



## **DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16**

### **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 2015/16.
- 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:
    - Council Plan 2014 - 2017;
    - Wokingham Children and Young People Plan 2014 - 2016;
    - Adopted Wokingham Borough Core Strategy - January 2010;
    - Wokingham Health and Wellbeing Strategy 2014 - 2017; and
    - Medium Term Financial Plan 2015.

### **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 The council follows the following governance principles:

- 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", Council Plan 2014 – 2017 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;
- 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 Shared Audit & Investigation Service; and
- 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; and
  - 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. A Council Plan has been operational since November 2014. The council's vision, principles, priorities and values were used to inform individual objectives with the council's values being part of every officer's performance review.

The Council's Performance Monitoring framework details performance indicators (to address corporate priorities).

### 5.2 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 2015/16 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 Procedure Rules; as well as the Scheme of Delegation to Officers; and the council's Financial and Procurement Rules.

- 5.3 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.
- 5.4 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, and are filmed. Both Executive and individual Executive decisions are subject to documented 'Call-In' arrangements except when exempt information is to be discussed.
- 5.5 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.
- 5.6 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 2015/16 financial year.
- 5.7 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.
- 5.8 The Financial Management of the Council and the Reporting of Financial Management  
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.
- 5.9 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.
- 5.10 There is appropriate monitoring of the revenue and capital budget by CLT/Executive Leads and Executive. The Statement of Accounts produced at financial year-end is approved by the Audit Committee on behalf of the council.
- 5.11 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).

5.12 The Performance Management System of the council and the Reporting of Performance Management

In 2015/16 performance management was delivered through Performance Monitoring framework and this is reviewed by CLT, Executive and Overview and Scrutiny.

5.13 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. 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.

**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 CLT 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 Investigation coverage, annual Management Assurance Statements, the Performance Management system, the Risk Management system, External Audit coverage and other external inspections (e.g. Ofsted).

6.4 The Service Manager - Shared Audit & Investigation Service 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 Regulations 2015 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 was conducted in 2015/16 and concludes that Internal Audit is effective and complies with the Public Sector Internal Audit Standards.

## **7. Improvements to the Governance Arrangements in the last 12 Months**

- 7.1 The following actions have improved the governance arrangements in Wokingham Borough Council:
- 7.2 There have been improvement over the governance of the council's Local Authority Trading Companies including:
- Recruitment of new Board members with relevant expertise
  - Externally validated Board skills audit as part of the HCA registration process
  - Holding Company Directors no longer on subsidiaries
  - Development of Group Operating Protocol and intra Group Agreement
  - Introduction of selection and performance framework for company Directors
- 7.3 Development of Council Wide contracts data base on WISER
- 7.4 New Procurement and Contract regulations which are more accessible to staff and reflect latest legislation
- 7.5 Introduction of procurement dashboard to increase Council Wide visibility
- 7.6 Council wide surplus assets process lead through the Strategic Assets Programme Board
- 7.7 In Children's Services refreshed quality assurance and performance management system.
- 7.8 In Children's Services review of finance, commissioning and management system regarding activity and financial planning.
- 7.9 Waste Working Group - is currently considering options ready for Executive consideration.
- 7.10 Environment: Health and Safety, Risk Assessment and Business Continuity monthly discussions at Leadership meetings
- 7.11 Establishment of the Local Plan Update Member Steering Group to oversee the development and delivery of the Local Plan Update (LPU) for Wokingham Borough
- 7.12 Audit into CR19 Strategic Infrastructure Provision has resulted in a more delivery focused reporting mechanism.
- 7.13 Improved project management of major highway schemes led by skilled, experienced Project Management staff.
- 7.14 Safeguarding Adults Partnership Board has now been put on a statutory footing.
- 7.15 Regular updates to the Council's Constitution to reflect changes in legislation and good practice.
- 7.16 Guidance to Members on issues such as, for example, buy in and use of social media.
- 7.17 Town Centre Regeneration Project has made wider use of Members to enable challenge to numerous aspects of the projects.
- 7.18 The council's performance management framework has improved from last year.
- 7.19 The council produced an update to the Council Plan that tracks progress and sets out further actions to achieve the council's vision.

## **8. Significant Governance Issues at Wokingham Borough Council**

- 8.1 The significant issues raised during our review of the effectiveness of the governance framework and system of internal control are outlined below:
- 8.2 The Council's Revenue Account overspent for the first time in many years and the level of the underlying overspend (ignoring Supplementary Estimates in year) was significant. The key cost drivers accounting for this overspend were; children in care, homelessness and an increase in vulnerable adults needing support. There are further spending pressures arising from escalating volumes of waste. The overspends experienced in 2015/16 raise concerns around budget sufficiency going forward and highlights the need to respond to this in future service and financial planning.
- 8.3 With the increasing number of major infrastructure projects being commenced further clarity of project management governance structures and procedures has been introduced.
- 8.4 Health Integration – the potential scale of change to the delivery of the council's statutory adult social care through integration with health partners will require new and different governance and control mechanisms as the council moves to a purer commissioning model. These will be developed as integration progresses and initial delegations will be limited to simple shared management arrangements as already practised in the shared mental health function.
- 8.5 The Chief Executive has identified the actions required to strengthen these areas of governance and will monitor their implementation

## **9. Conclusion**

- 9.1 The Council therefore concludes that its governance arrangements are fit for purpose.

### **Signed:**

**Leader of the Council:**

**Date:**

**Chief Executive:**

**Date:**

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