

**REPORT TO:** Business Efficiency Board

**DATE:** 23 September 2015

**REPORTING OFFICER:** Strategic Director –  
Community and Resources

**SUBJECT:** Annual Governance Statement 2014/15

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

The Board considered and approved the draft Annual Governance Statement for 2014/15 at its meeting on 3 June 2015. However, at the suggestion of the Council's external auditor, a minor change has been made to the document. The purpose of this report is to enable the Board to further review and approve the updated Annual Governance Statement for 2014/15.

### **2.0 RECOMMENDATIONS:**

**The Board is asked to review the draft Annual Governance Statement (AGS) and:**

- (i) Confirm that it accurately reflects the corporate governance arrangements at the Council;**
- (ii) Endorse the action plan;**
- (iii) Approve the draft Annual Governance Statement.**

### **3.0 SUPPORTING INFORMATION**

#### **Background to the Annual Governance Statement**

- 3.1** Under the Accounts and Audit Regulations 2015 the Council must produce an AGS which must be approved by the resolution of a committee or members of the authority meeting as a whole. The AGS must also be approved in advance of the Council approving the statement of accounts.
- 3.2** The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.

- 3.3 The AGS is intended to identify any areas where the Council's governance arrangements need to be developed and to set out any action that is proposed to strengthen those arrangements.

#### **Preparation of the 2014/15 Annual Governance Statement**

- 3.4 The production of the AGS is co-ordinated by a group of officers who have key roles in the maintenance and development of the Council's governance framework:

- Strategic Director - Policy & Resources
- Operational Director - Finance
- Operational Director - Legal & Democratic Services
- Divisional Manager - Audit & Operational Finance

- 3.5 The statement is developed by considering various sources of assurance over the Council's governance arrangements and identifying any areas where these arrangements require further development. A flowchart summarising the Council's assurance framework is shown in Appendix 1.

- 3.6 In preparing the AGS, assurances have been considered from a number of sources, including:

- Issues raised by the Council's external auditor;
- Reports from other inspection bodies;
- The Council's risk and performance management frameworks;
- The work of internal audit;
- The work of the Information Governance Group.

- 3.7 The draft AGS for 2014/15 is attached at Appendix 2. The document contains a Development Plan that sets out proposed actions to further develop the Council's governance framework. Members should note that the only amendment from the draft Annual Governance Statement previously approved is the insertion of paragraph 4.4 towards the end of the document.

#### **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The draft AGS contains an action plan setting out how the Council intends to strengthen its overall governance arrangements.

- 4.2 There are no direct financial implications arising from this report. However, the AGS does make reference to the key financial challenges faced by the Council and how they are being managed.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **5.1 Children and Young People in Halton**

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

### **5.2 Employment, Learning and Skills in Halton**

See 5.1 above.

### **5.3 A Healthy Halton**

See 5.1 above.

### **5.4 A Safer Halton**

See 5.1 above.

### **5.5 Halton's Urban Renewal**

See 5.1 above.

## **6.0 RISK ANALYSIS**

6.1 Under the Accounts and Audit Regulations 2015 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

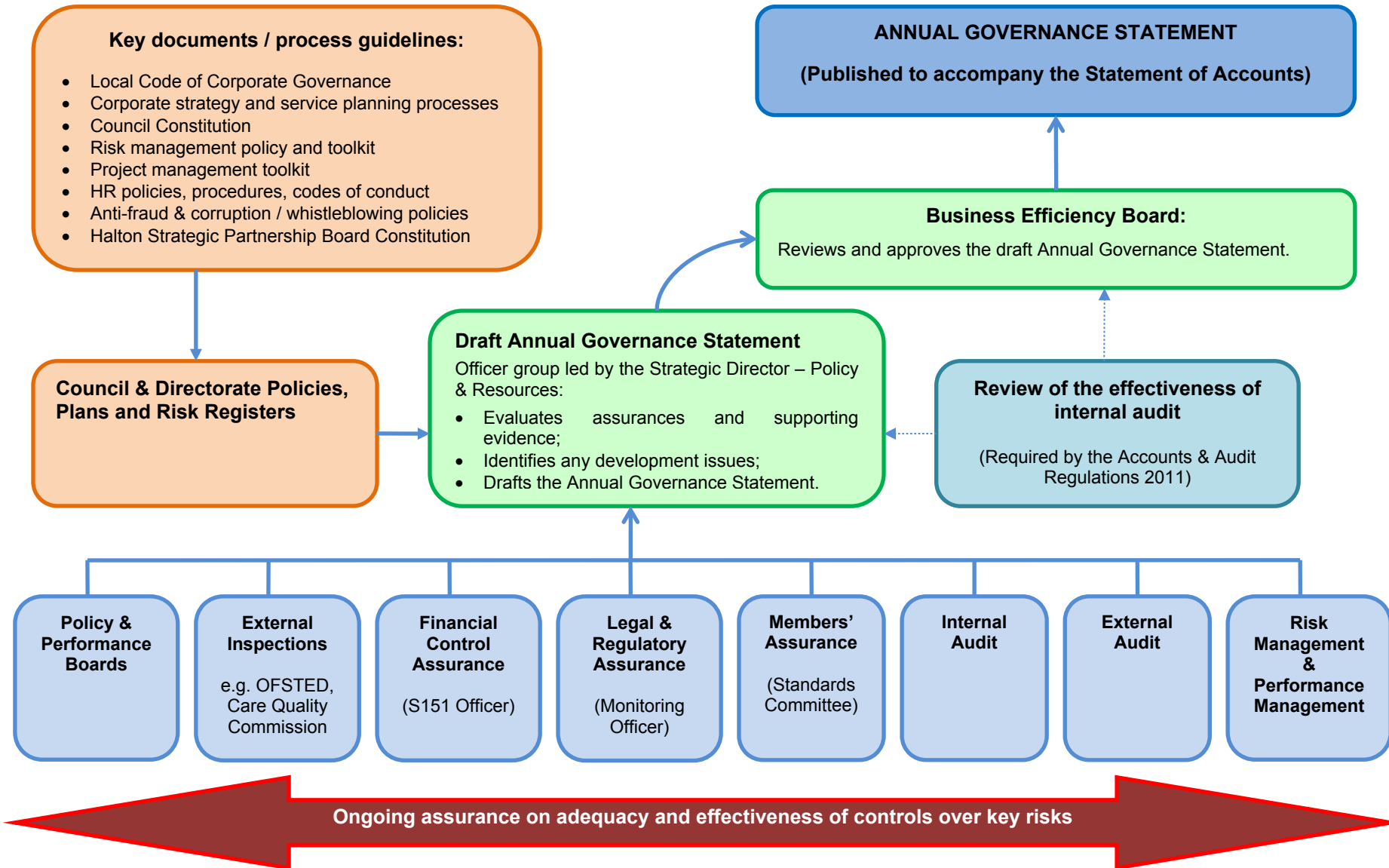
## **7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

## **8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (England) Regulations 2015		

**ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK**



## HALTON BOROUGH COUNCIL 2014/15 ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
  - public money is safeguarded and properly accounted for; and
  - public money is used economically, efficiently and effectively.
- 1.2 Halton 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.
- 1.3 In discharging this overall responsibility, Halton 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.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *'Delivering Good Governance in Local Government'*.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and has reviewed the effectiveness of its governance arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation of an annual governance statement.

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

- 2.1 The governance framework comprises the systems and processes, and 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 process designed to identify and prioritise the risks to the achievement of Halton 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 Halton Borough Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

## **3. The Council's Governance Framework**

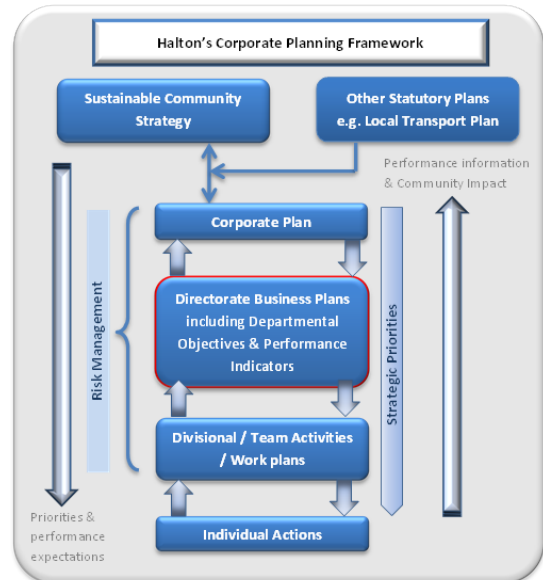
A brief description of the key elements of the Council's governance framework is described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

### **3.1 Communicating the Council's vision**

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's own Corporate Plan.
- b) The Sustainable Community Strategy outlines how the Halton Strategic Partnership intends to transform Halton.
- c) The Council's Corporate Plan sets out how the Council will deliver its contribution to achieving the Sustainable Community Strategy. It sets out the following strategic themes that underpin all aspects of the Council's work:
  - A Healthy Halton
  - Environment & Regeneration in Halton
  - Halton's Children & Young People
  - Employment, Learning and Skills in Halton
  - A Safer Halton

- Corporate Effectiveness & Efficiency

d) The Council's Corporate Planning Framework (illustrated opposite), is the primary means by which the Council's activities are developed and monitored. It consists of a hierarchy of plans that are directly aligned to ensure that the corporate priorities and strategic objectives of the Council are cascaded down the organisation through properly outcome-focused targets. Effective risk management forms an integral element of the annual cycle of Business Plan development.



e) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. Quarterly performance monitoring reports record progress against key business plan objectives and targets. These are reported to the Management Team, to the Executive Board and to the Policy and Performance Boards.

f) The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

- A medium term financial strategy, capital programme and annual budget process that ensures that financial resources are directed to the Council's priorities;
- A co-ordinated and structured approach to procurement across the Council;
- The delivery of a well-established Efficiency Programme to identify and implement efficiency savings across the organisation in a systematic and considered manner;
- Partnership working with a range of organisations where there are shared objectives and clear economic benefits from joint working.

### 3.2 Members and officers working together to achieve a common purpose with clearly defined roles and functions

a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios.



- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board is designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. The Board regularly reviews the resourcing of the internal audit function, the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.
- f) The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's diverse services, its budget, the work of the Council's employees and the work done for the Council by a variety of agencies and contractors who deliver a wide range of services to the community. The Chief Executive represents the Council and the borough on local and regional partnerships and at regional and national levels. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Committee.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).
- h) Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Operational Director – Legal and Democratic Services, who is responsible for:
  - Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;

- Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
  - Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
  - Establishing and maintaining a register of interests (including receipts of gifts and hospitality) for elected and co-opted members;
  - Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- i) The Operational Director – Finance and the Operational Director – Legal and Democratic Services are both members of the Council's Management Team. Both officers also have direct access to the Chief Executive.
- j) The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's Services. The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services. He or she works together with the Lead Member for Children's Services, who is a member of the Council's Executive Board, to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and Lead Member extend to all children receiving services in the borough, irrespective of the type of school they attend, or their home local authority area.
- k) All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to the Strategic Director – Communities. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).
- l) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009. The functions of the Statutory Scrutiny Officer are to:
- Promote the role of the authority's Overview & Scrutiny Committees;
  - Provide support to the authority's Overview & Scrutiny Committees and the members of those committees;
  - Provide support and guidance to Members of the authority, members of the Executive and officers in relation to the functions of the authority's Overview & Scrutiny Committees.
- m) The role of Head of Internal Audit is assigned to the post of the Divisional Manager – Audit & Operational Finance. This role is responsible for the

Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements substantially comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations (2010). The post of Divisional Manager – Audit & Operational Finance does however have operational responsibilities assigned to it. To address this issue, alternative assurance and reporting arrangements have been agreed with the Operational Director – Finance for those non-audit functions for which the Divisional Manager – Audit & Operational Finance has managerial responsibility.

- n) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- o) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The Council publishes a 'Pay Policy Statement' on an annual basis, which provides transparency with regard to the Council's approach to setting the pay of its employees.

### 3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:
  - Anti-Fraud and Anti-Corruption Strategy;
  - Fraud Response Plan;
  - Confidential Reporting Code (Whistleblowing Policy), which was updated and re-launched in 2014;
  - HR policies regarding discipline of staff involved in such incidents.
- d) The Business Efficiency Board is assigned with responsibility to monitor and review the adequacy of the Council's anti-fraud and corruption policies and arrangements. This responsibility is met by the Board receiving regular

reports providing details of developments relating to the Council's counter fraud and corruption arrangements.

- e) A corporate complaints procedure, which was reviewed and updated in 2014, exists to receive and respond to any complaints received.
- f) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
  - Registers of disclosable pecuniary interests and disclosable other interests;
  - Declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
  - Registers of gifts and hospitality, which were updated into electronic format in 2014;
  - Corporate Equality Scheme (2013-15).

### 3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored by each of the Council's three Directorates and through the provision of a mid-year monitoring report for all high risks. The Business Efficiency Board also reviews the risk management process and corporate risk register twice yearly. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions, and they form the basis of the internal audit planning process.
- d) The Business Efficiency Board approves and reviews the internal audit work programme and oversees management's implementation of audit recommendations.

### **3.5 Developing the capacity and capability of Members and Officers**

- a) The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.
- b) The Council has developed a People Plan (2012-2015) to assist the organisation in addressing leadership, skills development and recruitment and retention, in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council holds the NW Charter for Elected Member Development Exemplar Level status.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and all members are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) The Council has established processes to identify the personal development needs of employees. This information is used to inform the design of the corporate training programme and the sourcing of specialised professional training.

### **3.6 Engagement with local people and other stakeholders to ensure robust public accountability**

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
  - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, and the Youth Cabinet;
  - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) The Executive Board has adopted an approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.

- d) Information on the democratic running of the Council is routinely published via the Council's website and includes
- The Council's Constitution and agendas and minutes of Council meetings;
  - Allowances and expenses paid to elected members;
  - The Council's senior officer structure including post titles and salary ranges;
  - All financial payments made by the Council that are equal to or greater than £500;
  - Quarterly Directorate and Priority Based Performance Reports through Executive and Policy and Performance Board agendas.
- e) The community and voluntary sector are represented on the Halton Strategic Partnership Board and on all its Specialist Strategic Partnerships (SSPs).
- f) The Halton Strategic Partnership Board (HSPB) brings together key partners to develop and deliver Halton's Sustainable Community Strategy. The Board is supported by five SSPs each of which takes responsibility for delivering on one of the strategic priority areas that comprise the Sustainable Community Strategy. Each SSP manages and monitors progress against key actions and performance measures for their specific area. Each SSP Chair is a Board Member and provides regular feedback on progress during Board meetings.

## 4. Review of Effectiveness

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of internal audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
- The work of the Business Efficiency Board as the Council's Audit Committee;
  - The work of the Standards Committee;
  - The role of the Policy and Performance Boards in holding the Executive to account;
  - The operation of the Council's risk management and performance management frameworks;
  - The annual review of the effectiveness of the Council's internal audit function by the Operational Director - Finance;

- The work of internal audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;
- The external auditor's opinion report on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Information Governance Group, which provides overall strategic guidance and direction to information governance, security, risks and incidents;
- The Council's arrangements to counter fraud and corruption.

4.3 The Council has implemented the actions agreed in the 2013/14 Annual Governance Statement. A summary of action taken is listed below:

- Funding pressures

In 2014/15 Elected Members were engaged at an early stage via the Budget Working Group and All Member seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Analysis of mandatory and discretionary obligations was provided to assist Members with their decision making. The scale of funding pressures facing the Council was clearly communicated to officers, Members and the public to ensure that the service implications of such were fully understood.

The Efficiency Programme and Procurement have continued to be key tools in helping to identify potential budget savings. Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income.

A balanced budget was set for 2014/15 and spending during the year was contained within the overall budget, despite significant overspending of children in care costs due to rapidly increasing numbers of children in the care of local authority. This has been achieved through having sound governance arrangements in place and a robust control environment.

- Liverpool City Region Combined Authority

The Council has played an active role in the first twelve months of the Combined Authority's life. It has Elected Member representation on the Combined Authority itself (the Leader), the Merseytravel Committee (Councillors Howard and John Stockton) and the Combined Authority Scrutiny Panel (Councillors Wainwright and Woolfall – Councillor Wainwright is Chair of the Panel).

Officers are heavily involved in the supporting structures and preparatory work is taking place around the greater integration of transport functions

and activities. The Operational Director Policy - Planning and Transportation led the work for the City Region on the development of a "Transport for Growth Plan" the Combined Authority's joint strategic framework and delivery plan for transport. The Chief Executive also acts as the Lead Officer for Scrutiny for the Combined Authority and sits on the Combined Authority's Implementation Group.

- Development Control Committee

Regular training and development has taken place with members of the Development Control Committee including the subject matter contained within the Annual Governance Statement Development Plan from 2013/14.

- Local Government Transparency Code 2014

The Council has reviewed the requirements placed on it to comply with the Government's Data Transparency Code. A report on those requirements and the resource implications to the Council of compliance was presented to the Corporate Services Policy and Performance Board. The Council is currently ensuring that it is compliant with the mandatory elements of the code.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Business Efficiency Board, and that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

4.5 The Council proposes over the coming year to take the steps identified in the Development Plan at the end of this document to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

**David Parr - Chief Executive**

**Rob Polhill - Leader of the Council**



## Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>1. <b><u>Funding pressures</u></b></p> <p>Although the UK economy is starting to show significant signs of improvement, the Government grant settlements for local government look likely to remain very challenging for the coming years, particularly given the backdrop of increasing demand for council services. The Council’s finances will therefore continue to need to be kept under close review, especially Children in Care costs where there are already significant spending pressures. Appropriate action will be taken to ensure that the Council maintains its record of achieving a balanced budget and aligns its resources to corporate objectives and strategic priorities.</p>	<ul style="list-style-type: none"> <li>• Review mandatory and discretionary obligations and prioritise accordingly;</li> <li>• Identify the impact of reduced resources upon the Council’s ability to deliver services;</li> <li>• Communicate the scale of funding challenges and the Council’s priorities to Officers and Members to achieve buy-in;</li> <li>• Engage Members at a very early stage in budget planning and the development of budget proposals;</li> <li>• Communicate to the public the scale of funding challenges facing the Council and the consequent impact upon service delivery;</li> <li>• Maintain the Medium Term Financial Strategy;</li> <li>• Maintain a budget risk register;</li> <li>• Utilise procurement practices to generate budget savings;</li> <li>• Continue the Efficiency Programme to drive efficiencies within all services;</li> <li>• Develop further collaboration and sharing of services with neighbouring local authorities and external partners;</li> <li>• Identify opportunities for income generation where appropriate, through the work of the Fees and Charges Topic Group;</li> <li>• Undertake equality impact assessments;</li> <li>• Closely monitor and report upon spending through the year.</li> </ul>	<p>Strategic Director – Policy &amp; Resources</p>