

SWINDON BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT: 2014/15

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.

The following section of the statement summarises Swindon Borough Council's governance framework that has been in place for the year ended 31st March 2015 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.*

We are committed to an ambitious strategy of achieving excellence for our residents and their communities. We demonstrate this by publishing:

- Our Corporate Plan and One Swindon Delivery Plan.
- Our Health and Wellbeing Strategy

We will regularly review the vision for our local communities, as it is set out in these documents, and its implications for the Council's governance arrangements.

We will ensure that this vision is shared with our partners through the One Swindon Partnership Board, the Swindon Strategic Partnership, the Health and Wellbeing Board, the Swindon and Wiltshire Local Enterprise Partnership.

The Council will aim to deliver high quality services that make the best use of resources and are value for money. The Council will do this by:

- Delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.
- Determining local needs and targeting resources according to the Corporate Plan.
- Developing effective relationships and partnerships with
 - other public sector agencies, including integration with local NHS bodies.
 - voluntary and community organisations.
 - the private sector, including our strategic partnership with Capita.
- 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 an approved value for money review programmes to benchmark our services, and ensure best use is made of the resources available to the Council.
- Delivering specific projects within an effective, corporate programme management framework, as appropriate.

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

The Council will ensure 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 will do this by:

- Appointing a Leader of the Council, and defining the executive responsibilities of Cabinet Members.
- Agreeing a scheme of delegated executive responsibilities to Board Directors, Directors and Heads of Service, 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 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 will foster a culture of behaviour based on shared values, ethical principles and good conduct.

The Council will do 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.
- A strategy for combating fraud and corruption.
- A whistle blowing policy.
- Behavioural Framework Principles

(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 will ensure that those charged with the leadership and governance of the Council have the skills, knowledge and experience they need to perform to a high standard. The Council will do this by:

- Maintaining Member training and development through the Member Development Advisory Group.
- Developing leadership skills and capacity across the Council.
- Developing our approach to workforce planning.
- Encouraging quality mark accreditation.
- Maintaining and developing our personal development through regular development planning and performance review systems.
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues.
- Engaging with local people and other stakeholders to ensure robust public accountability.

(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 will seek and respond to the views of stakeholders and the community. The Council will do 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.
- Implementing the Council's corporate Consultation Policy and utilising an appropriate range of consultation methods.
- Making use of local forums at ward, parish, locality and neighbourhood level to maintain communication with all the Borough's communities and other stakeholders.
- Encouraging and supporting the public in submitting requests for Scrutiny.
- Maintaining and reviewing an effective complaints procedure.
- Developing One Swindon and the Stronger Together Locality programmes.

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.
- Information governance and security: A significant amount of work was undertaken in 2014/15 to develop Information Governance policies and supporting processes. The Council's Information Governance and Security Policy has been approved by Corporate Board and published for staff on the Council's Intranet. The Information Governance and Security Group is increasing in maturity and the Information Governance and Security Group has met regularly throughout 2014/15. Improvements achieved by the group and supporting staff include achieving Level 1 requirements of the NHS Information Governance Toolkit, with an agreed improvement plan to meet Level 2 requirements, in place by May 2015. A review of the Council's off-site storage facility for archived paper records has been undertaken and improvements have been made to retention and disposal processes. ICT Security policies (for example access control) have been comprehensively updated and are ready for implementation, following appropriate consultation and approval. There has been a significant increase in the number of staff who have undertaken Information Security training. Information risks have been identified, to support roll-out of a corporate information risk management process. Areas of improvement for 2015/16 include:
 - Enforcing compliance with mandatory training on core topics, e.g. Information Security, Data Protection and Freedom of Information.
 - Continuing to develop the Council's Information Risk Management process and risk registers.
 - Providing Information Asset Owner training and supporting development of these roles.
 - Publication of a protective marking policy and introduction of supporting processes.
 - Achieving Level 2 requirements for the NHS Information Governance Toolkit.
 - Carrying out required remedial actions to ensure PSN Code of Connection compliance for 2015/16 and beyond.
- Information security incidents are managed as part of the Council's information governance processes. The Council's Data Protection Officer has reported that there have been no serious breaches of the Data Protection Act in 2014/15.
- 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 2014/15 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 Group Directors and Heads of Service 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 2014/15. 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 2013/14.
- 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 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:

- Swindon Commercial Services reintegration
- Transfer of Council Leisure Services

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** – An updated suite of information governance and security policies has been developed and is going through final review before being rolled out. Information Asset Owner role description being developed and will be rolled out alongside appropriate training. More staff are undertaking the core e-learning modules for DP / FOI / Information governance and security, but still less than two-thirds of staff have completed in the last 12 months. Tracking of completion will be held within the new HR system that will facilitate managers being held to account for their and their staff's performance. A new post of Information Governance Manager has recently been recruited to and will provide the dedicated capacity needed to maintain and build on recent improvements in this area.
- **Financial relationships with wholly owned subsidiaries** – Swindon Borough Council are the sole shareholder of Thamesdown Transport Ltd and Public Power Solutions. There are close financial links between the Council and both companies, which mean there is a degree of inter-dependence.

Thamesdown Transport Ltd: 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.

Public Power Solutions: During 2014/15 the Council also agreed to purchase the Company's interest in its operational depot building, in return for an increased rent. SBC has lent around £8m to Public Power Solutions 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 has experienced operational difficulties in its first year of operation and its financial performance has not been as expected. It is likely that an additional loan will be requested from the Council to undertake further works to the plant. While the potential income from developing PV arrays looks positive, it is uncertain whether this will be sufficient to secure positive cash flows overall in the near future.

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.

- **Supporting Vulnerable Children** - the 2013/14 Annual Governance Statement highlighted the Ofsted Inspection as a key area of focus, as this took place in March/April 2014. An implementation/action plan was then developed and subsequently monitored by a Scrutiny Committee task group and signed off in February 2015. A number of areas have been subsequently identified for improvement, which are being implemented and/or incorporated into the new

change programme being developed. Issues of focus remain around filling critical vacancies, developing the experience of managerial social work posts and social workers; improving the electronic ICS system; managing caseloads; strengthening our quality assurance processes/IRO system and council wide work on child sexual exploitation.

One of the change programmes is related to safeguarding children and this programme will be focussed upon helping to embed systems to enable compliance and streamlining processes. We will be confident that this programme has been successful when:

- Children and families feel supported by a strong safeguarding environment
 - Our internal measures and external inspections report that we are meeting our regulatory requirements
 - Services are resilient, compliant, safe and sustainable
 - We are designing and delivering services on an increasingly complete understanding of customers
 - Service users, partners and staff report satisfaction with services they receive
- ***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 is underway in early 2015, to bring in some targeted posts to supplement the skills in the organisation and fill capacity gaps identified on specific change programmes.

- ***Licensing: Taxis and Private Hire*** – An Internal Audit review of the taxi and private hire licensing service was commissioned by the Head of Service on taking over responsibility for the service area. The audit found a number of significant weaknesses including a lack of staff awareness of processes and procedure, storage solutions, security and accuracy of data entry. Each of these concerns has been addressed with all staff signing to confirm awareness of processes, additional storage being secured, passwords to secure IT updated and the rectification of the instances of inaccurate data.

The finding that caused most concern was that DBS (CRB) checks for license holders were obtained only on first registration, which presented a security risk. Moving forward DBS checks will be undertaken every three years in line with the DBS Code of Practice.

The audit also recommended a review of fees, along with a simplification and cleaning of the budget system to enable better reconciliation of income received, these are on-going.

- ***Isambard Community School*** – An Internal Audit of this PFI School was carried out during 2014/15. At the time of the audit the school faced a number of significant changes that would affect the school going forward. These included a change of Headteacher and Business manager, falling pupil numbers, falling academic

standards, a predicted budget deficit in 2016/17 of £757,000 and the desire to convert to an academy.

The audit review found that the School's three-year financial plan, used for financial planning, budgetary control and budget setting, was not based on robust information and had resulted in inaccurate budgets being set. Significantly, budgets were not supported by an up-to-date staffing review or school development and IT development plans. As a result the auditors were unable to confirm that effective financial management was in place to enable the School to optimise their use of resources to provide high quality teaching and learning, and so raise standards and attainment for its pupils.

Since the audit a substantive head teacher appointment was made in March when the acting head teacher was appointed. The school has made effective use of the support provided by Faringdon Community School to build capacity to bring about improvements in teaching and learning. The impact of this support has been evaluated by an independent Consultant, (and ex HMI), the detail of which is reported to the Quality Improvement Group (QIG).

The Local Authority's Finance Team has visited the school on a number of occasions since the audit to support the leadership team in preparing their staffing budget and also to discuss the school's draft three year plan. The School Business Manager has been able to balance the draft school's budget in 2015/16, 2016/17 and it is only in 2017/18 that the school are showing a deficit balance; the LA will continue to work with the school to review this position and establish what the school's plan for the deficit recovery will be.

The school's revenue balance at year end was £115,000 higher than their estimated balance on the December return. The school has provided the LA with a breakdown of the significant variances included in the £115,000. There will be further discussions with the school to understand this position.

- **Corporate buildings: statutory compliance** – an Internal Audit was undertaken at the request of the Head of Property Maintenance to provide assurance that the Council is effectively managing the statutory compliance requirements for corporate buildings. That is to ensure compliance with legislation including the Health and Safety at Work Regulations 1999, approved codes of practice, guidance documentation and Council policies.

The audit identified fundamental weaknesses, representing a 'significant' level of risk for the Council. Key risks included:

- Policies and procedures for corporate buildings statutory compliance did not meet the relevant statutory regulations and best practice standards.
- Unable to demonstrate that statutory compliance is achieved for corporate buildings, including completion of the appropriate and timely compliance inspections by accredited suppliers and remedial works to address defects as necessary.
- Unable to demonstrate that relevant compliance information and records were kept up to date for statutory compliance requirements in corporate buildings.

The Internal Audit report provided a management action plan containing thirteen key actions to be undertaken commencing in 2015/16 and to be completed in 2016/17. For each of the thirteen actions a service improvement plan will be developed and embedded throughout the service.

The Internal Audit findings have been reported to the Council's Audit Committee and Corporate Board – both forums will now monitor progress against the agreed actions. The Cabinet Member for the service is also fully briefed and will be updated on a quarterly basis on progress.

- ***Waterside Depot improvement plan*** – A Waterside Integration programme is in place to improve the processes, compliance and customer service provided from Waterside Depot. Key outcomes from the programme include:
 - Services are resilient and compliant, safe and fit for purpose
 - Increased customer and staff satisfaction
 - Neighbourhoods are clean and well cared for
 - Achieve a value for money service that enables a choice about our future operating model

During 2014/15 an interim operational plan was implemented for the Household Waste Recycling Centre (HWRC) to manage peak season demand safely, effectively and reduce significant queues experienced in 2014. A capital project is being implemented to improve the access, site circulation, capacity and egress of the HWRC for peak demand period in 2016. Continued sustained focus on improving health and safety capability and compliance across all services operating on, or from Waterside is on-going.

Operational efficiency will be reviewed along with a programme of change over the coming 12 months to improve this, including:

- One value for money stores service
 - Improved management information and business processes
 - Improved procurement and use of fleet
 - Full review of fleet management and usage
 - Improved cross-site communications to enable staff to work from anywhere
 - Clear, consistent service standards that are well communicated
 - Appropriate staffing structures in place
 - Over-time and allowances reviewed and standardised
 - Reduced operating costs of £1m in 2016-17
- ***GCSE attainment***

High levels of educational performance are critical to opening up a wide range of life chances for young people, including employment and higher education. The Council's commitment to residents is that all parents and carers will have access to a good school. Currently, there is performance above the national average across the key stages reflected in the Early Years and at Primary schools, which is also seen in an appropriate choice of good educational provision.

Performance by the ages of 16 and 19 is weak and whilst there is good quality provision post-16, parents and carers only have a one in two chance of sending their children to a good or better secondary school/Academy.

The future risk is that poor performance by ages 16 and 19 will have a range of adverse impacts including narrowing life chances for young people, failing to meet a commitment to residents, deterring new businesses from re-locating to Swindon and increasing the possibility of existing businesses leaving Swindon.

An Education Strategy Board has been established to increase accountability in the education system, involving both academies and maintained schools, to help challenge and monitor this performance going forward

- **IT Service**

The current IT service is failing to deliver an appropriate service fit for the current and future needs of the Council. The service is under review and a new management team is working on a plan to turn the service round. Work is already underway by Capita to move the core infrastructure to a modern, virtual environment, removing the reliance on ageing servers and bringing the necessary stability to allow the Council to plan for a more transformational use of IT in the near future. However, the desktop refresh project which has also been commissioned from Capita has failed to upgrade the Swindon desktop estate in a timely manner and is creating financial pressures to ensure that the Council can continue to meet the Government security requirements for its IT estate.

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