

## SWINDON BOROUGH COUNCIL

## ANNUAL GOVERNANCE STATEMENT: 2016/17

**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 (2016)*. 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, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to and 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 an absolute assurance of effectiveness. The system of internal control is based on an on-going 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 Code is based upon the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

<http://ww5.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 Council 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.

Corporate 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, performance 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 Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues.
- The role of the Director of Finance 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.
- The Internal Audit section has been externally assessed against the Public Sector Internal Audit Standards during 2016/17. The assessment, carried out by Bristol City Council, concluded that the Council's Internal Audit section conforms to the

requirements of the Standards. A self-assessment of the Head of Internal Audit's role has also 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 officer (SIRO) has assessed the Council's information governance and security arrangements and has stated that:

'Work has continued to develop and embed information governance policies and supporting processes in 2016/17. The Council has completely refreshed its information and technology policies. These policies have been out to consultation in 2016/17 and have now been approved, with a formal launch planned in early 2017/18. The launch will be supported by a programme of training.

There have been variable levels of take-up of mandatory information governance and security related training in the Authority in 2016/17. Work has been undertaken to address this and day one training for all new staff has been agreed as part of the Council's induction process, a new training platform has been procured to delivery mandatory ongoing training and Council has procured and is piloting a policy management solution to support the launch of new information policies.

Due to several changes in the holder of the SIRO role in 2016/17, some information governance practices have not developed to their full potential. The Information Governance Board has not met in 2016/17. However, the SIRO role has now been allocated and the Chief Information Officer role designated. The Information Governance Group's membership has been refreshed and is due to start meeting again in early 2017/18. Information Asset Managers roles have started to mature but more work is required to embed these roles and the role of the Information Asset Assistant in the organisation.

Work to develop Information Risk Management is continuing and the Council's Information Asset Register is being developed to provide a more comprehensive picture of the information the Council holds and the threats and risks to be managed. Information risk has been escalated to the Council's corporate risk register, for Corporate Management Team awareness and scrutiny.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita.

The Council's archive for paper records has been made largely fit for purpose and a long-term archiving solution has been identified and is in the process of procurement.'

Other in-year reviews included:

- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2016/17. The Annual Audit letter gives an opinion on the Council's financial statements and provides a value for money conclusion. The External Auditor identified one material issue (£11m) in relation to the valuation of heritage assets during their audit of the financial statements. However, an unqualified audit opinion on the Council's financial statements and on its arrangements for securing value for money in 2015/16.

- 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 revised its Local Code of Corporate Governance to reflect the updated guidance from CIPFA/SOLACE during 2016/17.
- Risk Management: the risk management strategy and the Corporate Risk Register is regularly updated in consultation with Corporate Management Team 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.
- The Council's Change Manager: Equality and Diversity has stated that 'the Council is compliant with the Public Sector Equality Duty (Equality Act 2010) and has in place a consistent approach to equality analysis. All Cabinet reports include specific equality consideration showing 'due regard' to the duty. This information is quality assured prior to Cabinet meetings. The Council has clear 2017/18 Equality objectives in place and receives scrutiny of its work by the Equalities Advisory Forum.'

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

- Obtaining assurances from all Corporate 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 the following area included in last year's statement have progressed sufficiently for them not to be included as areas of focus in this year's statement:

- IT service provision - this was included in the 2015/16 AGS as the IT service provided by Capita was deemed to be failing to deliver an appropriate level of service. The service was brought back in-house in early 2016. Since then the Council has undertaken a significant IT infrastructure modernisation and upgrade programme.
- Capability and capacity in the context of large scale change - significant additional resources have been allocated over the past few years to bring new transformational skills and capacity into the Council. The delivery of this change is now included as a risk in the corporate risk register.
- Financial relationships with wholly owned subsidiaries - the Director of Law and Democratic Services submitted a report to Audit Committee summarising the various governance arrangements in place in relation to Council-owned companies and, in the absence of any overall oversight to ensure that risks are minimised and services are delivered as intended, or summary record of how individual partner arrangements are

managed, seeking the Committee's agreement to the establishment of a Cabinet Member Advisory Group (CMAG) to consider how the Council's role as shareholder can best be exercised and a more consistent approach adopted.

These areas will continue to be reviewed and relevant risks will be included and managed through the Council's Corporate Risk register.

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

- Information Governance and Security
- GCSE attainment

More detail on these areas is provided below.

## 5. **Opinion on the Council's governance arrangements**

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

## 6. **Governance and internal control issues**

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** – the Council has completely refreshed its information and technology policies. These have now been approved and will be launched in early 2017/18 supported by a programme of training. There have been variable levels of take-up of mandatory information governance training and work has been undertaken to address this.

Following the Council's change of IT provision from an external Outsourced provider to In-House provision in early 2016, the Council has undertaken a significant IT infrastructure modernisation and up-grade programme, which with full support, advice and guidance from the Cabinet Office PSN Team, is expected to lead to a new PSN Compliance certificate being awarded in mid-2017. Toolkit 13 and 14 publication can then take place immediately after the granting of compliance. Work continues to develop in-house Information and Technology capacity and capabilities and modernisation of the service following the in-sourcing of the service from Capita

- **GCSE Attainment** - Significant action was taken during 2016/17 to establish a robust governance structure that enables and challenges performance concerning school improvement in Swindon. This has included the establishment of the new Swindon Challenge Board. GCSE results are improving slowly but raising attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.

An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda. This has improved over the past twelve months with the Council and the Academies working closer together with national organisations and external academy trusts. All bar one of the Council's secondary schools is an academy and 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.

- **Transfer of staff from SEQOL** – due to SEQOL ceasing to trade approximately 500 staff had to be brought back in-house over a very short time period. Services brought back in-house included: the front line social work team; two older people care homes; a learning disability care service; shared lives; building futures; Swindon Support team; the Hospital social work team; Enterprise Works etc. Work was also required to find new providers for four older people day services.

The transfer of staff and services required significant work regarding consultation with staff, sorting out accommodation requirements and the novation of contracts. On transfer budgets and cost centres needed to be rebuilt; staffing vacancies filled, TUPE arrangements agreed, as well as restructuring the staff as there was no management structure.

The staff transfers were carried out in a very short period and involved a significant amount of officer time, however there was no adverse effect on service users.

- **Housing contract management** - an Internal Audit review of the contract management arrangements within Housing was undertaken during 2016/17. The audit found a number of significant weaknesses including:
  - Management arrangements were not sufficiently robust to effectively monitor and manage the overall Housing capital programme of works. A number of contracts have overspent their contract award/contract extension values breaching the Council's Contract Standing Orders requirements i.e. section 28 relating to Contract Variations specifically relating to works contracts.
  - Emerging key risks and issues have not been identified within projects and the overall programme of work.
  - There have been delays in getting contracts mobilised due to difficulties encountered in clearing contract awards at Gateway three.

A subsequent follow-up audit carried out during 2016/17 found that procedures had improved but there was still a significant amount of work required to implement agreed audit recommendations.

- **Parishing** – a significant diversion of resources was required to:
  - Work with pilot parishes regarding the transfer of services
  - Establish new parishes including the election of new Councillors
  - Disaggregate budgets and service provision
  - Consult regarding the proposed changes

All areas of the Council have now been successfully parished. The bedding in of the transition process will be closely monitored to ensure that this continues to happen smoothly.

## 7. 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 6. 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

John Gilbert, Chief Executive

## Governance and Internal Control issues - Action Plan

Ref.	Area of Governance/Internal Control	Action
1	Information governance and security	<p>Areas for improvement during 2017/18:</p> <ul style="list-style-type: none"> <li>Obtain and maintain Public Service Network Code of Compliance certification and achieve NHS Information Governance Toolkit compliance.</li> <li>Launch refreshed information policies and supporting training. Increase compliance with mandatory information and security training.</li> <li>Ensure the organisation is prepared to comply with the General Data Protection Regulations by May 2018.</li> <li>Continue to embed Senior Information Risk Officer, Information Asset Owner and Information Asset Assistant roles in the Authority and continue to develop and embed good information management processes and practices.</li> </ul>
2	GCSE attainment	<p>A governance structure that enables and challenges performance concerning school improvement in Swindon has been put in place. This has included the establishment of the new Swindon Challenge Board (which has its own objectives). Improving attainment across the Borough will not be a quick fix and time will be needed for the Board to have an impact on a rise in standards.</p> <p>An on-going challenge for the Council will be ensuring the involvement of Academies in contributing to the improvement agenda.</p>
3	Housing contract management	This was included following an internal audit review of this area. A full action plan has been produced and agreed with senior management.
4	<p>The following two areas were included in the AGS as a significant diversion of resources was required during the year to ensure that staff were successfully transferred across from SEQOL and services transferred to parishes:</p> <ul style="list-style-type: none"> <li>Parishing</li> <li>Transfer of staff from SEQOL</li> </ul>	