

# SWINDON BOROUGH COUNCIL

## ANNUAL GOVERNANCE STATEMENT: 2015/16

### 1. Scope of responsibility

Swindon 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. The 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 a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the 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.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Framework for Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

### 2. The purpose of the governance framework

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.

The system of internal control is a significant part of the 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

### 3. The Council's framework for ensuring compliance with the core principles of effective governance:

Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusion. The Council's Local Code of Corporate Governance sets out the framework by which the Council will meet that commitment.

The Council's governance framework has been in place for the year ended 31<sup>st</sup> March 2016 and up to the date of approval of this Statement and the Statement of Accounts. The Code is based upon the following six principles:

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Local Code of Corporate Governance forms part of the Council's Constitution and the full version can be found at:

<http://www5.swindon.gov.uk/moderngov/ecCatDisplay.aspx?sch=doc&cat=13338&path=0>

#### **4. Review of effectiveness**

Swindon Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Board Directors and relevant Heads of Service have completed an assurance questionnaire reviewing the control environment within their service and the results of the questionnaire have been used to help inform our assessment of significant control issues for the Council.

The following process has been applied in maintaining and reviewing the effectiveness of the system of internal control. Both in-year and year-end review processes have taken place.

In year review mechanisms include:

- The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The terms of reference for the Audit Committee reflect CIPFA guidance best practice. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management, has an oversight of Treasury Management and both, Internal and External Audit performance and their findings and recommendations.
- The Board Director: Resources role as Section 151 Officer has been assessed by Internal Audit against CIPFA's statement on the Role of the Chief Financial Officer in Local Government. It was found that the requirements of the CIPFA statement are being met.
- A self-assessment of the Head of Internal Audit's role has been made against CIPFA's statement on the Role of the Head of Internal Audit in Public Service organisations. It was found that the requirements of the CIPFA statement are being met.

- The Senior Information Risk Owner (SIRO) has assessed the Council's information governance and security arrangements and has stated that: A significant amount of work was undertaken in 2015/16 to develop Information Governance policies and supporting processes.

The Council's Information Governance Group has made progress establishing a greater level of corporate Information Governance maturity, not least of which was establishing and filling the new post of Information Governance Manager from June 2015. Fundamental policies, roles and practices are now starting to be embedded in the Authority.

In line with progress made, the Group's terms of reference have been reviewed in 2015/16, to ensure that there are robust links between the group and others charged with Information Governance responsibilities throughout the Council. The change will establish corporate networks to support the work of the group going forward.

A significant amount of work has been undertaken to further establish and embed SIRO, deputy SIRO and Information Asset Owner/Assistant roles in the Authority, which has been supported by comprehensive external training and internal support by the Information Governance Manager in 2015/16.

Work continues to ensure the Council achieves compliance with Cabinet Office Public Sector Network requirements. Following insourcing of the ICT department from Capita in 2015/16 and additional recruitment, a dedicated Council team are working on all outstanding compliance issues, which have been reduced significantly. Work is underway to align PSN code of compliance submission with the NHS Information Toolkit Version 13 submission, which will be due in 2016/17.

Facilities for secure email transfer have been rolled out across the Council, to ensure that we can securely communicate with organisations and individuals who are not part of the Public Sector Network. The Council's Information Asset Register has been developed and enhanced with comprehensive Information Asset Ownership training being delivered across the Council.

Following the 2014/15 review of the off-site document archive facility, substantial improvements have been made to its security and the organisation of records and additional dedicated resource has been allocated to staff the facility.

ICT Security policies (for example access control) have been comprehensively updated and the consultation process to approve these policies is underway, to roll-out across the Council in 2016/17. To continue to improve take-up of Information Security training and awareness in the Council, a procurement exercise to obtain policy management and monitoring software has been undertaken and an appropriate solution will be implemented in 2016/17.

Areas of improvement for 2016/17 include:

- As a priority, continue to resolve outstanding PSN compliance issues and achieve NHS Information Governance Toolkit Version 13 compliance.
- Monitor and enforce compliance with mandatory training on core topics, e.g. Information Security, Data Protection and Freedom of Information.
- Carry out an options appraisal on future records management arrangements, including the suitability of arrangements at the off-site storage facility.
- Continue to develop the Council's Information Risk Management process and risk registers.

- Continue to embed and develop SIRO, Information Asset Owner and Information Asset Assistant roles throughout the Council along with the establishment of a single corporate Information Asset and Risk Register.

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2015/16. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified no material issues in their audit of the financial statements and issued an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2014/15.
- A Corporate Governance Working Group, consisting of both Members and officers including the Monitoring Officer, reviews the effectiveness of the Council's corporate governance arrangements by reference to the CIPFA/SOLACE corporate governance standards and other best practice. The Group has streamlined the Council's decision-making process ensuring that agreed decisions could be implemented promptly and some decision making has been devolved locally. It has also looked at devolving some powers to localities and how this can be achieved.
- The Council has also adopted a Local Code of Corporate Governance.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Board and presented to both Cabinet and Audit Committee.
- The Council's Performance Framework is led by the Head of performance, People and Engagement. The framework includes a Performance and Corporate Health dashboards that enables the Council to better target resources and demonstrates the organisation's desire to be as transparent as possible.

A year-end review of governance arrangements and the control environment has also been completed which included:

- Obtaining assurances from all Board Directors and Heads of Service that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in a significant issue arising for the department.
- Reviewing the Head of Internal Audit's annual audit report presented to Audit Committee.
- Obtaining specific assurances from Heads of Service with regard to the governance arrangements in place for key partnerships.

The review has identified that a number of the areas included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- Supporting vulnerable children
- Licensing: Taxi and Private Hire
- Corporate buildings: statutory compliance
- Waterside depot improvement plan
- Isambard School

Further progress is still required in the following areas before they can be taken off the statement:

- Information Governance and Security

- GCSE attainment
- Capacity and capability in the context of large scale change
- Financial relationships with wholly owned subsidiaries
- Provision of the IT service

More detail on these areas is provided below.

The review has found that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

## 5. Governance: Key Areas of Focus

The review process has highlighted a number of significant areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared and a summary of the key elements of these are included below:

- **Information governance and security** – A significant amount of work was undertaken in 2015/16 to develop information governance policies and processes. The appointment of an Information Governance Manager has helped to establish a greater level of information governance maturity. Fundamental policies, roles and practices are now starting to be embedded in the Council. SIRO and Information Asset Owner roles and appropriate training have been allocated. Training has been delivered to relevant staff and is due to be completed by October 2016. Refresher training will be carried out where appropriate.

However, further work is needed to ensure that the Council achieves compliance with Cabinet Office Public Sector Network requirements. Following insourcing of the ICT department from Capita in February 2016 and additional recruitment, a dedicated Council team are working on all outstanding compliance issues, which have been reduced significantly. Work is underway to align PSN code of compliance submission with the NHS Information Toolkit Version 13 submission, which will be due in 2016/17.

- **Financial relationships with wholly owned subsidiaries** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd (TT) and Public Power Solutions Ltd. (PPS). There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence.

The Council funds some subsidised routes and pays reimbursements for concessionary fare usage and, in recent years, bought-out the company's local government pension scheme deficit and the Company's interest in its operational depot building in return for increased annual payments. The cash flow and tight trading position of the company has led to part of the expected returns from these arrangements to be foregone by the Council although full payment was received in 2015-16.

The Council has lent £8.7m to PPS for the capital purchase of a plant to convert waste into fuel plus a further £2.95m in cash flowing and capital repayment loans. The company's future profit levels are critical to ensuring repayment of these loans at differing periods with full repayment due by November 2022. The current trading position of the company suggests that these loans are unlikely to be repaid based on current cash flows and, as a result, the Council is currently renegotiating commercial terms for its waste disposal operations.

As well as managing the Council's waste disposal arrangements, the company also trades in power and solar projects. These projects can be high-risk in terms of deliverability success but offer relatively high returns when completed.

For the reasons set out above, it is important that the Council retains a particularly close oversight of the financial performance of its subsidiaries at this time, as part of its overall financial risk management arrangements.

- **Capacity and Capability in the context of large scale change** – During 2013-14, Cabinet approved a strategy to deliberately deliver annual budget savings early to create some in-year funding capacity to fund future years' transformation. This strategy has continued since that date and has led to transformational funding being available on the Council's balance sheet to fund new posts.

During 2014-15, the organisation ran a targeted recruitment campaign to bring new transformation skills and capacity into the organisation and successfully recruited four new senior change leaders and additional support posts to deliver specific change programme work. Further recruitment took place during 2015-16 and these new skills and additional capacity helped deliver the 2015-16 Budget on target and enable complex change programmes that contributed towards the 2016-17 Budget. The extra capacity and skills now in place within the organisation are now being re-distributed to work on the 2016-17 change programmes to deliver the 2017-18 budget.

- **GCSE Attainment** - significant action has been undertaken to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. However, raising attainment across the Borough will not be a quick fix, and time will be needed for the Education Strategy Board to have an impact on a rise in standards.

A continued challenge for the Council will also be ensuring the on-going involvement of Academies in contributing to the improvement agenda, especially the secondary schools that have a large impact on overall attainment. There are twelve secondary schools in Swindon (including the University Technology College), only one of which is maintained (Isambard). Although the Local Authority has responsibility for School Improvement, there is a lack of direct power that the Council can use to influence the performance of Academies and ultimately, attainment.

- **IT Service** - The ICT Service was successfully transferred back to the Council from Capita in February 2016. Recruitment has been carried out to ensure that key skills and capacity are present in team to achieve operational competence and develop the service further in the future. Significant work was carried out in conjunction with Capita to migrate the core infrastructure to a modern, virtual environment. has partially removed the reliance on ageing servers allowing the Council to plan for a more transformational use of IT in the near future. Work continues with the new in-house department to complete the removal of end of life technology and there are clear plans in place for future modernisation of the service and infrastructure. This work includes remedial work that is required to ensure Council compliance with PSN and PCI standards; it also includes bringing our Major IT systems back in contract in a compliant way with EU Procurement rules.

## **6. Certification**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 5. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

Councillor David Renard  
Leader of the Council

Gavin Jones  
Chief Executive