

SWINDON BOROUGH COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT: 2013/14

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 (England) Regulations 2011 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.

The following section of the statement summarises Swindon Borough Council's governance framework that has been in place for the year ended 31st March 2014 and up to the date of approval of this Statement and the Statement of Accounts. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

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

(a) *The Council's purpose, outcomes for the community and creating and implementing a vision for the local area.*

The central premise of One Swindon involves shifting the balance of power, responsibility and resources away from the public sector bodies such as the Council to local people.

There was an extensive engagement programme working with partners / officers / members to build on One Swindon to reach a point where partners, Boards,

Cabinet and Full Council could agree the principles, high level priorities. One Swindon was launched in January 2011 and set out the following priority areas:

- We can all benefit from a growing economy and a better town centre
- I like where I live
- Everyone is enjoying sports, leisure and cultural opportunities
- Living independently, protected from harm, leading healthy lives and making a positive contribution

The Council recognised that it needed to change to respond to these challenges and in response developed 'Stronger Together' which redesigned the structure of the Council so that it is based around 'Commissioning' 'Delivery' and 'Localities'.

The Council's Corporate Strategy (adopted in November 2012) translates One Swindon, Stronger Together and our very challenging and radically changing context into the Council's Priorities for the next three years.

Many of the Council's services are informed by local consultation and are delivered to a high standard that make the best use of resources evidenced by:

- Working increasingly with our partners and Council wholly owned subsidiaries i.e. Swindon Commercial Services Ltd and Forward Swindon Ltd, delivering services that meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.
- Through the use of data, determining local needs and targeting resources accordingly.
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Carrying out value for money benchmarking of our costs and performance against our family groupings to ensure best use is made of the resources available to the Council.

(b) *Members and Officers working together to achieve a common purpose with clearly defined functions and roles.*

The Council has ensured that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made. The Council has done this by:

- Appointing a Leader of the Council who in turn appoints executive members (cabinet members), with defined executive responsibilities.
- Agreeing a scheme of delegated executive responsibilities to directors, and protocols that make clear the respective roles of members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities.
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities.
- Setting clear role definitions for chairs of committees and councillors in their different roles.

- Undertaking an annual review of the operation of the Council's constitution.
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making a senior officer (the Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Making a senior officer (the Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Ensuring significant partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements.
- Having in place effective and comprehensive arrangements for the scrutiny of services.

(c) *Promoting our values and upholding high standards of Conduct and behaviour.*

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Standards Committee.

The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.

The Council has done this by establishing and keeping under review:

- The Council's Constitution
- A Members' Code of Conduct
- An Officer's Code of Conduct
- A protocol governing Member/Officer Relations
- A Members' Planning Code of Good Practice
- Monitoring Officer Protocol
- Media Guidelines
- Contract Standing Orders and Financial Regulations
- The Council has set a Behavioural Framework which outlines what is expected from employees to achieve excellence.

The Council takes fraud and corruption very seriously and has the following policies that aim to prevent or deal with such occurrences:

- An Anti-Fraud and Bribery strategy
- A Whistleblowing policy
- A Fraud Response Plan

Conduct of Members is monitored by a Standards Committee, which also investigates allegations of misconduct by Members.

(d) *Taking informed and transparent decisions that are subject to effective scrutiny and managing risk.*

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Sustainability implications
- Health Impact and Promotion implications
- Value for Money
- Implications for Partnerships
- Implications for Community Safety
- Impact on Rural Communities.
- Diversity and racial impact assessment
- Risks, mitigations and opportunities

The Council has been rigorous and transparent about how decisions are taken and recorded. The Council has:

- Ensured the Cabinet make decisions in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules provide otherwise
- Ensured that legal and financial implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees and executive decisions made by Lead Members and officers (where applicable).
- Rules and procedures, which govern how decisions are made.
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintain an effective Standards Committee and Audit Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation and the achievement of best value.

The Council has ensured that the risk management system:

- Formally identifies and manages risks
- Involves elected Members in the risk management process
- Includes the undertaking of a risk assessment of every key or strategic decision
- Reflects business continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually.

(e) *Developing the capacity and capability of Members and officers to be effective.*

The Council has ensured that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well. The Council has done this by:

- A comprehensive induction process is run for Members including compulsory training for those on regulatory committees, together with regular training sessions during the year.
- Maintaining member training and development through the Member Development Steering Group
- Developing leadership skills of senior management
- Developing our approach to workforce planning
- Maintaining and developing our personal development and performance review systems
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues

(f) *Engaging with local people and other stakeholders to ensure robust public accountability.*

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We have sought and responded to the views of stakeholders and the community. The Council has done this by:

- Forming and maintaining relationships with the leaders of other organisations
- Ensuring openness and accessibility to citizens, service users and staff, including partner organisations
- Utilising an appropriate range of consultation methods
- Developing the localities agenda and making use of local forums at ward, parish and neighbourhood level to maintain communication with all the Borough's communities and other stakeholders and make decisions on devolved matters
- Encouraging and supporting the public in submitting requests for Scrutiny
- Maintaining and reviewing an effective complaints procedure

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 a detailed questionnaire reviewing the control environment within their directorate 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 reviews 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 assessed 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.
- Key Information Governance roles and responsibilities have also been defined and allocated, including the SIRO, Information Governance Lead and Information Asset Owners. Responsibility for Information Governance in the Council rests with the Board Director: Resources who acts as the Senior Information Risk Owner. The establishment of the SIRO is one of several measures to strengthen controls around information governance and to raise the profile of (and embed) information risk management into the overall culture of the organisation. An Information Governance/Security Working Group was established in 2013/14 to review the Council's compliance with the NHS Information Governance Toolkit. An action plan was produced and implemented following an initial assessment of performance against the toolkit requirements. A further self-assessment against the toolkit identified the Council as having achieved Level 1 compliance. An action plan to achieve Level 2 compliance has been produced and is being progressed by the Group. There have been a number of successful areas of development in 2013/14, including a successful Public Sector Network (PSN) submission in January 2014 and publication of the Council's Information Governance and Security Policy. Information Security training via e-learning continues to be delivered to new and existing staff and is a mandatory requirement for connection to the Council's IT network and handling of information assets. A draft ICT strategy that sets out a proposed Information Governance structure for the Authority as well as setting strategic direction for IT and Information Management for the Authority is in place. Further work is now required to build on existing arrangements, including developing and publishing supporting Information Governance and Management strategies, policies, procedures and management arrangements. Work will also be required to embed the newly defined Information Governance roles and responsibilities in the organisation. Work is underway to refresh Information

Governance and Security policies and to develop Information Risk Management and record management arrangements.

- Information security incidents are managed as part of the Council's information governance processes. There have been no serious breaches of the Data Protection Act in 2013/14".
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion on the internal control environment in the areas examined. Their reviews include examination of the main financial systems, enabling them to provide the Section 151 Officer with an overall opinion on the main financial controls in place as well as risk management, internal control and governance arrangements across the authority. The Head of Internal Audit's opinion for 2013/14 is that there are satisfactory internal control arrangements in place resulting in a 'moderate' risk to the Council. In addition the Section undertakes fraud investigation and proactive fraud detection work. Internal Audit report to each Audit Committee summarising audits finalised since the previous meeting. Audit Committee has called in relevant Directors to update them on the progress in implementing agreed audit recommendations. The Audit Committee also reviews the effectiveness of the Council's system of internal audit including an assessment against the Public Sector Internal Audit Standards (PSIAS). The latest review found the system of internal audit to be effective and that the requirements of the PSIAS were being largely met and an action plan is in place to address any outstanding issues.
- Both Cabinet and the Audit Committee considered the External Auditor's Annual Audit letter in 2013/14. 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 2012/13.
- 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 Head of Risk Management leads the development of 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 Business Services and Support the framework includes the Business Review process. Business Reviews are carried out quarterly at Corporate Board and these are used to review risks identified either through performance, Internal Audit or through the Corporate Risk Register.

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:

- **Museum Storage** – an Internal Audit review identified issues regarding storage and security. The security issues have largely been addressed whilst there are wider plans to address the issues regarding storage as part of the new cultural area for Swindon.
- **Management of Major Property Projects** – an Internal Audit review identified issues regarding a lack of clear roles and accountabilities regarding the management of major property projects. Following the re-integration of SCS and services formerly delivered by Capita Symonds back into the Council a Property function review has sought to bring stronger alignment and integration under a newly appointed Head of Assets. This is to drive out service area improvements, customer focus outcomes and improved value for money.

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** – improvements have been made during 2013/14, including the establishment of an Information Governance/Security working group. A draft ICT Strategy is now in place that will be presented to Cabinet in June and which sets out a proposed information governance structure as well as setting a strategic direction for ICT and Information Management. A successful Public Sector Network submission was made in January 2014 and compliance with level 1 of the NHS Information Governance Toolkit has also been achieved. Key information governance roles and responsibilities have also been defined and allocated, including the Senior Information Officer (SIRO), Information Governance Lead and Information Asset Owners. Further work is required to build on existing arrangements, including developing and publishing supporting information governance and management strategies, policies, procedures and management arrangements. Work will also be required to embed the newly defined information governance roles and responsibilities in the organisation.
- **Financial relationships with wholly owned subsidiaries** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd (TT) and Swindon Commercial Services Ltd (SCS). There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence. SBC funds some subsidised routes and pays reimbursements for concessionary

fare usage to TT and has entered into an arrangement to “buy out” the company’s local government pension scheme deficit, with resulting payments due each year from the company to the Council. Recent trading conditions have led the company to request deferring some of these payments, for the foreseeable future, in order to reduce cash-flow burdens. SBC has lent around £8m to SCS for the capital purchase of a plant to convert waste into fuel, thereby reducing the Council’s landfill burden. The company’s future profit levels are critical to ensuring repayment of the loan within the period of the contract between the Council and the company for treatment of household waste. The plant is nearing the final period of commissioning and the company’s trading position is therefore currently difficult to predict. For these reasons, 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.

- **Ofsted inspection** - the Ofsted inspection of services for children in need of help and protection, children looked after and care leavers includes six separate judgements. One third of the judgements were good and two thirds were requires improvement to be good (RI). Swindon’s overall judgement was RI. Of the 17 Local Authorities inspected to date, 35% have been judged good, 47% RI and the rest, inadequate. The report identifies thirteen areas of strength and sixteen areas for improvement. There are four strategic priorities:
 - Strengthen the electronic case management system, ICSA and the ICT infrastructure
 - Ensure caseloads are manageable
 - Translate the excellent work at strategic level of child sexual exploitation into the highest quality frontline practice across the social work service
 - Further strengthen quality assurance

A draft improvement plan has been prepared for cabinet consideration. The plan is subject to an Ofsted challenge session in early July. Once finalised the implementation of the plan will be monitored internally by QPR and Overview and Scrutiny. The Local Safeguarding Children Board will provide external scrutiny and challenge

- **Swindon Commercial Services reintegration** - the Special Committee determined on 5th July 2013 that Swindon Commercial Services Limited (SCS) be refocused on a narrow range of markets in Waste Treatment, Renewable Energy and the operations of DW Dunn Ltd. It also agreed that the majority of the services SCS provided to the Council, including approximately 500 staff and infrastructure involved (‘the undertaking’), be transferred back to the Council with a challenging target date for staff to transfer under TUPE arrangements by 1 November 2013. This was referred to as Phase 1 of the programme.

This change involved a significant diversion of resources to enable a smooth transition of Highway, waste and recycling collection, street cleaning, grounds maintenance, cemeteries and crematorium, construction, repairs and supporting services to transfer back to the Council and integrate with the Council’s corresponding client teams (rather than function as a direct service organisation). A number of officer work-streams were set-up to manage the change programme and this was supported by a cross-party Cabinet Member Advisory Group (CMAG) to advise the officer project team.

Phase 1 of the programme (TUPE) was completed on 1 November 2013 as planned without any significant impact to services or staff.

Phase 2 of the programme has focused on integrating the operational and support teams, to design the most effective and efficient service delivery. Any changes through organisational restructure had to meet the needs of the future service. The staff consultation process for the restructure of services was completed on 4 February 2014; these changes are currently being implemented and to date efficiency savings of £2m have been achieved.

- **Capacity and Capability in the context of large scale change** – the Council continues to go through large scale change in order to meet the increasing demand for its services and the reduction in Government funding. This has involved working more closely with our partners through One Swindon, restructuring the Council through Stronger Together and the development of a Transformation Hub. However, there is a risk that there may be insufficient organisational capacity to focus on the change required to meet the ever increasing demands.
- **Council Leisure Services** - Council leisure services have been judged independently to be delivering a VFM service that is driving up activity among our residents at a faster rate compared to other LA's. 25% of residents (Dec 2012) participating in 3x30 minutes of activity per week. However the independent assessment also found that further increases in participation were unlikely to be driven via our leisure facilities. Despite driving value from our facilities the Council is providing a significant subsidy (differential between expenditure and income) to the service. Members are seeking a solution for Leisure facilities which enables: Elimination of the Council revenue subsidy; Transfer of backlog maintenance liability outside of the Council; Transfer to a company whose ethos and approach will support residents to be fit and healthy; Medium to long term sustainability for the facilities; Securing additional investment into the estate.

Action taken to date includes: soft market testing undertaken to ascertain whether market conditions/third party operators (commercial or not for profit) would be interested in the estate and if so, would they be able to meet the conditions that would secure the Members aspirations set out above; Borough wide consultation with residents and service users on the proposed approach for the future of the facilities; Invitation and then detailed evaluation of bids to operate the facilities leading to recommendations to appoint a preferred bidder(s) to be considered by Cabinet on 25/6/14.

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