

# **ANNUAL GOVERNANCE STATEMENT 2017-18**

## **1. INTRODUCTION**

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 *Delivering Good Governance in Local Government Framework 2016*. 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 6(1) of the Accounts and Audit Regulations 2015 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 2017 and up to the date of approval of the statement of accounts.

## **2. THE KEY ELEMENTS OF GOVERNANCE**

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 Service plans for all areas have been completed for 18/19

Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

#### **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.

#### **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.
- The Council has completed the early stages of the Local Plan preparation process and is undertaking extensive local consultation in 2018-19 through a wide range of channels.
- The Council continues to develop its use of social media to provide additional opportunities to engage with its residents.

#### **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 i.e. 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. The Local Code was reviewed in March 2018 at the Overview and Scrutiny Committee.

#### **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 2011. 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 Confidential Reporting Code is reviewed annually

and an awareness raising poster was updated in March 2018, placed on staff noticeboards.

- The Council handles complaints effectively, the corporate complaints process was reviewed and revised in 2017-18

**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. A Procurement Officer is now in place and an updated Procurement Strategy produced..

**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 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 2017/18 included:

- The setting of the Outline Budget framework and the detailed annual Budget
- 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
- Following the acquisition of the BP Campus site in 2016-17 the Council made further investment asset acquisitions during 2017-18. In recognition of the need to ensure appropriate governance and processes were underpinning a growing and significant property portfolio, the Council reviewed processes and made the following improvements:
  - Applied some of the rental returns to fund an enlarged property and development unit with staff with significant commercial property and development experience
  - Procured the S&P reporting system to enable access to ongoing financial credit rating data on tenants and potential tenants
  - Undertaken presentations for both councillors and residents associations explaining the Council's due diligence process and approach to mitigating risk with respect to property acquisitions
  - Published a Strategic Parameters document on investment acquisitions

- Set up an officer Development and Investment Group – to monitor progress on developments and strategic acquisitions
- Set up an Investment Property and Development working group consisting of senior officers and senior councillors to provide overall strategic direction to the property portfolio
- Both of the above group provide initial evaluation of opportunities prior to Cabinet formally approving investment opportunities
- Reviewed systems in place to record, recover and monitor significant rental income
- Managing risk in key financial service areas.  
The Council continues to participate in a cross Surrey initiative to detect and prevent fraud.

### **Sustainability**

- The Council recognises the importance of good governance in supporting the delivery of broader sustainability objectives; During 2017-18 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. An external quality assessment of internal audit is also being arranged during 2018-19.

### **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 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 2017-18 the Council continued to improve 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**

- There is budget provision for training of both officers and councillors. The Council on an annual basis informed by the annual appraisal and review of key challenges facing the Council prioritises how to allocate its corporate training budget provision.
- For significant new statutory requirements or service requirements appropriate training is identified and provided for staff. An example in 2017-18 is the training on Homelessness Reduction Act provided for Housing Options and other relevant staff

### **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, and continues to operate, in accordance with the 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 seven CIPFA/SOLACE core principles underpinning the Code of Corporate Governance framework issued by CIPFA/SOLACE. The seven principles are:

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle E - Developing the Authorities' capacity, including the capability of its leadership and the individuals within it.

Principle F - Managing risks and performance through robust internal control and strong public financial management.

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This review was conducted for the March 2018 Overview and Scrutiny Committee. Details of the review can be found on the [Council's website](#).

### **3. OPINION**

This is an [evidence based] opinion on the level of assurance of the Council's governance arrangements and their effectiveness to be fit for purpose.

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below and include assurance from Internal and External Audit. One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Manager. Informed by the work of the Internal Audit Manager, the overall opinion is that the Council's internal control environment is generally adequate. However, significant shortcomings need to be highlighted as set out in the table below. This opinion on the Council's control environment is based on the work undertaken by Audit services during 2017/18 which is summarised in the Annual Audit report. During 2017/18 the Internal Audit Manager reported on 22 planned audit areas of which 1 (4%) was deemed effective and 12 were assessed as requiring some improvement including 5 key financial systems reviewed. Of the remaining 9 areas reviewed, a total of 7 areas were identified as high risk or requiring major improvement, two of which related to core financial systems. *The key themes and issues arising from these high risk*



areas are highlighted in the table below. (Audit status reports have been issued for 2 out of the 9 areas for which no assurance opinion is provided although control improvements are highlighted as necessary).

| Issue identified for 17/18   | Planned Action  |
|--|---|
| <p><i>Whilst the Council allocated dedicated resource towards ensuring the Council was ready for implementation of the new General Data Protection Regulations taking effect in May 2018, there are some important lessons around planning more effectively for significant legislation, including resource planning and application of corporate project processes. An Information Governance Officer was appointed in 2017 and represents the subject matter expert in leading progress. Additional resource was put into the Corporate Project Team to assist with the project. However, the Authority could be much closer to being fully compliant with this significant legislation than it is. It is, therefore, vital that efforts to implement new regulations are increased immediately and the necessary resources to enable this to happen are made available.</i></p> | <p><i>The Council has a fit for purpose and proportionate project governance framework, what needs to be reinforced is ensuring consistent proportionate application of project policies and framework.</i></p> <p><i>Application of project governance arrangements are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend. Effective governance should incorporate the necessary structures and processes to support key decisions and approvals, promote the need for robust project plans, monitor progress of the project against pre-determined plans and milestones, and include regular effective reporting to the appropriate monitoring board/committee</i></p> |
| <p>Due to resourcing pressures in Accountancy and other departments some reconciliation processes were not maintained as up to date during 2017-18 as should have been</p>   | <p>Effective reconciliation exercises between key financial systems represent a fundamental financial control and need to be carried out regularly to enable prompt identification and investigation of discrepancies, errors and potential fraud. Adequate staff contingency arrangements need to be built into the process. This has been acknowledged by the Accountancy team with additional resource now in place to support such tasks</p>  |
| <p>As System Administrators also have operational and processing roles within the associated service area, this lack of segregation of duties (between operations and</p>  | <p>The role of system administrators and where they should sit is to be reviewed as part of a "root and branch" review in early 2018-19 of ICT arrangements</p>   |

|   |  |
|---|--|
| administration) increases associated risks of fraud or error. This is a longstanding issue and will be considered further as part of the review of the ICT function   |  |
| A recurring theme across some service areas is resourcing (constraints) often combined with weak resilience arrangements. These are often highlighted as reasons for controls and governance processes being compromised. | <p>Additional growth to provide additional resources in HR, Accountancy, Legal and Property was built into the 2018-19 and recruitment processes are underway.</p> <p>Resilience will be one of the issues considered as part of the root and branch service reviews being undertaken in 2018/19</p> |

The Council's external auditor, KPMG, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The most recent Audit Letter, issued in xxxx, identified no material errors in the accounts and gave an **unqualified opinion in respect of value for money...**

Self-assessment and review of key performance indicators Staff from the Council's Finance Team have undertaken a review to confirm that the arrangements described above have been in place throughout the year. Management Assurance Statements, signed by senior officers, have also been obtained to provide confirmation that Codes of Conduct, Financial Regulations, and other corporate governance processes, have been operating as intended throughout the year so far as they are aware. The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2017/18 is set below:

| Issues Identified  | Performance in 2017/18  |
|--|---|
| Formal reports by s151 or Monitoring Officer                           | None issued   |
| Outcomes from Standards Committee or Monitoring Officer investigations | No breaches of member or officer Codes of Conduct have occurred |
| Proven frauds carried out councillors or members of staff              | None identified in 2017/18                                      |
| Objections received from local electors                                | None in 2017/18   |
| Local Government Ombudsman referrals                                   | 0 cases upheld out of 4   |

#### 4 SIGNIFICANT GOVERNANCE ISSUES

As stated above the most significant governance challenge for the Council in 2017-18 was reviewing and refreshing governance arrangement to ensure appropriate in the context of the Council accumulating an investment portfolio of almost £700m. As stated in the report above, In recognition of the need to ensure appropriate governance and processes were underpinning a growing

and significant property portfolio, the Council reviewed processes and made the following improvements:

- Applied some of the rental returns to fund an enlarged property and development unit with staff with significant commercial property and development experience
- Procured the S&P reporting system to enable access to ongoing financial credit rating data on tenants and potential tenants
- Undertaken presentations for both councillors and residents associations explaining the Council's due diligence process and approach to mitigating risk with respect to property acquisitions
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Leader of the Council

Daniel Mouawad

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Chief Executive