The following specific assurances have been obtained to support this statement:

- **Chief Finance Officer, Section 151 Officer**

In accordance with the CIPFA statement on the role of the Chief Financial Officer, they must provide assurance in a number of governance arrangements including those relating to financial decision making, financial accounting and reporting, internal control, and risk management, in order to protect that financial control is exercised consistently, and that the organisation implements appropriate measures to protect its assets from fraud and loss. These assurances have been considered through the review of our governance arrangements, and it has been established that the Council's arrangements confirm to the CIPFA requirements.

- **Chief Information Officer**

Craven District Council maintains externally verified (annually) compliance with the Governments PSN (Public Services Network) and the Payment Card Industries PCI-DSS (Payment Card Industries – Data Security Standards). Compliance with these standards provides confidence that services used over the technical network will work without problems, gives assurance that our data and our customers data is protected in accordance with our Information Assurance (IA) commitments and ensures that in the event of things going wrong they can be quickly put right. In the case of PCI-DSS it also ensures that adequate controls are in place surrounding the storage, transmission and processing of our customers payment card data that we handle.

- **Audit Services Manager**

The 2017/18 financial year was the third year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council.

This arrangement has been renewed and will continue for a 3 year term from 1 April 2018 year to 31 March 2021 with provision for an additional 2 year extension beyond that period.

The overall opinion of the Council's Internal Audit is that:

“.....Governance: This concerns the combination of protocols, procedures and structures in place to inform, direct, manage and monitor activities towards the achievement of the Council's objectives. The opinion is that generally speaking, adequate and effective arrangements are in place. The Annual Governance Statement sets out those arrangements and I can confirm that

“.....Risk Management: The Council has adequate arrangements in place with risk management being embedded within the Authority. This is based on Internal Audit's experience together with a review of the Risk Management Strategy and risk registers (both corporate and specific (recent examples include, Skipton Town Hall refurbishment, Health and Safety). There is also robust challenge by Members when risk registers are submitted to the Audit and Governance Committee for consideration and approval.” Audit and Governance Committee appointed its Independent Member to be its representative on the Risk Management Group. His remit is to report back to the Committee the scope for improving effectiveness of the Council's arrangements and provide suggestions for areas of focus. However, due to recent changes in approach, risk management is now considered and integrated into the work of the Senior Leadership Team (SLT) replacing the work of the former Risk Management Group, and arrangements need to be put in place to ensure the continued involvement of the Independent Member during 2017/18.

“.....Internal Control: Generally, fundamentally sound systems of internal control are in place. During 2017/2108 seven internal audits have been concluded and opinions used, 57% received a good level of assurance and 43% significant level of assurance. “significant” or “good”.

- **External Audit**

The external audit of the Council is provided by Mazars. 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 Mazars strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising in 2017/18 are included in their report to those charged with governance. There were no significant issues from the 2016/17 Audit.

- **Local Government Ombudsman**

The Local Government Ombudsman Annual Review letter was reported to the Council's Standards Committee in September 2017. The report considered 7 complaints referred to the Ombudsman in for the year ended 31 March 2017. Of the complaints received, none were upheld. 5 were referred back to the Council for local resolution, none were considered incomplete/invalid and 2 were closed after initial enquiries.

The Review letter for the year ended 31 March 2018 is expected in July 2018.

Performance against the Local Code of Corporate Governance

The Council considers that its governance arrangements continue to be regarded as fit for purpose and comply with our Local Code of Corporate Governance which sets out the detail of the Council's Governance Framework.

In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in our Local Code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified.

However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

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.

We have set on the following pages our assessment of compliance with the arrangements we have in place to meet the governance principles as set out in our Local Code, along with our Governance Improvement Plan.

Review of Governance Improvement Actions

In undertaking our annual review of effectiveness for 2017/2018 we have considered the progress we have made during 2017/2018 in the implementation of our Governance Improvement Plan.

This was set out in our 2016/2017 Annual Governance Statement and identified 19 actions we would take to improve our performance against governance arrangements set out in our Local Code.

We have made good progress and consider the actions listed below as completed.

Ref	Action to Improve Governance Arrangements	Link to Principle	Completion Date
1.	Constitution - Undertake a light touch review of the Constitution	A	October 2017
6.	Website Engagement - Implement the Council's new website	C	December 2017
11.	PDR Process - Review and improve the effectiveness of the Council's staff Performance Development Review (PDR) process	E	March 2018
16.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Largely completed – but some work to continue to June 2018 – so also rolled forwarded into our 2018/19 plan.
19.	Effective Accountability - Participate in Local Government Association led Peer Review and develop an action plan to respond to improvement recommendations	G	September 2017 – Peer Review Completed Action Plan - January 2018

Implementation of the remaining actions is ongoing or require further improvements, other intended actions during 2017/18 are outstanding. These actions have been integrated into our updated Governance Improvement Plan for implementation during the 2018/2019 financial year.

Further information on our 2017/2018 Annual Review of Effectiveness and our updated Governance Improvement Plan is detailed on the following pages.

Review of Effectiveness for 2017/2018

Principle	
<p>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of the law 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some areas for continual improvement.
Commentary	<p>The Council's Constitution is subject to annual review and update. A light touch review was presented to Council in October 2017. Further review and update will continue.</p> <p>A review of the Whistleblowing Policy was undertaken and approved following its final presentation to Standards Committee in March 2018</p> <p>The Council's Member and Officer Code of Conduct explicitly follow the seven principles of work in public life (Nolan Principles). The Council's Core Values are linked to the same principles and the annual staff award programme also focus on demonstrating the Code Values. However, there is further work required to develop and embed understanding of those linkages amongst Officers at all levels.</p>
Link to Improvement Actions	1 and 2

<p>Principle B - Ensuring openness and comprehensive stakeholder engagement</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Openness • Engaging with individual citizens and service users effectively 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	<p>We have a range of processes and mechanisms in place to consult with stakeholders. We have had successes in with working with a number groups such as the Friends of Aireville Park in delivering a number of new facilities within Aireville Park, Skipton, through matched funding and fundraising efforts.</p> <p>The Council has signed up to the North Yorkshire Joint Principles for consultation and we have a range of processes and mechanisms in place to consult with stakeholders and citizens. However, we have identified that there is an opportunity to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services, through the work of our Senior Leadership Team.</p> <p>Whilst the Council engages with a number of outside bodies through representation from Craven District Council Members, we have identified an opportunity to improve understanding of this work amongst all Members and Senior Officers through developing Member reporting on this work to Council.</p> <p>The Council implemented its new website in December 2017. We will make it easier for the public to contact their local Councillor through enhancements to the Contact Your Councillor section of our website during 2018.</p>
Link to Improvement Actions	3 and 4

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits Supporting Principles <ul style="list-style-type: none"> • Defining outcomes • Sustainable economic, social and environmental benefits 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	The Council's policy making and decision making processes take into account the financial, legal, risk and equality impact of decisions. However, we recognise the need for greater consideration of wider economic, social and environmental impacts in our decision making processes.
Link to Improvement Actions	
5	

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes Supporting Principles <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>We have identified an opportunity to improve our approach to project implementation and management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources. A Programme Office was established in early 2018 to lead on this work following the outcomes of the Peer Review.</p> <p>We are continuing to review and strengthen our approach to procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community.</p> <p>During 2018 we have actively participated in the review of the National Procurement Strategy through our membership of the Regional Strategic Procurement Group. An updated Council Procurement Strategy will be agreed during the 2018/19 financial year to mirror the national and regional priorities for procurement.</p> <p>The Council has agreed a Value for Money Framework detailing the principles and actions for securing value for money in service delivery. The Framework will be reviewed and updated during 2018/2019.</p>
Link to Improvement Actions	
6, 7 and 8	

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have an agreed induction programme in place for officers, however, we have identified that these arrangements may not be operating consistently across all services. We will be undertaking a review to identify gaps and make improvements to our induction process going forward as necessary.</p> <p>We have effective arrangements in place to identify and respond to training needs through our annual Training Plan and Member training programmes. However, we have identified training for new Members as an area for further improvement, which requires continual focus due to the Council undertaking elections in thirds.</p>	
Link to Improvement Actions		9 and 10

Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have continued to review our corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed. An Internal Audit of our risk management arrangements concluded in April 2018. We will continue to improve our approach to risk management during 2018/19 as we respond to the findings and recommendations of the Internal Audit.</p> <p>During 2016/17 Internal Audit undertook work to assess the Council's arrangements in place to protect against the risk of fraud and corruption based on the CIPFA Code of Practice, we have made good progress in the implementation of our action plan first approved by Audit & Governance Committee in January 2017. Further work on outstanding actions is required over the next financial year.</p> <p>The work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). These took effect from April 2013 (revised 1st April 2017) and it is a legal requirement for local authorities to comply with them. The PSIAS state that at least once every five years, local authorities are required to commission a review to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to review its Internal Audit Services during March 2014.</p> <p>Whilst the overall conclusion of the review was that Internal Audit is "substantially compliant", with required standards, it identified a number of areas where there was scope for improvement. All actions included in the improvement plan have now been implemented, with the exception of developing an assurance map which will now be completed in 2018 as part of the 2018/19 Audit Plan.</p> <p>We have continued to implement our action plan in relation to compliance with the new General Data Protection Regulations that come into force in May 2018, and have completed most actions intended during 2017/18. However, some work will continue in June/July 2018 and will then keep ongoing compliance under regular review.</p>	
Link to Improvement Actions		11, 12, 13 and 14

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>The Council is currently developing a number of new partnership to deliver a range of projects. We need to instigate appropriate governance arrangements for these new partnership arrangements; which include the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Partnership, and ensure we embed review of partnership performance within the Council's performance review and monitoring arrangements.</p> <p>We remain committed to publishing a range of data under the Data Transparency Guidelines, however to ensure we continue to meet requirements, we have identified the need to raise awareness of requirements and improve ownership within a number of services impacted upon by staff changes within the last year. There are also opportunities for improvement arising from the implementation of the new website.</p>
Link to Improvement Actions	15 and 16

Governance Improvement Plan for 2018/2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
1.	Constitution - Undertake a light touch review of the Constitution	A	Solicitor to the Council and Monitoring Officer	March 2019
2.	Nolan principles - Further develop and embed understanding of the Nolan Principles and the linkages between them and the Council's Officer Code of Conduct and Core Values amongst Officers at all levels throughout the Council	A	Solicitor to the Council and Monitoring Officer /Senior Leadership Team (SLT)	March 2019
3.	Consultation and Engagement - Work to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services	B	Director of Services/ Senior Leadership Team (SLT)	March 2019
4.	Member Engagement - Enhance approaches to Member engagement through improvements to the Contact Your Councillor section of the Council's website and Member reporting on their work with Outside Bodies	B	Solicitor to the Council and Monitoring Officer /Member Services Manager	December 2018
5.	Economic, Social and Environmental Impacts – Improve our approach to ensure greater consideration of wider economic, social and environmental impacts of policy decisions in our decision making processes	C	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
6.	Project management - Improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources.	D	Corporate Leadership Team (CLT)/ Programme Office	March 2019
7.	Procurement - Review the procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community including publication of an updated Procurement Strategy, improved use of E Tendering, staff training and development, and improved supplier engagement and contract management	D	Chief Finance Officer/ Exchequer and Performance Manager	March 2019
8.	Arrangements to secure value for money - Review and update of the Council's Value for Money Framework	D	Chief Finance Officer / Exchequer and Performance Manager	March 2019
9.	Officer induction - Review and improve the effectiveness of the Council's approach to Officer Induction	E	Chief Executive/ Senior HR Manager	March 2019
10.	Member training - Review and improve the Council's approach to training for new Members	E	Chief Executive/ Member Services Manager	March 2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
11.	Risk Management - Implement the revised corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed.	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
12.	Counter Fraud and Corruption - Further strengthen Counter Fraud and Corruption Arrangements to drive a strong anti-fraud and corruption culture from a corporate to operational level	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
13.	Internal Audit - Undertake an assurance mapping exercise to further integrate the role of Internal Audit within the Council's 'assurance framework '	F	Chief Finance Officer / Internal Audit Services Manager	March 2019
14.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Director of Services/ Chief Information Officer	June 2018
15.	Partnership Governance - Ensure appropriate governance arrangements are instigated for and effectively embedded in Council performance review and monitoring arrangements existing and new partnership arrangements, including the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Scheme	G	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
16.	Data Transparency - raise awareness of requirements for data publication under Data Transparency Guidelines, improve ownership across services of services and look to opportunities for improvement to data publication arising from the implementation of the new website.	G	Director of Services/ Chief Information Officer	March 2019

We will address the issues identified above to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed Councillor C Harbron Chairman of the Audit & Governance Committee	Signed Paul Shevlin Chief Executive
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