

TITLE	Draft Annual Governance Statement
FOR CONSIDERATION BY	Audit Committee on 1 July 2014
WARD	None Specific
DIRECTOR	Andy Couldrick – Chief Executive

OUTCOME / BENEFITS TO THE COMMUNITY

The Accounts and Audit (England) Regulations 2011 require authorities to operate “a sound system of internal control” and for this to be regularly reviewed. Linked to this, all Councils are legally required to publish an Annual Governance Statement (AGS) as part of the Statement of Accounts.

The purpose of the AGS is to comply with this legal requirement and provide a transparent and accurate representation of the Council’s governance arrangements during 2013/14 and highlight issues that the Council wishes to improve.

RECOMMENDATION

That the Audit Committee consider and approve the draft AGS on behalf of the Council, prior to it being signed by the Leader of the Council and the Chief Executive and included in the final Statement of Accounts.

SUMMARY OF REPORT

The AGS covers the following key aspects of the governance environment in place at Wokingham Borough Council during 2013/14:

- Establishing and monitoring the achievement of the Council’s objectives;
- Facilitation of Policy and Decision-making;
- Financial Management;
- Performance Management; and
- Risk Management.

It also comments on the effectiveness of the Council’s governance arrangements including the system of internal control and the effectiveness of Internal Audit. It identifies areas of significant governance weaknesses that the Council intends to address to further improve the governance framework in place. This demonstrates the Council’s commitment to openness and transparency.

Background

The AGS has been produced by the Extended Corporate Leadership Team (ECLT) following consideration of a number of Management Assurance Statements (MAS) produced by the Council's 4 Directors and 2 Heads of Services. Management Assurance Statements completed by WBC for 2013/14 have been signed by the relevant Director/Head of Service and Executive Lead Member to provide accountability and assurance to the Chief Executive and Leader of the Council, who are legally required to sign the AGS following consideration and approval by Audit Committee.

Once the AGS has been formally adopted by Audit Committee, governance disclosures detailed in Section 5 of the AGS will be managed within the appropriate risk register to provide for clear accountability, reduced bureaucracy and to assist in further embedding risk management within the Council.

Analysis of Issues

See above

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

N/A

List of Background Papers

N/A

Contact Julie Holland

Service Governance and Improvement Services

Telephone No 07917 814563	Email Julie.Holland@wokingham.gov.uk
Date 17 June 2014	Version No. 1



DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

1. Scope of Responsibility

- 1.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2 At Wokingham Borough Council we are responsible for ensuring that financial management is adequate and effective and that we have a sound system of internal control to enable us to carry out our functions effectively and efficiently whilst ensuring that there are arrangements for the management of risk.
- 1.3 We must conduct a review, at least once a year, of the effectiveness of our system of internal control and report our findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a committee of Councillors. This document comprises our annual governance statement for 2013/14.
- 1.4 The statement should be read alongside our planning, performance management and accountability arrangements described in:
 - A New Vision for the Wokingham Borough
 - Our plans and strategies including:
 - Wokingham Children and Young People's Plan 2012 -2015,
 - Adopted Wokingham Borough Core Strategy - January 2010,
 - Wokingham Health and Wellbeing Strategy July 2013,
 - Medium Term Financial Plan 2013 to 2014.

2. Context

- 2.1 The changing needs of our residents and communities, significant reductions in resources and central government reforms, present a challenge to all Councils. Wokingham Borough Council has ambitious plans regarding the delivery of 13,000 homes and the regeneration of Wokingham Town Centre. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.
- 2.2 By applying the principles in our Code of Corporate Governance (summarised below) and applying our local codes of conduct for Members and employees, we commit to devising and delivering services to the residents of the Borough in a way that demonstrates accountability, transparency, effectiveness and integrity.
- 2.3 Our Local Code of Corporate Governance outlines our governance principles:



WOKINGHAM BOROUGH COUNCIL

- Focussing on the Council's purpose and community needs;
- Having clear responsibilities and arrangements for accountability;
- Good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders.

3. The purpose of the governance framework

- 3.1 Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.
- 3.2 The governance framework has been in place for the year to the date of approval of this annual governance statement.

4. The governance framework

- 4.1 Our governance framework in Wokingham Borough comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.
- 4.2 These are summarised below:
- Our vision; that is our shared priorities and intended outcomes for residents and service users documented in "A New Vision for the Wokingham Borough", Interim Corporate Plan 2012-15, and other documents contained in our Budget and Policy Framework;
 - The committees, boards and task and finish groups we have established to ensure democratic engagement and accountability is central to our key and other important decisions;
 - Our arrangements for the oversight and scrutiny of decisions and policy development by councillors;
 - Delegation and sub delegation arrangements which document the roles and responsibilities of executive and non-executive councillors and our statutory (and other senior) officer functions;
 - Our risk, performance and accountability arrangements that measure the quality of services; ensuring they are delivered in accordance with our objectives and that they represent the best use of resources;



WOKINGHAM BOROUGH COUNCIL

- Our Values and codes of conduct which underpin how Members and employees work;
- Our arrangements for consultation and engagement with the community, particularly focussed to help ensure engagement with residents;
- Our arrangements to safeguard our most vulnerable citizens including fully embracing the role of independent chairs of safeguarding boards for children and adults;
- An effective and independent Internal Audit service.
- Our procedure rules and internal management processes for;
 - Financial management
 - Procurement
 - Information governance and data security
 - Health and safety
 - Decision making
 - Whistleblowing and complaints handling
 - Anti-fraud & corruption

5. Review of Our Effectiveness

5.1 Establishing and monitoring the achievement of the Council's objectives

The Council's vision, principles, priorities and values were agreed by elected members and officers in 2012. An interim corporate plan has been operational during 2013/14. The council's vision, principles, priorities and values were used to inform service plans for 2013/14 and individual objectives with the Council's values being part of every officers performance review.

- 5.2 The 2014/15 service plan process included informal consultation with Members. This process included three broadly based thematic reviews. The service plan template contained performance indicators (to address new corporate priorities) and benchmarking (to review our services against others and identify efficiencies).

5.3 The Facilitation of Policy and Decision Making

The Council has a written constitution, as required by the Local Government Act 2000. For the financial year 2013/14 it was based on the Executive – Leader/ Cabinet Model (as set out in the Local Government and Public Involvement in Health Act 2007). The Executive acted collectively and as individuals in accordance with the relevant protocol agreed in 2006. The constitution is divided into sections which include articles which set out the basic rules governing the Council's business and more detailed procedures, codes of practice, rules of procedure and protocols. These include: Executive Procedures Rules; Overview and Scrutiny Procedures Rules; Members Code of Conduct; Protocol on Member/ Officer Relations; Access to Information



WOKINGHAM BOROUGH COUNCIL

Procedure Rules as well as the Scheme of Delegation to Officers and the Council's Financial and Procurement Rules.

- 5.4 Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. Proposed changes to the constitution are considered in advance of Council approval by the Constitution Review Working Group.
- 5.5 The Council has a robust decision making process which provides for both Executive and individual Executive decisions. Individual Executive decisions are taken in accordance with chapter 5.5 of the Council's constitution. All decisions are advertised and are supported by a formal public report which is produced five clear working days in advance of the decision being taken. All decision making meetings are public meetings. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements except when exempt information is to be discussed.
- 5.6 Policy is considered and formulated by Executive Members of the Administration, who are advised by senior officers. Supported policies are presented to Executive/ Council for formal approval.
- 5.7 The Council has designated the Head of Governance and Improvement as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service (Chief Executive) and Chief Finance Officer (Director of Finances and Resources), the Monitoring Officer will report to Council if it is considered 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 such report has been issued during the 2013/14 financial year.
- 5.8 The Chief Executive, Director of Finances and Resources and Head of Governance and Improvement (Monitoring Officer) are part of the Council's Corporate Leadership Team and have access to all decision making meetings.
- 5.9 The Financial Management of the Council and the Reporting of Financial Management
- 5.10 The Medium Term Financial Plan (MTFP) provides a strategic overview of the Council's financial position over a three year period to provide a longer-term view. It includes the Council's resources requirements and performance targets (outputs) over the medium term. It also includes a service narrative, financial risk analysis, reserve policies and covers both revenue and capital. The MTFP incorporates the financial plans with our key partners over a three year period.
- 5.11 The financial management arrangements of the Council are brought together in the Financial Regulations and Budget Management Protocol which identifies roles, responsibilities, policies, procedures and processes.



WOKINGHAM BOROUGH COUNCIL

5.12 There is appropriate monitoring of the revenue and capital budget by CLT/Executive Leads/Special Finance Group and Executive. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the Council.

5.13 The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the constitution (the Financial Regulations) and the Medium Term Financial plan (Budget Management Protocol).

5.14 The Performance Management System of the Council and the Reporting of Performance Management

In 2013/14 performance management was delivered through each service's service plan. The has adopted the Balance Scorecard methodology and this is reviewed by CLT and Overview and Scrutiny

5.15 The Risk Management of the authority and the Reporting of Risk Management

The process, roles and responsibilities of members, committees and staff are laid out in the Council's Enterprise Risk Management Policy. A refresh of the Council's Risk Management Policy and Guidance took place in 2013/14. The CLT has responsibility for the Corporate Risk Register (CRR) and for refreshing this on a regular basis. The CRR is presented to the Audit Committee and forwarded to Executive members for information and reference.

5.16 A Risk Management Group consisting of representatives from all service areas continues to meet quarterly. The group helps to facilitate the production and refresh of both the corporate and service risk registers. This group ensures that risks are considered both vertically and horizontally.

6. Review of Effectiveness of Wokingham Borough Council's Governance Framework

6.1 This review of effectiveness is informed by:

- the work of the Corporate Leadership Team, who have responsibility for the development and maintenance of the Council's governance environment;
- the Head of Internal Audit's Annual Internal Audit Report; and
- comments made by the external auditors and other review agencies and inspectorates.

6.2 The draft Annual Governance Statement is considered by the Extended Corporate Leadership Team and is subsequently reviewed and endorsed by the Audit Committee prior to presentation at Council as part of the audited financial statements.

6.3 Review of the Effectiveness of the System of Internal Control

The Council has developed an Assurance Framework to maintain and review the system of internal control. Assurances are provided by a number of sources including Internal Audit and Investigations coverage, annual Management Assurance Statements, the Performance



WOKINGHAM BOROUGH COUNCIL

Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. Ofsted and the Care Quality Commission).

- 6.4 The Team Manager – Business Improvement (and Head of Internal Audit) produces an Annual Internal Audit Report which is submitted to the Audit Committee and includes an opinion on the effectiveness of the system of internal control. The Internal Audit function is subject to review by External Audit (Ernst & Young) who place reliance on the Internal Audit work carried out on the Council's key systems.
- 6.5 Management Assurance Statements have been completed by the Council's 4 Directors and 2 Heads of Service. These have been reviewed collectively by CLT as part of the process for compiling the Annual Governance Statement.
- 6.6 Review of the Effectiveness of Internal Audit
- The Accounts and Audit (Amendment) Regulations 2011 require relevant bodies to review the effectiveness of their system of internal audit at least annually and to report this to their Audit Committee. A review of the effectiveness of Internal Audit and Counter Fraud Arrangements was conducted in 2013/14 and concludes that Internal Audit and Investigations are effective and complies with the Public Sector Internal Audit Standards.
- 6.7 The review made some recommendations on areas which can be strengthened, but none of these raised concerns over the effectiveness of Internal Audit. The review will be reported to Audit Committee in July 2014.

7. Significant Governance Issues at Wokingham Borough Council

- 7.1 The significant issues raised during our review of the effectiveness of the governance framework and system of internal control are outlined below:
- 7.2 There were two significant breaches of the Data Protection Act which have been reported to the Information Commissioners Office. One related to the potential disclosure of sensitive information relating to two children and all staff are currently undertaking refresher training on our Information Security and Data Protection Policies and Procedures – this will be completed by the end of June. Mandatory training for the entire workforce is being rolled out currently. The other related to the disclosure of electoral registration data due to a third party software glitch. The council was one of 90 local authorities who use this software and immediate action was taken to inform affected residents and remove names and addresses from the public domain.
- 7.3 There have been a number of key vacancies, interim appointments and staff changes following the restructure of council staff. Services have been maintained during this period of uncertainty and staffing gaps in particular means that there is a risk that subsequent service deficiencies might come to light. The Council has completed a restructure of senior management with most roles now being filled permanently. A recruitment process is in place to fill the small number of vacant posts.



**WOKINGHAM
BOROUGH COUNCIL**

- 7.4 The Council framework for managing major projects (which is based on PRINCE2 – an industry standard project management framework) is continuing to be strengthened, although managing major and complex projects continues to be difficult, particularly around capacity constraints and ensuring consistency of approach. Whilst aspects of the framework have been fully implemented and only one major project (see 7.5 below is rated ‘Red’, effective project governance and management remains a high priority).
- 7.5 The governance of the Wokingham Town Centre Regeneration project has not been completely effective throughout the year, which has led to the withdrawal of the key Planning Application and a review of the scope/requirements.
- 7.6 The Planning service capacity risks and financial pressures reported last year based around balancing normal operational activity with the implementation of the Strategic Development Locations in combination with Wokingham Town Centre regeneration remain as the economy recovers and application levels rise. As the economy recovers and the employment market for planners becomes more buoyant we are at risk to the loss of home grown and bespoke expertise which will be hard to replace.
- 7.7 Although much has been done to improve the structure of Governance around wholly owned companies, there still remains concerns around roles and responsibilities, particularly where Councillors are required to undertake multiple roles.
- 7.8 Overall, internal controls are robust, although given the issues outlined above there is scope to further strengthen the Council’s internal control environment and overall assurance framework.
- 7.9 Action plans have been drawn up to address recommendations arising from the external and internal audit reports, findings from inspectorates and issues identified and reported by the Local Government Ombudsman.
- 7.10 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the borough. Wokingham Borough Council is a learning organisation that is committed to continually improve the quality of services that meet resident’s needs.

Signed:

Leader of the Council:

Date:

Chief Executive:

Date: