

Appendix A - Annual Governance Statement 2018/19

1.0 Scope of responsibility

- 1.1 Newcastle-under-Lyme 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. Newcastle-under-Lyme Borough 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.
- 1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough 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.
- 1.3 Newcastle-under-Lyme 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*. A copy of the Code is on the Council's website at or can be obtained from the Executive Director (Resources and Support Services). This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

2.0 Delivering good governance in Local Government: framework

2.1 *The purpose of the governance framework*

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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.

- 2.2 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 and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough 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.
- 2.3 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

- 3.1 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<ul style="list-style-type: none">• Behaving with integrity:<ul style="list-style-type: none">• The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.• The Council has a set of values which are underpinned by a set of expected behaviours.• All new members and officers are made aware of the Code of Conduct when they join the council.	

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<ul style="list-style-type: none"> • Demonstrating strong commitment to ethical values: <ul style="list-style-type: none"> • The council has a framework of policies that incorporate Anti-Fraud & Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and report any instances found. • Members are required to renew their declaration of interest annually and also at any meetings. • Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest. • A register of gifts and hospitality is maintained by the Monitoring Officer, an annual reminder is issued to all Employees. • Respecting the rule of law; <ul style="list-style-type: none"> • The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to. • There is a protocol in place for the Monitoring Officer, which sets out their role and supports them in fulfilling their responsibilities. • Legal advice is given in reports for all decisions to be taken by Members. 	

Core Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> • Openness: <ul style="list-style-type: none"> • All meetings of the Authority are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000 are met in terms of confidentiality. • Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made. • The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so. • Engaging comprehensively with institutional stakeholders: <ul style="list-style-type: none"> • The Council has in place a Communications Strategy which sets out how we will communicate with our citizens, service users and stakeholders. • Engaging with individual citizens and service users effectively: <ul style="list-style-type: none"> • The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website. • Whenever we seek the views from the community we provide feedback on the information received and let our citizens know how it has or will be used to help shape Council decisions. 	

Core Principle C	Defining outcomes in terms of sustainable economic, social and environmental benefits
<ul style="list-style-type: none"> • Defining outcomes: <ul style="list-style-type: none"> • The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public. • Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan. • Sustainable economic, social and environmental benefits: <ul style="list-style-type: none"> • A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations. • In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period. • The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members). 	

Core Principle D	Determining and planning the actions necessary to optimise the achievement of the intended outcomes
<ul style="list-style-type: none"> • Determining Interventions: <ul style="list-style-type: none"> • The principles of decision making are detailed in the Councils constitution. • A calendar of meetings is approved and agreed by annual Council in May each year. • Planning Interventions: <ul style="list-style-type: none"> • The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented. • Service Plans are produced annually which set out the planned activities for each service area for that year. • Optimising the achievement of intended outcomes: <ul style="list-style-type: none"> • The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable. • The budget process takes account of the full cost of service delivery over the medium and longer terms. • The budget setting process ensures that a robust and balanced budget is approved. • The budget setting process allows for investment which is intended to bring future efficiencies. 	

Core Principle E	Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.
<ul style="list-style-type: none"> • Developing the councils capacity: <ul style="list-style-type: none"> • The Council regularly reviews its activities to ensure continuous improvement of service delivery. • The Council works closely with its partners to ensure the delivery of agreed outcomes to the community. • Developing the capability of the entity's leadership and other individuals: <ul style="list-style-type: none"> • The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website. • The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these. • The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions. • An induction programme is in place to provide training and support for all new members and officers. • All officers have an annual appraisal to review performance identify any training and development needs. • A member development programme is in place in respect of members to identify all their training needs. • The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service. 	

Core Principle F	Managing risks, performance and data through robust internal control and strong public financial management.
<ul style="list-style-type: none"> • Managing Risk: <ul style="list-style-type: none"> • The Council has a risk management policy and strategy in place. • A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee. • Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly. • Managing Performance: <ul style="list-style-type: none"> • Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team. • The performance of delivering the Councils priorities is monitored by Cabinet. • There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes. • Robust internal control: <ul style="list-style-type: none"> • The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services. • Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, 	

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<p>it provides assurance and where necessary makes recommendations for improvement.</p> <ul style="list-style-type: none"> • The Audit and Standards Committee receives reports with regards to the internal control framework. In addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations. <ul style="list-style-type: none"> • Managing Data: <ul style="list-style-type: none"> • The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that it holds. • In addition the Council has a Data Protection Officer in place to ensure that personal data is held securely and managed appropriately. • The Council has prepared for the implementation of the new General Data Protection Regulations (GDPR). • Strong public financial management: <ul style="list-style-type: none"> • The Executive Director (Resources & Support Services) as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer. • The Executive Director (Resources & Support Services) prepares and advises the Council on its Medium Term Financial Strategy and the Budget. • Regular budget monitoring reports are provided to Members and Officers. • Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions. 	

Core Principle G	Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.
<ul style="list-style-type: none"> • Implementing good practice in transparency and reporting: <ul style="list-style-type: none"> • The following information is reported annually to Members and is available on the Councils website; <ul style="list-style-type: none"> • Performance in delivering the Council's priorities; • Statement of Accounts; • Annual Governance Statement; • Annual Internal Audit Report • Annual External Audit Letter • In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code. • Assurance and effective accountability <ul style="list-style-type: none"> • Internal Audit provides assurance throughout the year on the key systems of internal control. • The External Auditor provides assurance on the Councils financial statement. • The Councils governance arrangements are reviewed on an annual basis. • There is a Corporate Complaints, Compliments and Comments Policy in place. • Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly. 	

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children's Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

4.0 Review of effectiveness

- 4.1 Newcastle-under-Lyme Borough 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 Executive Directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens.
- 4.3 The Audit and Standards Committee monitors effectively the system of internal control, this has been demonstrated through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2018/19.
- 4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged.
- 4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Standards Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive very positive feedback from External Audit with regards to the coverage of their work and high professional standards.
- 4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2018/19. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.
- 4.7 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.
- 4.8 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.

- 4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.
- 4.10 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service Areas.
- 4.11 There are various specialist working groups, i.e. Capital Programme Review Group, Corporate Governance, Information Governance, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.
- 4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2017/18 Accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.
- 4.13 The Council has a zero tolerance to Fraud and Corruption, the Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work is actively encouraged to come forward and voice those concerns.
- 4.14 Action has been taken after the Council received a report which it commissioned from the Association of Electoral Administrators (AEA) ("the Scallan Report"). It identified a number of issues linked to how Council staff prepared for and ran the Parliamentary election in June 2017 and recommended a number of actions which the Council incorporated into an action plan ("the Council's elections action plan") for delivery at the May 2018 elections and subsequent elections.

5.0 Significant governance issues

- 5.1 The former Chief Executive of the Council left the Council's employment during 2018/19 and was replaced by a new Chief Executive, Martin Hamilton.
- 5.2 The Executive Director (Resources and Support Services) was suspended from his role during 2018/19, this post is being undertaken by the Interim Executive Director (Resources and Support Services), Jan Willis during the period of suspension.
- 5.3 The following matters have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;
- To ensure that funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.
 - To ensure that the Council's Constitution is fit for purpose and up to date, regular reviews of its appropriateness will continue to be undertaken.
 - To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.
 - To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and efficiently against citizen/customer requirements.

- To ensure that our services demonstrate value for money we will continue to review all Service Areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all Council services and ensure that the savings identified from this process can be realised.
- To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the Council remains vigilant in combating and tackling all aspects of fraud and corruption.
- To address the capacity of Senior Management within the Council to and develop the capability of officers.
- To ensure that the Council is committed to the safeguarding of all children and vulnerable adults and that they are protected and kept safe from harm whilst engaged in services organised and provided by us.
- To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.

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 _____

Councillor Simon Tagg, Leader of the Council

Signed _____

Martin Hamilton, Chief Executive

Dated _____