

## **APPENDIX 1**

### **ANNUAL GOVERNANCE STATEMENT 2016-17**

#### **Scope of responsibility**

Spelthorne 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, this includes arrangements for the management of risk.

The 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 our website at [www.spelthorne.gov.uk](http://www.spelthorne.gov.uk) or can be obtained from The Council Offices, Knowle Green, Staines TW18 1XB. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2011 in relation to the publication of an annual governance statement.

#### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. It also identifies activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives 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 the 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.

The governance framework has been in place at the Council for the year ended 31 March 2016 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 arrangements are summarised below:

### Identifying and communicating our vision and outcomes for citizens and service users

- The Council publishes on regular basis (normally every three years) its [Corporate Plan](#).
- The Corporate Plan and priorities feed into the Service Plans which set out the financial and performance objectives of each service for the year. In 2016 the Council published a Corporate Plan for 2016-19
- The Council has a comprehensive system for the completion of Service Plans and performance reviews. A review of 16/17 is being produced and service plans for most areas have been completed for 17/18. In 16/17 service plan completion was mixed due to many areas of the Council undergoing significant structural change following on from the appointment of Group Heads in April 2016. Many service plans were therefore not completed until the autumn. However, a suite of key performance indicators were reported on quarterly to Surrey chief executives
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective. In 17/18 a major review of policies is being undertaken to ensure they are regularly updated revised and reported on especially following on from the organisational changes in 16/17.

### Reviewing our vision and its implications for our governance arrangements

- The Council regularly reviews the overall vision for the Council and the Borough and its implications for the Council's governance arrangements. Progress towards the achievement of the corporate priority objectives will be monitored through the performance management system and reported to Cabinet or to the Overview and Scrutiny Committee as appropriate.
- The Council engages with the public through multiple channels depending on the circumstances. We also work closely with our partners to understand the wider work of the public sector in Spelthorne. This is co-ordinated through the Local Strategic Partnership "Spelthorne Together" . The objectives of [Spelthorne Together](#) are reviewed annually at its annual assembly each September. The Council is currently discussing with its partners the way forward for the Spelthorne Together partnership.

### Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

- Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

The Council undertakes to consult on new policies, strategies and plans which will have an effect on the Spelthorne community. The Council uses a wide variety of methods to obtain feedback from the community. Recent examples of consultation exercises can be viewed on our on-line consultation pages.

The Council is developing its use of social media to provide additional opportunities to engage with its residents. The Council has recently reviewed its mobile website to ensure that it is responsive to the growing need for residents to engage with the Council through mobile technology. .

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Spelthorne Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council operates Executive arrangements with a Leader and Cabinet (since 2011-12 it has operated the Strong Leader model whilst retaining a Cabinet) who recommend the major policies and strategies to the Council. The Cabinet is also responsible for most of the non-regulatory functions of the Council. The Cabinet is made up of the Leader and eight other cabinet members, who are all appointed by the Leader. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.
- There is one scrutiny committee ie. the Overview and Scrutiny Committee which reviews decisions and actions taken by the Cabinet and other Council functions. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committee also reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationships with external partnership bodies and organisations. Within its community leadership functions, the scrutiny powers have been exercised by the Council in relation to the work of other partner organisations which affect the whole of the Spelthorne Community.
- The Council has agreed a Local Code of Corporate Governance in accordance with the revised CIPFA/SOLACE Framework for Corporate Governance and in doing so has adopted the highest possible standards for the governance of the Council.

#### Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Spelthorne Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. The Members Code of Conduct was revised in 2012 reflecting the changes required by the Localism Act. It has subsequently been kept under review by the Members Code of Conduct Committee along with the supporting arrangements for residents to make a complaint. The Staff Code of Conduct was also reviewed around the same time The protocols include:

- Member Code of Conduct Committee
- A policy on Gifts, Hospitality and Sponsorship
- A Conflicts of Interest policy
- A performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An Anti Fraud, Bribery and Corruption policy
- The Member / Officer protocol

#### Whistle-blowing and receiving and investigating complaints from the public

- Confidential reporting arrangements are in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council handles complaints effectively, the corporate complaints process was reviewed and revised in 2016-17 following a management restructuring with new arrangements implemented in 2017

#### Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council regularly reviews and updates standing orders, standing financial instructions, its scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. In the recent years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances. . Refresher training on procurement and the application of the Contract Standing Orders has been provided to officers.

#### Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- Spelthorne Borough Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.
- Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation. Reminders are provided for staff on

key policies which protect them and the public, for example the whistle-blowing policy and the Money Laundering Regulations.

- The Council has a designated Monitoring Officer who is the Head of Corporate Governance who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

Financial Management

- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the Financial Regulations. The Council has a designated officer who fulfils the role of the Section 151 Officer in accordance to the Local Government Act 1972. The Council has in place a medium term financial strategy. The Section 151 officer sits on the corporate management team in line with best practice.
- Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.
- Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2016/17 included:

- The setting of the Outline Budget framework and the detailed annual Budget;
- The production of an Efficiency Plan for the Department of Communities and Local Government by the required October 2016 deadline
- Monitoring of actual income (including investment returns) and expenditure against the annual Budget;
- Monitoring business rates retention performance and levels of appeals
- Setting of financial and performance targets, including the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to corporate Management Team and quarterly to the Cabinet and the Overview and Scrutiny Committee;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;

- The Council has invested resource in both its key asset income generation projects designed to generate future income to help offset the impact of reducing revenue support grant and in its Staines-upon-Thames development programme designed both to support the Council's economic development priority and to generate income for the Council
- The Council successfully acquired a major income generating asset within the Borough which significantly improved the Council's financial position
- Managing risk in key financial service areas.
- Funding from the Department for Local Government and Communities was made available across Surrey for an 18 month period from January 2015 to June 2016 to assist in the detection and prevention of non-benefit fraud (corporate fraud). Spelthorne participated along with other Surrey Councils, focusing on housing, (homeless and housing applications, tenancy fraud, right to buy applications) and business rates (evasion and avoidance). Significant payback/returns have been achieved from the DCLG grant funding (Spelthorne received £60,000) and as at 30.6.16 the cumulative return for Spelthorne was £675k (shared across SBC, Surrey CC and Surrey Police). The proportion of savings retained by Spelthorne for the 18 month period were in excess of £200k. On the basis of this positive outcome a revenue growth bid for additional fraud resource was approved for 2017/18. At 31.3.17 the cumulative return for Spelthorne since the start of the Surrey Fraud Partnership in January 2015 was £855k, out of which £581k relates to Business Rates.

### **Sustainability**

The Council recognise the importance of good governance in supporting the delivery of broader sustainability objectives; During 2016-17 the Council:

Consulted on and updated its Economic Assessment and Strategy for the Borough and implemented a new action plan for implementation

- Updated its sustainability plan

### **Effectiveness of Internal Audit**

- The Council maintains an internal audit section, which operates to the standards set out in the "Public Sector Internal Audit Standards"
- The Council has an objective and professional relationship with External Audit and statutory inspectors as evidenced in the Annual Audit Letter
- A review of the effectiveness of internal audit is undertaken annually and considered by the Audit Committee.

### **A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

- The Council has an Audit Committee which is responsible for considering the effectiveness of the Council's system of internal control. This Committee

performs the core functions as set out in CIPFA guidance. Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

### Compliance

The Council's financial management arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) with the Chief Financial Officer being a member of the corporate management team.

### Performance and Risk Management

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives. Following on from the LGA Peer Review in 2014 the Council has refreshed its approach to performance management to include regular reporting on a suite of indicators. The Council has further reviewed this and annual performance reviews have been produced for 16/17 following on from this a performance management strategy is being developed together with reporting on corporate plan implementation
- The Corporate Risk Management Group meet periodically. The Council's Corporate Risk Register is owned by the corporate management team which review it three times a year, as well as Cabinet and Audit Committee. During 2016-17 the Council improved how information on progress on addressing risks is identified on the Corporate Risk Register. Audit Services support the risk management process through the risk based audit approach and are assisting Managers in populating risk and control assurance templates... Risk management is built into the Council's corporate project management methodology.

### The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- A resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

### Incorporating good governance arrangements in respect of partnerships and other group working

The Council incorporates good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the Council's overall governance arrangements. The Council works closely with partner commissioning authorities, e.g. Surrey County Council and the Clinical Commissioning Group.

### The ethical conduct of members and officers of this Council

- The Council has established a Members Code of Conduct Committee and the Members Code of Conduct was revised in accordance with the new national framework.

### **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 the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Managers' annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

Officer's reviewed the Council's governance arrangements and assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability

In order to establish the ongoing basis for Annual Governance reporting, an officer working group consisting of Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources completed during 2011-12 a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. The eight objectives are:

- Establish principal statutory obligations and organisational objectives
- Identify principal risks to achievement of objectives
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on effectiveness of key controls
- Evaluate assurances and identify gaps in control/assurances
- Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance
- Produce the Annual Governance Statement



- Report to Audit Committee

The review included reviewing the constitution, procedures and obtaining confirmation of arrangements from key officers to ensure that there was sufficient and relevant evidence to provide assurance that there are appropriate controls in place.

The officers' review of arrangements against the six principles included considering the arrangements in place for:

- The authority
- The Cabinet
- The Audit Committee and Overview and Scrutiny Committee
- The Members Code of Conduct Committee
- Internal audit
- Other explicit review/assurance mechanisms.

The review this year has provided reassurance to management of the Council that the governance arrangements in place are adequate and effective. The review has been considered by the corporate management team as well as by Audit Committee

The LGA Corporate Peer Challenge in 2014 provided useful feedback on the effectiveness of our governance arrangements and made some suggestions for consideration relating to overview and scrutiny.

The Constitution was reviewed by Council in 2016 following extensive work by Legal and Committee Services teams, the corporate management team and close liaison and feedback from members.

### **Significant governance issues**

Informed by the work of the Internal Audit Manager our opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit services during 2016/17 which is summarised in the Annual Audit report.

*Management has agreed in the majority of cases to address any shortcomings identified by Audit, or accept the associated risks of not doing so. Issues with a significant level of risk attached have been transferred into the Council's Corporate Risk Register for regular monitoring by Management Team and the Audit Committee to ensure agreed recommendations are implemented.*

During 2016-17 internal audit reviews made recommendations in the following areas:

ICT - Incident management process - identified scope for users to be made aware of their responsibilities and procedures to follow when reporting an incident, encouraging prompt reporting of security weaknesses and regular training.

Emergency Planning and Business Continuity — monitoring the agreement with Applied Resilience for the delivery of Emergency and Business Continuity Planning to incorporate specific targets and outcomes to enable meaningful performance monitoring.

Housing Benefits areas for improvement relating to:

- Debt management and reporting (overpayments); and Management review of daily reconciliations between Council Tax Support and Council Tax.

Cash Collection and Banking – improvement actions identified relating to reconciliation process

- Leisure Centre Contract – recommendations made with respect to monitoring the profit sharing clause, and project management planning with respect to preparing for post 2021 Leisure Centre provision

Community Infrastructure Levy (CIL - Planning) -Scope for improvement was identified in terms of: timeliness of issuing income demand notices to developers and undertaking income reconciliation (regular exercises should form part of budget monitoring)

- Partnership Governance- A responsible officer to review, update and re-issue the Partnership Governance policy. A list of significant Partnerships entered into (strategic, commercial and work- related) should be identified and recorded centrally (work in progress).A number of other recommended actions relate to improving the governance arrangements.
- Housing - Reduction in processing times for homelessness applications to be targeted; formalisation of delegations for routine decisions;
- provision of a banding changes report would enable clearer visibility of all banding changes and would facilitate management checks.
- Improvements to be made to monthly Sales Ledger Aged Analysis monitoring. Management review to gain assurance that all reported housing related frauds are being captured on the spreadsheet; streamlining records relating to fraud.

Creditors –recommendations highlight the need to implement compensating controls in view of the absence of segregation of duties between system administration and the processing of transactions on the system. Compliance with corporate credit card procedures has also been highlighted.

- Main Accounting Systems - Maintain a succession plan to ensure a smooth transition if key members of the Finance team leave the Council; Update the Finance service risk register with the risk and mitigating controls in the event of possible disruption to the service through absence or vacant positions. Review and update procedures guidance. Ensure journals properly evidenced. Review and improvement closedown procedures to enable the Council to meet the challenge of tighter deadlines in future.
- Business Rates – improve procedures with respect to processing refunds, updating accounts, managing suppressed accounts. Develop further efforts to counter fraud or evasion.

Debtors- improvement actions for Corporate Debt Group to update its term of reference and improve aspects of monitoring and debt recovery. Implementation of current and outstanding internal audit recommendations representing a medium or high priority should be monitored through the Corporate Debt Group, with particular emphasis on analysing aged outstanding debts and taking necessary action, clarifying responsibilities and accountability for sundry debt recovery in light of recent staffing and structural changes, establishing targets for collection rates and regular production of management information to facilitate performance management.

- Performance Management-ensure comprehensiveness of Service Planning process; review existing performance indicators;improved monitoring of the staff appraisal system
- Safeguarding – following through on circulation of the Children’s and Adult Safeguarding Policy ; ensure Safeguarding Officers follow correct procedures for making children’s referrals; provide an annual report to corporate management on safeguarding actions
- Procurement- recommendations made to inform the development of the Procurement Hub being set up and to ensure that the Council meets fully the requirements of the Transparency Code.
- Economic Development – with respect to the new Economic Assessment and Strategy for 2017-2020 recommendations made with

respect to clarifying responsibilities and timescales for actions and improving monitoring processes.

- Health and Safety – Health and Safety Policy to be formally approved by Members of the Council; to ensure delivery of the 2017 Management Activity programme a number of actions are required such as training sessions on the SHE system and updating Management guidance .

Cllr Ian Harvey

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Cllr Ian Harvey  
Leader of the Council

Roberto Tambini

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Roberto Tambini  
Chief Executive