

## **AGENDA ITEM**

### **REPORT TO AUDIT AND GOVERNANCE COMMITTEE**

**29 JULY 2019**

### **REPORT OF DIRECTOR OF FINANCE AND BUSINESS SERVICES**

## **ANNUAL GOVERNANCE STATEMENT 2018/19**

### **PURPOSE OF REPORT**

This report presents to Members the Council's Annual Governance Statement for 2018/19.

### **RECOMMENDATIONS**

1. That Members approve the Annual Governance Statement for 2018/19.

### **DETAIL**

1. The Accounts and Audit Regulations 2015 require all authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement to accompany its Statement of Accounts. The deadline for completion of the Statement of Accounts for 2018/19 is 31 July 2019 at which point they are subject to the external audit process.
2. A further requirement of the regulations state that the Statement should be signed by the Interim Managing Director and the leading Member of the Council, following approval by the Committee. A key objective of this signing off process is to secure corporate ownership of the statement's contents.

3. The Annual Governance Statement includes an acknowledgement of responsibility for ensuring that proper arrangements are in place around the governance of its affairs and an indication of the level of assurance that the system provides. The statement also includes a description of the key elements forming the governance framework, a description of the process applied in reviewing the effectiveness of this framework, including the system of internal control, and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.
4. The Council's Annual Governance Statement for 2018/19 is attached at **Appendix A**. At this time the Council has not identified any significant issues that are not being addressed within the Statement. Officers will be present at the meeting to report on the governance framework and control environment in place within the Council that enables the detailed preparation of the statement.

### **FINANCIAL AND LEGAL IMPLICATIONS**

5. The Accounts and Audit Regulations 2015 and Statutory Instrument 234/2015 require all English authorities to prepare an Annual Governance Statement and for it to accompany the Statement of Accounts.

### **RISK ASSESSMENT**

6. None directly from this report.

### **COMMUNITY STRATEGY IMPLICATIONS**

7. None directly from this report.

### **CONSULTATION**

8. None directly from this report.

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## **2018/ 2019 Annual Governance Statement**

### **SCOPE OF RESPONSIBILITY**

Stockton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. We also have a duty to continually review and improve the way in which functions are exercised.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. The Framework constitutes ‘proper practice in relation to internal control’. This statement explains how Stockton Borough Council has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, culture and values that direct and control our activities and through which we account to, engage with, and leads the community. The framework enables us to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.

The governance framework has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the Statement of Accounts.

### **THE GOVERNANCE FRAMEWORK**

There is a clear vision of our purpose and intended outcomes for citizens and service users that is clearly communicated, both within and outside the organisation. The Council Plan Big Plans Bright Future 2019 - 2022 provides the framework for the Council, partner organisations, groups of residents and individuals, to work together to improve the quality of life in Stockton by 2022. It sets out a Vision for the borough and its residents and how everyone will work together to achieve that Vision.

## Our Vision for the Borough

<b>ECONOMIC REGENERATION AND TRANSPORT</b>	<b>ENVIRONMENT AND HOUSING</b>
...is of an economically prosperous borough that is dynamic, exciting and inviting with infrastructure to support the development of business start-ups, business growth, new jobs and skills.	...is to make the borough a better place to live and a more attractive place to do business with clean streets, carefully tended parks and open spaces, affordable and desirable housing.
<b>BIG PLANS FOR AN OUTSTANDING BOROUGH</b>	<b>BIG PLANS FOR OUR PLACES AND OPEN SPACES</b>
<b>COMMUNITY SAFETY</b>	<b>CHILDREN AND YOUNG PEOPLE</b>
...is to make the borough a place where levels of crime and fear of crime are low and people feel safe and secure.	.....is of a great place to grow up, where children and young people are protected from harm and supported to be the best they can be in life.
<b>BIG PLANS FOR KEEPING OUR COMMUNITY SAFE</b>	<b>BIG PLANS FOR THE YOUNG PEOPLE OF OUR BOROUGH</b>
<b>HEALTH AND WELLBEING</b>	<b>STRONG COMMUNITIES</b>
...is for a place where people are supported to be healthy.	...is for communities that are diverse, cohesive, caring and vibrant.
<b>BIG PLANS FOR THE HEALTH OF OUR PEOPLE</b>	<b>BIG PLANS FOR HELPING OUR COMMUNITIES PROSPER</b>
<b>ADULTS</b>	<b>ARTS, CULTURE AND LEISURE</b>
...is that people can get the right level and type of support at the right time to help, prevent, reduce or delay the need for ongoing support and maximise their independence.	...is of a borough where our heritage, festivals, cultural activities and leisure facilities help us attract visitors and investment, and where sport and active leisure opportunities help people sustain healthier lifestyles.
<b>BIG PLANS FOR THE CARE WE PROVIDE</b>	<b>BIG PLANS FOR GREAT EXPERIENCES</b>
<b>OUR COUNCIL</b>	
...is of a Council that prides itself on being open, honest and fair. On leading by example. On having big plans and the determination to see them through. We're facing difficult financial challenges and we can't do all we used to do so we're facing some tough decisions. Throughout this we'll stay focused on delivering genuine value for money, on setting the highest standards of public service, on communicating clearly and regularly with the community we serve and on being challenging, innovative and well organized.	
<b>AMBITIOUS, EFFECTIVE AND PROUD TO SERVE</b>	

The Council Plan sets out our priorities and the significant actions we will take. These, in turn, shape the activity of our various services and how we will focus our

resources. We are clear where we need to get to and what we need to do to get there.

Arrangements are in place to review our vision and its implications for the authority's governance arrangements. The annual strategic planning process, engagement and participation with residents, needs analysis and demographic information ensure the authority's vision remains relevant and meets the needs of local communities. There are regular reviews of the local Code of Corporate Governance to ensure that it is up to date and effective. The next review will bring the code into line with the latest CIPFA guidance.

Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are performance management arrangements in place including an annual appraisal scheme for staff. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job descriptions/ person specifications.

The roles and responsibilities of Council members and employees are clearly documented. The Council's Constitution sets out how the Council operates. It incorporates a scheme of delegation, indicates responsibilities for functions and sets out how decisions are made. The Council's Constitution has recently been updated following recent organisational changes. Directorates have established schemes of delegation, although these require regular updating to reflect on-going organisational changes.

The Constitution includes Rules of Procedure and various Codes and Protocols that set out standards of behaviour for members and officers. The Code of Conduct for Members was reviewed in 2017/ 18.

During the year a system of scrutiny was in place allowing the scrutiny function to:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the executive and/or any joint or area committee in connection with the discharge of any functions;
- consider any matter affecting the area or its inhabitants;
- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the executive and/or area committees; and
- consider Local Petitions and Councillor Calls for Action for matters within their terms of reference.

Appropriate governance arrangements are in place for commercial ventures operated through company structures, for example the Hampton by Hilton Hotel.

A range of financial and HR policies and procedures are in place, as well as robust and well embedded risk management processes. Appropriate project management standards and Business Continuity Plans are in place, which are subject to on-going review. There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts. There are clearly defined capital expenditure guidelines in place and procedures are in place to ensure that the Dedicated Schools Grant is properly allocated to and used by schools in line with the terms of grant given by the Secretary of State under section 16 of the Education Act 2002.

The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). During 2018/19 and up to 30<sup>th</sup> April 2019, the Deputy Chief Executive was designated Chief Finance Officer (Section 151 Officer). From 1<sup>st</sup> May 2019 the role transferred to the Director of Finance and Business Services. The role is fulfilled through the following:

- Attendance at meetings of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
- Alignment of medium term business and financial planning processes;
- Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively; and
- Ensuring that the finance function is resourced to be fit for purpose.

The Council has an Audit and Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- Reviewing and monitoring the Council's approach to risk management and corporate governance including the approval of the Statement of Internal Control;
- Monitoring the integrity of the Council's financial statements and approving the Statement of Accounts;
- Reviewing any proposed changes to accounting policies and promoting discussion around these;

- Approving the role and responsibilities of the Internal Audit Service;
- Considering the appointment of the External Audit Service and monitoring the effectiveness of auditor's performance;
- Approving the internal and external audit plans;
- Reviewing Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receiving details of specific significant issues highlighted via audit work and referring to the Executive Scrutiny Committee; the Select Committees, the Standards Panel, Cabinet or Council, as appropriate, any issues arising which are key in nature;
- Maintaining an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and considering the Council's compliance with its own and other published standards and controls; and
- Considering details of key ethical or wider corporate governance issues submitted by the Standards Panel.

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Director of HR, Legal and Communications is the Council's designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Council activities. All Cabinet Reports are considered for legal issues before submission to members.

Arrangements for whistle-blowing and for receiving and investigating complaints from the public are well publicised and subject to periodic review. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Council's business, they can easily report their concerns. Monitoring records held by the Director of HR, Legal and Communications show that the whistle blowing arrangements are being used by both staff and the public, and that the Council is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

We have arrangements to identify the development needs of members and senior officers in relation to their strategic roles. Members have access to a Members Handbook and a Learning & Development Strategy. The Council recognises that managing the performance of all of employees is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role focusing on strengths and highlighting areas of weakness, job related training, and on-going evaluation of the extent to which employees understand and support the values of the Council. In response to the ongoing challenges we face, we have developed the Shaping a Brighter Future programme to increase capacity, resilience and capability in employees.

Channels of communication have been established with all sections of the community to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of the local community and carry out consultation in order to make sure that services meet the needs of local people. We continue to use the 'My Views' consultation portal, which provides an improved online platform to support consultations on service changes and proposals.

We continue to work closely with all our partners including other public bodies, the Voluntary, Community and Social Enterprise (VCSE) sector and the private sector. We have established the proportionate governance arrangements for all partnerships.

## **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The Strategic Procurement and Governance Manager has directed, co-ordinated and overseen the review and its findings have been reported to Corporate Governance Group and the Audit and Governance Committee for their consideration and approval of the Annual Governance Statement.

The review is informed by a number of assurances gathered from all available sources and in particular:

- Assurances from external sources;
- A self-assessment against the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition;
- Assurances from senior officers responsible for relevant specialist areas. For example the Director of Public Health's Annual Report;
- Internal audit planning processes which include consultation with all directors and assistant directors, and the results of audit activity as summarised in the Annual Internal Audit Report. In the report the Audit and Risk Manager states in his opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework: "It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time. Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction"; and
- The external auditors (Mazars) Annual Audit Letter for 2017/18 concludes that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.



The outcome of the review of effectiveness provided us with the necessary assurance that no significant issues were identified. The findings of the review have been reported to Corporate Governance Group and the Audit and Governance Committee and under their Terms of Reference the Committee have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and any actions required to improve it. The areas to be addressed with new actions are outlined in the agreed improvement plan.

We propose over the coming year to take steps to implement the improvement plan to further enhance the Council’s governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review and we will monitor their implementation and operation as part of the next annual review

**IMPROVEMENT PLAN**

Action	Outcome	Responsibility	By When
Implement the Council’s new Constitution	New constitution in place	Director of HR, Legal and Communications	1 <sup>st</sup> Qtr 2019/20
Implement directorates new schemes of delegation	Updated schemes of delegation in place	Directors	2 <sup>nd</sup> Qtr 2019/20

By order of the authority

Signed:



**J Danks**  
**Interim Managing Director**

Date: 04/06/2019

Signed:



**R Cook**  
**Leader of the Council**

Date: 04/06/2019