

### CHESTERFIELD BOROUGH COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2018/19

#### Scope of Responsibility

Chesterfield Borough 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 also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Chesterfield Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

#### The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2019 and up to the date of approval of the statement of accounts.

## The governance framework

The key elements of the systems and processes that comprise the Council's governance framework are as follows:-

The Council's vision is "Putting our communities first". Chesterfield Borough Council identifies and communicates the authority's vision of its purpose and intended outcomes for citizens and service users via its Council Plan and Vision statement. The Council Plan consists of 3 priorities:-

- To make Chesterfield a thriving borough
- To improve the quality of life for local people
- To provide value for money services

The Council's values reflect the way the council wants to achieve its vision, these are:-

**Customer focused:** delivering great customer service, meeting customer needs

**Can do:** striving to make a difference by adopting a positive attitude

**One council, one team:** proud of what we do, working together for the greater good

**Honesty and respect:** embracing diversity and treating everyone fairly

The Council Plan is cascaded down through, managers, meetings, service plans, team plans, budgets, the medium term financial plan and employee performance development reviews. This flow ensures that resources are utilised for the achievement of the Council Plan and vision.

The Council works with a number of partnerships to deliver its aims. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision of its purpose and intended outcomes for citizens and service users and that they are subject to appropriate governance and performance management arrangements. Two of the Council's significant partnerships are Sheffield City Region Combined Authority and the Local Enterprise Partnership for Derbyshire and Nottinghamshire for which there are inter authority agreements in place.

The best use of resources and value for money are obtained by scrutiny reports and reviews, reviewing service performance, benchmarking and monitoring budgets.

Chesterfield Borough Council has a formal Constitution in place that sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. In addition, the Constitution sets out the roles and responsibilities of Members and Senior Managers.

The Cabinet is the part of the authority which is responsible for most day to day decisions. The overview and scrutiny committees support the work of the Council by

scrutinising the decisions made. The Standards and Audit Committee are responsible for maintaining and promoting high standards of conduct and for considering the effectiveness of the Council's risk management arrangements and the control environment. The Committee also reviews reports from internal and external audit and other inspection agencies and seeks assurance that action has been taken where necessary.

Formal Codes of Conduct are in place for Members and Officers and are available on the intranet and form part of induction procedures. To further enhance these high standards the Council has in place a comments, complaints and compliments procedure, a Customer Services Charter, an Anti- Fraud, Bribery and Corruption policy and a Confidential Reporting (whistle blowing) Code.

In order to ensure compliance with relevant laws and regulations, internal policies and procedures Chesterfield Borough Council has a comprehensive induction package and provides training for staff and Members on a regular basis. The Constitution is underpinned by legal references. Training needs are identified through Member and employee performance and development reviews and continuous professional development is encouraged. In 2017 the Council introduced an online learning tool that records all training and includes a comprehensive bank of training modules. Policies are readily available on the intranet to view.

Chesterfield Borough Council has a risk management strategy, a risk management group and risk is considered as part of all Cabinet reports. The corporate risk register and service risk registers are regularly reviewed and appropriate training is provided.

An ICT review has been completed and an improvement programme developed that sets the strategic direction for ICT and digital service redesign. Councillors have approved a £9.7 million nine year programme of ICT improvements. The programme is transformational and will significantly strengthen the Council's ICT service provision, resilience and information security.

The ICT and HR services have transferred to in house delivery and this is to assist with the delivery of the IT improvement and digital innovation programme.

The GDPR action plan has been implemented, ensuring the Council is able to comply with new regulations. An information assurance risk register is in place which details outstanding information assurance risks and the mitigating actions which are being undertaken by the council to reduce / remove risks

In June 2017 Building Control left the Council to become part of a limited company (The Derbyshire Building Control Partnership). There are a series of legal agreements that support the new company including a shareholder agreement and a service level agreement. A separate Board has been set up to govern the new company.

The Council is also increasing its income from commercial work. Any profit earned on the work is returned to the general fund.

The Chief Executive is the designated Head of Paid Service, with the statutory responsibility for the overall review of the Council's staffing and operation. The Chief Executive is monitored for performance in the delivery of political priorities which are in turn monitored and measured across all staff. The Council's Monitoring Officer attends Corporate Management team meetings and is suitably qualified.

The Chief Financial Officer is professionally qualified and experienced to undertake their roles and responsibilities and is supported by an experienced and appropriately qualified finance team. The Chief Financial Officer is a key member of the Corporate Management team and leads and directs a finance function that is fit for purpose. The Chief Financial Officer ensures compliance with S151 requirements. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Internal Audit is provided on a Consortium basis for Bolsover District Council, North East Derbyshire District Council and Chesterfield Borough Council. The Internal Audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and conforms to the requirements of the CIPFA statement on the Role of the Head of Internal Audit. The Internal Audit Consortium Manager is a senior manager, professionally qualified and leads an appropriately resourced and experienced audit team. The external review of internal audit confirmed that the team is compliant with the PSIAS.

Chesterfield Borough Council has a variety of means of communicating with all sections of the community and stakeholders including an internal and external Communication and Engagement Strategy, the Council's website, the publication of "Your Chesterfield" four times a year which includes "Our Homes" for tenants and leaseholders and an annual Community Engagement Programme.

### **Review of Effectiveness**

The 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 Corporate Management Team within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework include:

- Internal audit reviews of systems and procedures in accordance with the agreed internal audit plan
- Annual review of the Council's Code of Corporate Governance
- Assessment against the key elements of the governance framework
- Monitoring Officer reviews and monitors the operation of the Council's Constitution
- The Chief Executive, Executive Directors and Corporate Management Team monitoring the risks and the associated controls assigned to them
- The Chief Financial Officer (the Director of Finance and Resources) providing the Council and the Management team, with financial reports and financial advice covering the whole range of Council Activities
- Reviews by external agencies such as the Council's external auditor
- A review of the system of assurances/internal controls
- The Council's Standards and Audit Committee receives reports on the work of internal audit, including the annual report by the Internal Audit Consortium manager. The annual review of the Local Code of Corporate Governance is reported to both the Standards and Audit Committee and the Council's Cabinet.
- The Cabinet receives and considers reports on the outcome of reviews by the external auditor and other review agencies.
- The Standards and Audit Committee have undertaken a self- assessment against CIPFA standards and were found to be compliant.

It can be demonstrated that the Council's governance arrangements support the council's plan by the sheer volume of achievements. A few of these are:-

- Official opening of Brocklehurst Court following £1 million of refurbishment work. The old bedsits and one bedroomed flats have been converted to provide a mix of one and two bedroomed flats which have new kitchens and bathrooms, heating systems, windows and doors. A similar refurbishment project is now taking place at the Glebe in Old Whittington and at Catherine Court, Brampton.
- The Council was awarded the Investors in people Silver Award
- The Council has achieved the ICT outcomes which were set for delivery in 2018, namely improving theatre box office service levels, increasing skills and knowledge within ICT, increasing infrastructure resilience, achieving Cyber Essentials + and delivering the 1<sup>st</sup> end to end digital processes.
- The winding wheel has had a refurbishment that has seen a café bar area including a ticket collection point, created in the new foyer, new toilets installed and the auditorium and ballroom redecorated.
- The Town Hall refurbishment has progressed to provide opportunities for generating income from other public sector bodies who are interested in utilising space within the building. The Register office has now taken up occupation on the ground floor of the Town Hall and began delivering services to the public from November.
- Work is well underway to build the replacement 530 space Saltergate car park. The new car park should be ready to open in spring 2019.

- Work has been progressing on the former CO-OP store on Elderway with the new hotel set to open in April 2019.
- 32 key activities were identified for priority delivery during 2018/19 and the vast majority of these have been successfully delivered or strong progress made.

### **Internal Audit Opinion 2018/19**

The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2018/19.

Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.

Overall, 19/24 (79%) of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.

There were 5 Limited Assurance reports issued during the year (Careline, OSD Property Safety Inspections, Outdoor facilities, Laptops and other Removable Media, Sickness Absence Management), where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and have either implemented them or are actively working towards implementing them.

Previous areas of weakness identified such as Health and Safety, ICT and Procurement are being addressed through longer term improvement plans and programmes.

### **A Review of 2017/18 Governance Issues**

A mid - year review of progress against the 2017/18 AGS action plan was undertaken by the Corporate Management team and was reported to the Standards and Audit Committee. The action plan identified 9 areas for improvement. Positive progress has been made in every area. Where further action / monitoring is required these areas have been carried forward to the 2018/19 AGS action plan.

## Significant governance issues

Whilst there are many areas of the Governance Framework that are operating satisfactorily, the work of internal audit and discussions with the Corporate Management Team has identified that there are some areas where action can be taken to improve the governance arrangements in place. The significant issues are summarised below.

The following significant governance issues have been identified:

No.	Issue Identified	Action to address
1.	<p>Budget – many budget risks have been identified:-</p> <ul style="list-style-type: none"> <li>• Business rate pooling</li> <li>• Business rate appeals, valuation changes</li> <li>• New homes bonus allocations</li> <li>• ICT savings not being delivered</li> <li>• The outcome of the Governments Fair Funding and changes to business rate funding from 201/21 is still not clear</li> <li>• Wage and staffing cost pressures</li> <li>• Escalating energy prices and general cost inflation</li> <li>• Achieving income targets for rents, fees, charges and interest</li> <li>• Delivering required budget savings</li> <li>• Outcome of Brexit</li> <li>• Introduction of Universal Credit</li> </ul> <p>The Council is forecast to balance the General Fund for 2018/19 with a £161K surplus. The MTFP (5yr) from 2019/20 shows a £202k deficit rising to £1.3m by 2023/24. There is a requirement for £1m in IT transformation savings by 2023/24 otherwise the deficit will be £2.3m. The HRA has projected to have a £21m balance at the end of 2018/19.</p>	<p>Need to continue to closely manage the Medium Term Financial Plan to ensure that the Council remains of sound financial standing, and to support decisions on the alignment of budgets to enable delivery of the Council’s corporate plan.</p> <p>This will be achieved through the established mechanisms for financial planning and reporting:</p> <ul style="list-style-type: none"> <li>• Finance and Performance Board</li> <li>• Corporate Cabinet and CMT workshops</li> <li>• Monthly budget monitoring reports to service managers</li> <li>• Quarterly budget monitoring reports to the Council, Cabinet and Scrutiny Forum</li> <li>• Quarterly Assistant Director meetings with finance on budgets</li> <li>• Regular dialogue with the trade unions</li> </ul> <p>Further savings and income generation plans are ongoing.</p>

	Then the MTFP shows a closing balance of circa £7m per annum for the next 3 years.	
2	Non Housing Property Repairs – detailed condition surveys have been undertaken for 11 major assets and have been reviewed by Kier. A second tranche of 8 Council assets is currently being reviewed. Only large assets owned by the Council are being assessed. The risk to the Council is that a large number of assets will require substantial future property repairs spend which may not be budgeted for.	As the costs become clearer decisions will be required to rationalise poor quality assets, increase contribution to the property repairs fund or to borrow for major capital repairs.
3	Workforce Capacity and capability – Ongoing budget challenges and service demands mean that the Council will need continue to manage workforce capacity and capability. In 2018/19 both Executive Directors and the Assistant Director of Housing have left the Council leaving a capacity issue at SLT/CMT level.	The vacancies at SLT / CMT level have been advertised.  SLT and CMT will review the impact of new workloads and projects to determine priorities and direct resources. Vacancy control processes are in place, allowing the Council to review and determine whether vacancies should be filled. Individual performance, capacity and capability will continue to be closely monitored through the half yearly performance reviews and training and development plans are in place to address capability gaps. A 'people' plan, which is aligned to the workforce strategy is being developed and will be implemented in 2019/20.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Cabinet and the Standards and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas identified for improvement form part of the 2018/19 Annual Governance Statement action plan.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

---

H Bowen  
Chief Executive

---

Councillor T Gilby  
Leader of Chesterfield Borough  
Council

**Date:**

**On behalf of Chesterfield Borough**