

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of Responsibility

Bolsover 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. Bolsover District 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, Bolsover District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Bolsover District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: Framework" (2016). A copy of the authority's code is on our website at www.bolsover.gov.uk or can be obtained from the Council's Governance Team. This statement explains how Bolsover District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2016, 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 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 Bolsover District 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 Bolsover District Council for the year ended 31 March 2017 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

The key components of the systems and processes that comprise the authority's governance arrangements include the following:

Bolsover District Council sets out its objectives within its Corporate Plan which is linked to both the Community Strategy and to a range of other Strategies and Plans. The Council has a formal constitution in place which sets out the roles and responsibilities of both Members and Senior Managers. The Constitution is available on the Council's website and is reviewed on an on-going basis. Policy and decision making is by means of an Executive Structure with Executive Member Portfolio holders. There are 3 Scrutiny Committees aligned to the Council's Corporate Plan Targets, together with a Budget Scrutiny Committee made up of all Scrutiny Members. The Council also has both an Audit Committee operating in line with CIPFA guidance which provides independent challenge and assurance regarding financial governance and risk management, and a Standards Committee which has responsibility for overseeing the operation of the Members Code of Conduct.

Bolsover District Council takes a number of steps to help ensure compliance with established policies, procedures, laws and regulations. There is a comprehensive corporate induction process, with a variety of awareness raising and training events being undertaken for both employees and Members. All staff have access to key policies and procedures which are readily accessible on the intranet. Formal Codes of Conduct are in operation for both Members and Officers. The Council has adopted a formal Anti Fraud and Corruption Policy characterised by zero tolerance, with this approach informing the Council's governance and internal control arrangements. The Council complies with the Transparency Agenda and Freedom of Information obligations, with an appropriately qualified and experienced Data Protection Officer in post. To support these high standards of openness and probity the Council has in place an effective complaints policy and procedures together with a whistle blowing policy.

The District Council has a Risk Management Strategy and associated framework in place, which is reviewed on a regular basis with independent assurance provided by the Audit Committee. The Council has embedded Risk Management by the provision of appropriate training, through regular review of the Service and Strategic Risk Register, and by requiring that all Committee Reports include a Risk assessment. The Risk Management Framework includes a quarterly reporting process which is integrated with our Performance and Financial management arrangements.

Bolsover District Council has a number of mechanisms in place for ensuring the economical, effective and efficient use of resources, and to ensure that we secure continuous improvement in the manner in which our functions are exercised in order to comply with the requirement to provide best value. Effective use of resources is ensured by a robust range of mechanisms including a range of consultation with local residents and other stakeholders, a well developed corporate and service planning process, by the careful consideration of service performance and development in order to ensure that our services are targeted at addressing priority requirements. Economy and Efficiency are ensured by good procurement practice,

and by services which are responsive to customer requirements and operated in line with good practice.

A Scheme of Delegation sets out the powers of Officers and Elected Members, while the Financial Regulations and Contract Procedure Rules are an integral part of the Constitution. The performance against budget is monitored on a continuous basis with cost centre managers having access to the financial ledger, while the accountancy team provide monitoring reports on a monthly basis. The Council's quarterly reporting process is delivered through quarterly meetings with all Directorates where Performance, Finance and Risk are considered. This approach is intended to ensure that any significant budget variances or performance issues are identified at the earliest opportunity. Formal monitoring reports are taken to Executive, with these reports then being forwarded to the Budget Scrutiny and Audit Committee.

Performance Management is at the core of our managerial arrangements with quarterly reports on performance against the Corporate Plan targets provided to Executive. The Council monitors progress against a range of targets which incorporate both national and local priorities. Performance Targets together with key operational priorities are set out within the Corporate Performance Management Framework which includes Service Plans and employee appraisals. These in turn are linked to the Council's Corporate Plan and supporting Plans and Strategies to help ensure that our resources are utilised for the achievement of agreed priorities.

The District Council contributes to the delivery of the Community Strategy for our residents through the Corporate Plan and the range of associated Plans and Strategies. The Council updates its Service Planning Framework on a regular basis and reports publicly to ensure our residents are kept informed regarding progress on those issues which they view to be critical to the wellbeing of our community. Unless specifically exempted by legislation, all reports to Committee and Scrutiny are available to residents on the website or in hard copy, articles in the Council's newsletter 'In Touch' which is distributed three times a year, briefings to the local press and public consultation. Progress against the Council's key priorities is reported to Executive on a quarterly basis as part of the suite of Performance reports.

The District Council, working with our local community and key partners has agreed a vision and core values which are supported by a range of 4 corporate aims which were set out within the Council's Corporate Plan for 2015 - 19 as follows:

- Our Key Aim : Unlocking our **Growth** Potential.
- Providing our **Customers** with Excellent Services.
- Supporting our **Communities** to be Healthier, Safer, Cleaner and Greener.
- Transforming our **Organisation**

These aims provide a focus for the development of partnership working, delivery of our services, and for planned improvements and rationalisation of the services which are currently provided. The emphasis on progressing these aims is illustrated by the fact that all reports to Committee set out which of the Corporate Aims they are seeking to promote, while the Council undertakes an ongoing review of its services

through the service planning process and by the review processes which include Performance Management by Executive and the work of the Scrutiny function.

Review of Effectiveness

Bolsover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is achieved primarily by way of the preparation of this Annual Governance Statement. This helps validate that our Governance Framework ensures compliance with the law, internal policies and procedures are effective and expenditure is lawful. The review of effectiveness is informed by the work of the senior managers 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 Chief Financial Officer is responsible for ensuring that there is an adequate and effective system of internal control relating to both the Council's accounting and its other systems of internal control as required by the Accounts and Audit Regulations 2016. The Council is fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Council's Chief Financial Officer is professionally qualified, reports directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

With effect from 30th June 2017 the Executive Director - Operations who undertook the role of Chief Financial Officer left the employment of the Council as a result of a restructuring of the senior management team. Council has designated the Assistant Director Finance, Revenues and Benefits as the Chief Financial Officer with effect from 1st July 2017. While the role of Chief Financial Officer has been moved to a lower tier in the management hierarchy under these arrangements the Council remains fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer as set out above.

The arrangements for the provision of internal audit are set out within the Council's Financial Regulations which are part of the Council's Constitution. The internal audit provision has from the 1st April 2007 been independently managed by the Internal Audit Consortium Manager. This is an arrangement for the provision of Internal Audit on a consortium basis by Bolsover, Chesterfield and North East Derbyshire, with the service being hosted by Chesterfield Borough Council on behalf of the three authorities. The Council's Internal Audit function has been internally assessed as being compliant with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. During the 2016/17 financial year the Internal Audit service was subject to formal external review which concluded that it was operating in line with appropriate professional standards. The Council operates its internal audit arrangements in line with the requirements set out within the CIPFA Statement on the Role of the Head of Internal Audit (2010). The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to both elected members and management. The work undertaken is agreed within the Audit Plan prepared by the

Consortium Manager which is prioritised in order to reflect the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. Audit work involves reviews of the main financial systems, scheduled visits to Council establishments and fraud investigations. The annual work plan is discussed and agreed with the Council's Section 151 officer, and with the Audit Committee. It is also shared with KPMG the Council's external auditor. This is part of a process of liaison intended to ensure that the work of internal and external audit is complementary and that duplication is avoided. The Internal Audit reports which arise out of the process include an assessment of the adequacy of internal control, and set out recommendations which are aimed at addressing those areas where potential for improvement has been identified. These are submitted to the relevant officers within the Council who are required to implement accepted recommendations. The outcome of the process is reviewed by the Chief Financial Officer, by the Council's Strategic Alliance Management Team (SAMT) and by the Audit Committee.

The Council's review of the effectiveness of the system of internal control is informed by:

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, those decisions are subject to Scrutiny, and the Council has an active Standards Committee;
- The Council has suitably qualified, trained and experienced officers undertaking the statutory role of Head of Paid Service (Chief Executive), Monitoring Officer and Section 151 Officer.
- Assurances from the responsible Executive Directors based on management and performance information, officer assurance statements, Scrutiny reports and the outcome of internal reviews including those looking at joint services.
- The work undertaken by the Internal Audit consortium during the course of the year;
- This Annual Governance Statement has reviewed the operation of our Governance arrangements during the course of the 2016/17 financial year.
- The Council's Audit Committee has undertaken a structured self assessment to ensure it operates in line with CIPFA/SOLACE guidance.
- The work undertaken by the external auditor as reported in their Annual Audit Letter and in the Report to those charged with governance (ISA 260);
- In relation to Fire Safety checks, the housing owned by the Council does not contain any stock of 18 metres high or above.

In addition to giving appropriate consideration to the Council's internal Governance arrangements it needs to be recognised that the Council is working in a number of partnership arrangements. We are operating a range of shared services with our Strategic Alliance partner North East Derbyshire. In addition we have other joint service arrangements with both Chesterfield Borough Council and with the Chesterfield Royal Hospital. We also have an active Local Strategic partnership which engages with a range of local partners. We actively participate in both the D2N2 Local Enterprise Partnership and in Sheffield City Region Combined Authority of which we are a non constituent member. There are also a number of other partnerships including the Community Safety Team and local NHS bodies where partnership working supports the delivery of services to local residents. Where the

Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision and core values and that they are subject to appropriate governance and performance management arrangements. This assurance is provided by ensuring that the Council's involvement within partnership is formally agreed by Council and that the outcomes of partnership working are detailed in the Council's Performance, Finance and Risk Management Framework with any issues identified being reported to the Council where appropriate.

Since April 2011 the Council has operated a Strategic Alliance with a neighbouring authority North East Derbyshire District Council. Joint working arrangements have made significant progress and the two Councils now operate with a joint Management team down to third tier level. Joint Working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service. While one of the key reasons for entering into this partnership is to achieve the efficiency savings required by both Councils, the Strategic Alliance is also regarded as a key mechanism for managing the risks that ongoing reductions in funding will result in failing services and weakened internal control.

The Council's External Auditors KPMG restrict their comments to the Published Accounts and as to whether the Council provides Value for Money. The most recent review of the Council by external audit was provided by KPMG in its Annual Audit Letter relating to the 2015/16 Accounts. This letter which was reported to the Council meeting on 30th November 2016 gave an unqualified opinion in respect of both the published accounts and the Value for Money conclusion. With respect to the outcomes of the independent scrutiny undertaken by Internal Audit of the 31 audits undertaken during 2016/17 four resulted in internal control arrangements being assessed as marginal (a number of areas identified for improvement), with one identified as unsatisfactory (Unacceptable risks identified). Appropriate steps have been taken to address the weaknesses identified by Internal Audit.

Significant Governance Issues

In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of internal control in place that has operated throughout the 2016/17 financial year. As part of the Annual Governance Statement, however, the Council is required to review its internal controls in order to identify those significant areas where it needs to improve its governance, performance and the management of services. A consideration of the reports raised by External Inspections, Peer Reviews and the Council's own self assessment of its current position in respect of those areas requiring improvement are as follows:

At a Strategic Level the key issue for the Council is that over the last decade the underlying financial pressures on local authorities have increased significantly as the level of Central Government funding has been reduced. Over previous financial years Bolsover District Council has been required to secure significant ongoing savings in its revenue budget. In addition to what has previously been achieved further estimated savings of £1.8m are required between 2017/18 and 2020/21. In order to secure the necessary savings the Council will need to continue to reduce staffing levels and to reorganise processes and procedures both of which have the potential to impact significantly on the Council and the services it provides. In

addition there are a range of issues external to the Council including legislative change together with the impact of the referendum vote to leave the European Union which create uncertainties and may impact at some future stage upon the Council. The Council will continue to work to minimise the impact of such changes upon both our local community and workforce. Given the scale of the efficiencies that are necessary the internal control environment, levels of performance and service delivery more generally continue to require careful monitoring during the course of the current financial year. While the Council's management team is in the process of a restructure during the 2017/18 financial year it retains a core of experienced and appropriately qualified officers which puts it in a good position to achieve an appropriate balance between securing financial savings whilst protecting both our governance arrangements and the level of services to local residents.

The strategic issue outlined above informs the identification of those areas where it is considered that the Council's governance arrangements require further improvement. The issues where the Council is considered to be marginal in terms of meeting good practice are outlined in the table below. All of the areas identified for improvement are currently the subject of a Corporate Action Plan (including target dates), with progress against that Action Plan being reported as a standing item to the Council's Audit Committee. These arrangements for addressing identified issues operate alongside the Council's Performance Management systems and will remain in place during the 2017/18 financial year. With regard to the issues identified in the previous Annual Governance Statement (2015/16) the Council has continued to effectively manage its budget position. Concerns in respect of Housing Stores and Creswell Leisure Centre as identified by Internal Audit have been successfully resolved, while the position in respect of Health and Safety is improving. On the basis of the progress made in addressing the issues identified in the previous Annual Governance Statement it seems reasonable to conclude that the Council's current arrangements are effective in addressing governance and performance issues.

Issue Identified	Action to Address
<p>1. Whilst the Council's budget is balanced over the period of the Medium Term Financial Plan it should be noted that the budget is balanced on the basis that significant efficiency savings will be secured during the period of that Plan. If these efficiencies (which amount to some £1.8m over the next four years) are not secured then the Council will be forced to reduce expenditure in a relatively uncontrolled fashion which will impact upon both the quality of services to local residents, and on the internal control environment.</p>	<p>The Council is currently developing a programme of work to agree measures to deliver the efficiency gains necessary to operate within its underlying level of resources. The achievement of these efficiencies is monitored on a regular basis by Executive. While appropriate steps are being taken it needs to be recognised that the efficiency targets are challenging, in part are dependent upon partnership working and will require further reductions in staffing levels and budgets. In considering measures to maintain a robust financial position the Council needs to give careful</p>

	consideration to the impact of such measures on services to local residents.
A report in respect of Transport Administration was assessed as unsatisfactory. The main issues concerned system weaknesses which have surrounded the introduction of a new system.	Officers are now in the process of addressing the Internal Audit recommendations and are of the view that appropriate changes are being implemented to minimise risk. Weaknesses in internal control have facilitated a minor misappropriation of funds of limited value which has been reported by the Council to the Police.
Reports in respect of the administration of both Licensing and Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District Council.	In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. Although it is a concern that Health and Safety - which was identified as a weakness in 2015/16 – remains marginal, significant improvement has been evidenced, although further work remains necessary. The Action Plans incorporate external support in order to secure improvement in a timely fashion. With respect to Licensing a reinstatement the current software to facilitate improved access to management information is taking place.
The other two marginal Internal Audit reports concerned Social Media and S106 agreements.	In both areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required will be monitored through the Council's Performance Management framework.

We propose over the coming year to take steps to address the above matters to ensure that our governance arrangements are robust. 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:

Councillor Ann Syrett
Leader of the Council
Date:

Daniel Swaine
Chief Executive
Date: