ANNUAL GOVERNANCE STATEMENT 2015-16

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 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 authority is directed and controlled. It also identifies activities through which the Council accounts to, engages with and leads the community. It enables the authority 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 authority'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 authority's governance arrangements are summarised below:

<u>Identifying and communicating our vision and outcomes for citizens and service users</u>

- The Council publishes on regular basis (normally every three years) its Corporate Plan. **http://www.spelthorne.gov.uk/corporateplan**). The Corporate Plan and priorities feed into the Service Plans which set out the financial and performance objectives of each service for the year. Following the election of a new Council in May 2015 work is underway to prepare a new Corporate Plan to be published in July 2016
- The Council has a comprehensive system for the completion of service plans and performance reviews.
- A Performance Management Board has been set up which meets quarterly to review key performance management feedback. At least one Cabinet Member and the Chief Executive sit on the Board
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

<u>Reviewing our vision and its implications for our governance arrangements</u>
- The Council regularly reviews the authority's vision and its implications for the authority's governance arrangements. Progress towards the achievement of the corporate priority objectives will be monitored by the Performance Management Board through the performance management system and reported to Cabinet.

- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners. The objectives of Spelthorne Together are reviewed annually at its annual conference each September. The Council is currently discussing with its partners the way forward for the Spelthorne Together partnership.

<u>Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation</u>

- 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 when appropriate consultation exercises and uses a wide variety of other methods to obtain feedback from the community. Recent examples include consultation on council tax support and the leisure facilities needs analysis.

- The Council is developing its use of social media to provide additional opportunities to communicate with its residents. In 2013-14 it launched an "Engage" app for smartphones to provide an additional means of communication with its residents which was improved and relaunched during 2015-16.For the 2017-18 Budget process the Council will be exploring a targeted budget consultation exercise

<u>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</u>

- 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 Council. 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 authority.

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 Localism Act. The protocols include:

- Member Code of Conduct Committee
- A performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An Anti Fraud, Bribery and Corruption policy
- Member/officer protocols

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 is being reviewed in 2016-17 following a management restructuring.

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 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 authority'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 2015/16 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
- Managing risk in key financial service areas.
- During 2015-16 Spelthorne participated along with Surrey County Council and a number of Surrey districts and boroughs in a counter fraud project funded by the Department for Local Government and Communities (Spelthorne received £60,000). Spelthorne focused on business rates avoidance and housing tenancy fraud. Spelthorne identified savings of approximately £400,000 of which roughly three quarters related to business rates.

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 the Council has refreshed its approach to performance management and has created a Performance Management Working Group The Chief Finance Officer is currently the authority's risk champion. 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 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.

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 authority's overall governance arrangements. The Council works closely with partner Commissioner authorities, Surrey County Council and the Clinical Commissioning Group.

The ethical conduct of members and officers of this Council

- The Council has under the Constitution established a Members Code of Conduct Committee and a 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 authority 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 provided useful feedback on the effectiveness of our governance arrangements and made some suggestions for consideration relating to overview and scrutiny.

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 2015/16 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.

During 2015-16 audit reviews made recommendations in the following areas:

Letting of contracts by Asset Management- improving arrangements for review of contract with partner authority

ICT – production of a new strategy recommended- draft strategy now produced

Corporate Health and safety – highlighting impact of resources constraints on ability to have comprehensive risk inspections, potentially increasing the risk of serious injury or even fatality, subsequent insurance claims and reputational damage. Whilst these risks have been accepted by Management Team, this should be subject to periodical review.

Staines market – improving controls around recording and monitoring of income

Creditors – improvements to reconciliation process and recommendation that authorisation limits will be reviewed once restructure completed.

Debtors – corporate management to review monitoring arrangements for high value debts, targets to be set for reducing aged debts, improvements to be made to monitoring bed and breakfast debts

The Corporate Risk Register has identified a few areas requiring improvement actions, these include:

Risk of service failure, particularly around staff recruitment and retention. Corporate management commissioning advice and recommendations on how to address

ICT Strategy and resources – new strategy produced and resources will be considered as part of 2017-18 Budget process

Housing pressures- a number of measures designed to mitigate are being implemented.

Debt recovery – additional training provided and monitoring being improved. The Corporate Debt group continue to encourage the strengthening of recovery processes.

Information Governance – dedicated resource now approved to progress action plan to ensure information assets are identified and effectively managed. Information Governance Group meet periodically.

Safeguarding – weak feedback process relating to children's referrals and unclear responsibility for dealing with safeguarding issues where cross border referrals. These concerns have been escalated.

Cllr Ian Harvey   Roberto Tambini
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Leader of the Council   Chief Executive