2016/17

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT

What is Governance?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- effective leadership
- good management
- good performance
- good stewardship of public money
- good public engagement, and
- good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website. A summary of the principles upon which it is based can be found later in this document.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvements in the way that it operates.

What is the Annual Governance Statement?

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;

- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;

- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;

- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement;

- Reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by a group of Officers. This group comprised:

- **The Strategic Director – Enterprise, Community & Resources**

    This post is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.

    This role involves promoting and supporting the Council's Overview and Scrutiny Committees.

- **The Operational Director – Legal and Democratic Services**

    This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000.

    The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- **The Operational Director – Finance**

    This post is designated as the s151 Officer appointed under the 1972 Local Government Act.

    The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- **The Divisional Manager – Audit, Procurement & Operational Finance**

    This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against the Local Code of Corporate Governance.
- Updated the Local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements.
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement and considered the significant governance issues facing the Council.

The Business Efficiency Board, which is designated as the Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

What are the key elements of the Council's Governance Framework?

The Council aims to achieve good standards of governance by adhering to six key principles, which form the basis of the Local Code of Corporate Governance:

1) Focusing on the Council's purpose and outcomes for the community
2) Members and Officers working together to achieve a common purpose with clearly defined functions and roles
3) Promoting the Council's values and demonstrating the values of good governance through behaviour
4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5) Developing the capacity and capability of Members and Officers to be effective
6) Engaging with local people and other stakeholders to ensure robust accountability

The following pages provide a summary of key elements of the Council's governance framework and how they relate to the six principles.

Principle 1

Focusing on the Council's purpose and outcomes for the community

Supporting Principles:

| Being clear about the Council's purpose and its intended outcomes for citizens and service users | Making sure that service users receive a high quality service | Making sure that taxpayers and service users receive value for money |

How we do this:

- The long-term vision for Halton is set out in the Council's Corporate Plan.
- The Council's Corporate Planning Framework provides a means by which the Council's activities are developed and monitored.
- 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.

- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms.
- Management arrangements and contract monitoring procedures aim to ensure that services provided are delivered to a high standard.
- Business continuity plans ensure that critical service delivery can be maintained or recovered during an emergency.
- The Council has a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members.

- A medium term financial strategy, capital programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- The Council has a co-ordinated and structured approach to procurement.
- An Efficiency Programme identifies and implements efficiency savings across the organisation in a systematic and considered manner
- The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.

Principle 2

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principles:

Being clear about the Council's executive and non-executive functions and the roles and responsibilities of the scrutiny function

Ensuring that the responsibilities of Members and Officers are carried out to a high standard

Being clear about relationships between the Council, its partners and the public

How we do this:

- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. This ensures that accountability for decisions made and actions taken is clear.

- 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.

- The Council has a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.

- The Council Constitution sets out which Officer posts shall undertake the specific responsibilities and functions attached to roles that are required by statute.

- All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.

- The Council ensures that appropriate governance arrangements are in place for all significant partnerships.

- The Council has developed its vision, strategic plans, priorities and targets through robust mechanisms, and in consultation with the local community and other key stakeholders.

- The Council seeks the view of service users on the quality of services provided through customer analytics, residents' surveys, focus groups and stakeholder consultation.

Principle 3

Promoting the Council's values and demonstrating the values of good governance through behaviour

Supporting Principles:

Ensuring that Members and Officers behave in ways that exemplify high standards of conduct and effective governance

Ensuring that organisational values are put into practice

How we do this:

- The Council has a Standards Committee to promote high standards of member conduct. Elected members must follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer trains and advises members on the Code of Conduct.

- 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.

- 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)

- The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption policies and arrangements.

- A corporate complaints procedure exists to receive and respond to any complaints received.

- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

  - Registers of disclosable pecuniary interests

  - Declarations of disclosable pecuniary interests and disclosable other interests at the start of meetings

  - Registers of gifts and hospitality

  - Corporate Equality Scheme

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles:

Being rigorous and transparent about how decisions are taken	Having and using good quality information, advice and support	Ensuring that an effective risk management system is in place	Using legal powers to the full benefit of citizens and communities

How we do this:

- 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.

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

- The Council has a Risk Management Policy and Toolkit. 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. The risk registers form the basis of the internal audit planning process.

- The Business Efficiency Board reviews the risk management process and corporate risk register twice yearly.

- The Council actively recognises the limits of lawful activity placed on it and strives to utilise its legal powers for the full benefit of the community.

- One of the functions of the Monitoring Officer is to ensure the lawfulness and fairness of decision-making.

- The executive report template makes provision for the legal implications of any decisions to be considered.

Principle 5

Developing the capacity and capability of Members and Officers to be effective

Supporting Principles:

Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well	Developing the capability of people with governance responsibilities and evaluating their performance	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources

How we do this:

• The Council has developed an Organisational Development Strategy (2016 – 2020), which includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that, by underpinning everything the Council does, its workforce will be part of the solution to providing excellent services. • Processes exist 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.	• The Council holds the NW Charter for Elected Member Development Exemplar Level status. • The Council develops skills to improve performance, including the ability to scrutinise and challenge, and to recognise when outside advice is needed. • Members of the Business Efficiency Board receive regular training to assist them in their role as the Council's Audit Committee.	• The Council has signed a Declaration of Commitment to the North West Charter for Elected Member Development. • Newly elected members attend a two-day induction programme with follow-up mentoring. • Elected members have the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan. • A comprehensive elected member development programme provides a wide range of learning and development opportunities.

Principle 6

Engaging with local people and other stakeholders to ensure robust accountability

Supporting Principles:

Exercising leadership through a robust scrutiny function which effectively engages local people and all other local stakeholders	Taking an active and planned approach to dialogue with, and accountability to, the public	Taking an active and planned approach to dialogue with, and accountability to, the staff

How we do this:

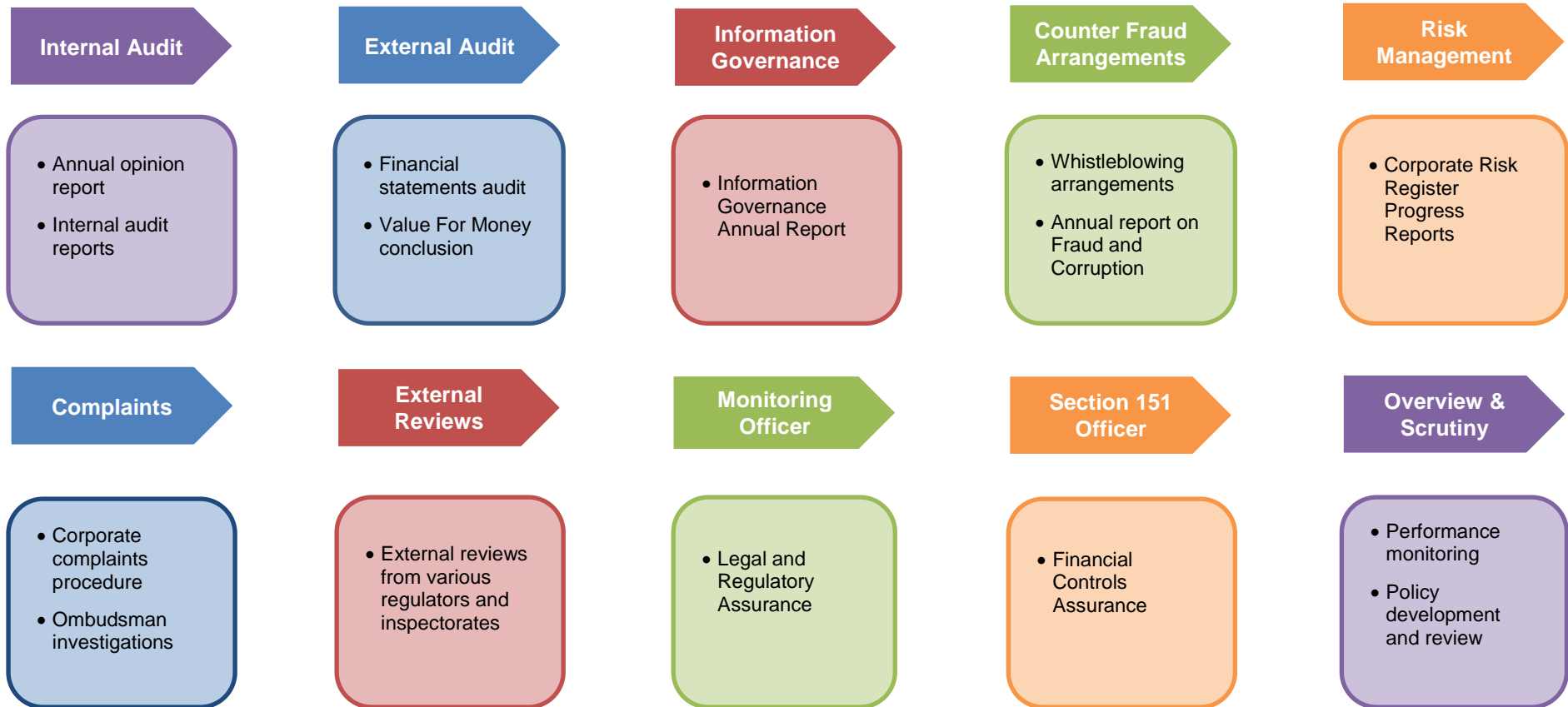|		
• Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities. • Key partners, including the community and voluntary sector, are represented across the Halton Strategic Partnership structures. • The Policy & Performance Boards have the opportunity to scrutinise decisions that have been taken by the Executive Board. There is also a 'call-in' mechanism, which allows an opportunity for further consideration of an issue before a decision is implemented.	• The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people. • Formal public consultation arrangements include the Youth Cabinet. Informal arrangements include contact via the Council's website, social media, Halton Direct Link and magazine-based customer surveys. • Information on performance, finances and the democratic running of the Council is routinely published on the Council's website.	• The Council has developed and maintained a clear policy on how employees and their representatives are consulted and involved in decision-making. These arrangements include: - Trade Unions consultation - Staff surveys - Staff suggestion scheme - Online staff forum - Digital employee magazine - Fortnightly member and employee newsletter

What are the roles of those responsible for developing and maintaining the Governance Framework?

Council	- Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
Executive Board	- The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
Business Efficiency Board	- Designated as the Council's Audit Committee - Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment.
Standards Committee	- Promotes high standards of member conduct - Assists members and co-opted members to observe the Council's Member Code of Conduct
Policy & Performance Boards	- There are six Policy & Performance Boards 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
Management Team	- Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues
Internal Audit	- Provides assurance over the Council's governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
Managers	- Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

Internal Audit

- Annual opinion report
- Internal audit reports

External Audit

- Financial statements audit
- Value For Money conclusion

Information Governance

- Information Governance Annual Report

Counter Fraud Arrangements

- Whistleblowing arrangements
- Annual report on Fraud and Corruption

Risk Management

- Corporate Risk Register Progress Reports

Complaints

- Corporate complaints procedure
- Ombudsman investigations

External Reviews

- External reviews from various regulators and inspectorates

Monitoring Officer

- Legal and Regulatory Assurance

Section 151 Officer

- Financial Controls Assurance

Overview & Scrutiny

- Performance monitoring
- Policy development and review

How has the Council addressed the governance issues from 2015/16?

The 2015/16 annual governance statement contained two key governance issues. Details of these issues and they were addressed are provided below:

What the issue was:

The Council continued to face significant funding reductions whilst demand for Council services was increasing. It was forecast that the Council needed to identify £17.5m in savings to be able to set a balanced budget for 2017/18.

In light of these financial pressures, the Council acknowledged the need to maintain capacity and robust governance arrangements in order to deliver its corporate objectives and strategic priorities in 2017/18 and beyond.

What we did:

In 2016/17 Elected Members were engaged at an early stage in the budget process via the Budget Working Group and 'All Member' seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Given the scale of the forecast savings required for 2017/18, the Budget Working Group agreed to "even-out" the savings required over three years at £10m per annum by utilising reserves and including assumptions in the forecast regarding council tax increases. The scale of the 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 effective procurement practice 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, including provision of the Agresso financial system for Sefton Council. Consideration is being given to shared service arrangements for a number of services across the Liverpool City Region.

A balanced budget was set for 2017/18 and spending during the year was only marginally above the overall budget, despite significant overspending on children in care costs due to increasing numbers of children and associated costs. This has been achieved by having sound governance arrangements and by maintaining a robust control environment.

What the issue was:

In November 2015 the Council approved the Liverpool City Region Devolution Agreement and agreed to the adoption of a Directly Elected Mayor for the City Region with effect from May 2017. The governance arrangements for the Combined Authority were still in the early stages of development at the time of the 2015/16 Annual Governance Statement and the Council acknowledged that it would need to consider any impact on its own governance arrangements.

The Council also recognised that devolution presented both challenge and opportunity to ensure positive outcomes for Halton by co-ordinating its efforts and various strands of activity in regard to the developing City Region agenda.

What we did:

Elected Members and Senior Officers have been heavily involved in shaping the Liverpool City Region agenda, along with the other Constituent Authorities in the Region. Work has focused on transforming the Devolution Deal, which was signed in November 2015, into legislation that enables its delivery. This has then had to be translated into the Mayoral Combined Authority's Constitution. The Council, through the Leader and Chief Executive, has played a leading role in this process.

Clear governance arrangements will be crucial to the future success and operation of the Mayoral Combined Authority.

What are the significant governance issues from 2016/17?

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed during 2016/17.

Issue	Lead Officer	Timescale
Funding The Council continues to face significant funding reductions whilst demand for Council services is increasing. It is forecast that the Council will need to identify £10m in savings to be able to set a balanced budget for 2018/19. In light of these financial pressures, a key challenge for the Council is to maintain capacity and robust governance arrangements so that it can continue to deliver its corporate objectives and strategic priorities in 2018/19 and beyond.	Strategic Director – Enterprise, Community & Resources	February 2018
Liverpool City Region Combined Authority 4 May 2017 saw the election of the first Liverpool City Region Mayor. The Mayoral Combined Authority will be adopting its revised Constitution at its Annual General Meeting that will put in place the governance arrangements required to deliver its original powers and duties, together with its new powers and duties which have arisen through the Devolution Deal. It will be important for Halton's Members and Officers to be fully conversant with those powers and duties to ensure that Halton benefits from being within the LCR arrangements. It will also be important to ensure the Council has the capacity to fulfil its role within the LCR, which may in turn mean reviewing some of its own priorities.	Strategic Director – Enterprise, Community & Resources	Ongoing

Issue	Lead Officer	Timescale
<u>Cyber-Resilience</u> Recent events affecting both the public and private sectors have demonstrated that cyber-attacks are becoming both more frequent and more sophisticated. The Council recognises that the impact of a cyber-attack could be significant in terms of potential disruption to the delivery of vital services. A cyber-attack could also result in substantial response costs, reputational harm, and potential litigation and fines should there be any resulting data breaches. The Council acknowledges that an increasingly important element of its governance arrangements is the framework of standards, processes and activities that, collectively, secure the organisation against cyber risk. A robust IT infrastructure makes the Council less likely to become a victim and also better-positioned to deliver public services through effective and secure technology. The Council's IT governance framework will therefore be kept under review and strengthened as necessary in response to the rapidly evolving risks in this area.	Strategic Director – Enterprise, Community & Resources	Ongoing

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Business Efficiency Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

David Parr - Chief Executive   **Rob Polhill - Leader of the Council**