

**REPORT OF: FINANCIAL SERVICES
FINANCIAL SERVICES MANAGER**

TO: EXECUTIVE

DATES: 26th MAY 2016

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DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

PURPOSE OF REPORT

1. The purpose of this report is to seek comments from the Executive on the Council's draft Annual Governance Statement for 2015/16.

RECOMMENDATIONS

2. It is recommended that Executive review and comment as appropriate on the draft Annual Governance Statement.

REASONS FOR RECOMMENDATION

3. To give an opportunity for the Executive to comment on the Annual Governance Statement prior to consideration by the Strategic Director and Council Leader and ultimately, approval by the Accounts and Audit Committee.

ISSUE

Background

4. In compliance with the CIPFA/SOLACE 'Delivering Good Governance' Framework (and subsequent updates to that guidance), the Council is under an obligation to undertake a review of its governance framework and arrangements and publish an Annual Governance Statement (AGS) as part of the Statement of Accounts.
5. Part 2 of the Accounts and Audit Regulation 2015 also make the production of the AGS a statutory requirement.
6. The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's Governance Framework so as to give assurance on its effectiveness and/or to produce a management action plan to address any issues highlighted. The process of preparing the AGS should add value to the corporate governance and internal control framework of the Council.

7. *Corporate ownership of the AGS and its preparation is key.* The AGS must be signed by the most senior officer (the Strategic Director) and the most senior Member (the Leader) of the Council. Both must be satisfied that the document is supported by reliable evidence and accurately reflects the Governance Framework and how it has operated in the last financial year. The document is, therefore, about the extent and adequacy of the framework and is not confined to financial issues.
8. A key component of the preparation of the AGS is the assurance gathering process. Evidence on the extent, adequacy and effectiveness of Governance Framework can be obtained from a range of sources including External Audit, Internal Audit, the Council's Performance Management System, the Risk Management process and so on. The diagram at [Appendix A](#) sets out broadly the framework for obtaining assurances to support the preparation of the AGS and the subsequent approval of the document.

The Annual Governance Statement 2015/16

9. Responsibility for drafting the AGS rests with the Corporate Governance Working Group having obtained and evaluated assurances and supporting evidence on the Council's governance and related arrangements. To this end, work has been underway to obtain the necessary assurances and evidence. The result of this work is a draft AGS which is provided at [Appendix B](#) to this report. Although some evidence is still being sought to support the statement, the Executive is requested to consider the draft AGS and comment as appropriate prior to consideration by the Strategic Director and the Leader and formal approval of the Statement by the Accounts and Audit Committee in July 2016.

Application Note to 'Delivering Good Governance in Local Government: A Framework'.

10. As outlined in previous years, the Application Note to Delivering Good Governance in Local Government was developed to advise Councils on the application of the '*Statement of the Role of the Chief Finance Officer in Local Government*' under the current CIPFA/Solace governance framework. The Application Note illustrates:
 - how the governance requirements support the principles in the CFO Statement, build on the governance requirements that need to be reflected in the Council's Local Code of Corporate Governance; and
 - how the Annual Governance Statement can reflect compliance with the CFO Statement for reporting purposes.
11. Amongst a number of related governance issues that arise from this is a requirement for the Council to state that it is compliant with the CFO Statement and in particular that the CFO reports directly to the Head of Paid Service (Strategic Director) and is a member of the leadership team with a status equivalent to other members. Where this is not the case, the Council is required to explain publicly the reasons why the organisational arrangements differ but deliver the same outcome.
12. At this Council, the organisational arrangements for the CFO (the Financial Services Manager **do**, at present (and did throughout 2015/16), comply with the requirements set out in the CFO Statement and, therefore, there is no need for any further action for the Council to take other than to make this clear in the Annual Governance Statement.
13. For Councillors' information both the Framework for Delivering Good Governance and the CIPFA Statement on the role of the CFO have been updated during April 2016. The new governance framework will apply to the preparation of the AGS for the 2016/17 financial year onwards.

IMPLICATIONS

Policy

14. There are no policy implications arising directly from the contents of this report.

Financial

15. There are no financial implications arising directly as a consequence of this report.

Legal

16. The review and production of the AGS is a statutory requirement as set out in Part 2 of the Accounts and Audit Regulations 2015.

Risk Management

17. The preparation of the AGS is part of the Council's risk management arrangements.

Health and Safety:

18. There are no Health and Safety implications arising directly from the contents of this report.

Climate Change:

19. There are no climate change or sustainability implications arising directly from this report.

Community Safety:

20. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

21. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A - Annual Governance Statement – Framework for Preparation and Approvals
Appendix B - Draft Annual Governance Statement 2015/16

LIST OF BACKGROUND PAPERS

None.

Annual Governance Statement – Framework for Preparation and Approval

