

# Annual Governance Statement

**How did we do in 2015/16?  
Were we well-governed?**



# Slough Borough Council

## INTRODUCTION AND PURPOSE OF THIS DOCUMENT

This document is an assessment of our “governance”, but what do we mean by that word? There is no legal definition of “governance”, but we believe it is best summarised as:

having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
  - the right **plan of action** (including **vision, aims, approaches and ambitions**); and
  - the right **way of operating** (including openly, honestly and efficiently)
- so that we deliver:
- the **right services**, to the **right people**, at the **right price** and at the **right time**.

Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) which in 2007 jointly published a “Framework for Delivering Good Governance in Local Government”, updated by an Addendum in December 2012.

This guidance is recognised as the proper practices referred to in the Accounts & Audit Regulations that we must follow (and in that sense is the nearest one can get to the ‘official’ definition of Governance), and sets out six core principles of good governance, which we think are compatible with the summary we gave above.

CIPFA/SOLACE lists these core principles as:

- 1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**
- 2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles**
- 3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
- 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
- 5. Developing the capacity and capability of Members and Officers to be effective**
- 6. Engaging with local people and other stakeholders to ensure robust public accountability.**

The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our ‘Annual Governance Statement’ and includes a ‘review of effectiveness’.**

This report is written under the authority of the council's Audit and Corporate Governance Committee and approved by it on 12<sup>th</sup> July 2016 through its delegated authority. It is signed by the Leader (an elected Councillor) and Chief Executive (an Officer) and published with the final accounts by 30<sup>th</sup> September 2016. It was submitted to our external auditors along with our annual accounts in June 2016; the auditors will consider whether the information we've submitted meets their expectations as part of their annual opinion in September 2016.

We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

## **GOVERNANCE STRUCTURES**

In the Introduction above, the first thing we said was that we should have the right governance structures in place.

The key elements of the systems and processes that comprise Slough Borough Council's governance arrangements are set out below and include arrangements for:

- Identifying and communicating Slough Borough Council's Strategy through our Five Year Plan 2015-2019. The Plan sets out our intended outcomes for citizens and service users, the key actions to deliver these outcomes and how we will measure success.
- Measuring the quality of services for users, ensuring they are delivered in accordance with Slough Borough Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating the Constitution including Financial Procedure Rules, the scheme of delegation, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government (2010)"
- The Audit and Corporate Governance which performs the core functions of an audit committee, as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities"
- A review of the effectiveness of Internal Audit, which was undertaken in 2014/15 through the use of a competitive tendering exercise, from which RSM were the preferred provider
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

This section reviews those structures. We govern ourselves through **Council**, a **Corporate Management Team**, **Cabinet** and **Committees**, and we have many **policies** in place that govern our activities which we follow. These are listed in turn below:

- **Council**

There were 42 elected Councillors in place at the start of the 2015/16 financial year. The number of elected Councillors remained at 42 following the Local Borough elections on 7 May 2015. The Council met seven times during the year. The numbers attending each meeting were as follows:

- 21 April 2015: 39 Councillors attended the meeting
- 19 May 2015: 37 Councillors attended the meeting
- 21 July 2015: 38 Councillors attended the meeting
- 22 September 2015: 38 Councillors attended the meeting
- 24 November 2015: 38 Councillors attended the meeting
- 26 January 2016: 38 Councillors attended the meeting
- 25 February 2016: 36 Councillors attended the meeting

Meetings of Council were held in open forum and considered reports from other committees.

- **Corporate Management Team (CMT)**

CMT meets regularly throughout the year, and reviews and approves reports before they are sent on for consideration by the relevant Committee. They are also involved in the development of new policies and strategies for the Council, either directly, or by management review and comment. Senior members are:

- the **Chief Executive** (Ruth Bagley) is the person who is ultimately responsible for the welfare of the Council's employees;
- the **Interim Strategic Director, Children's Services**;
- the **Strategic Director, Customer & Community Services**; and
- the **Interim Strategic Director, Regeneration, Housing & Resources**.

- **Supporting Officers**

- the **Section 151 Officer** (Joseph Holmes) is responsible for looking after the financial affairs of the Council, fulfils the role of Chief Financial Officer and is a CIPFA Qualified Accountant. The role of the Chief Financial Officer complies with the governance requirements as set out within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) through:
  - Being a key member of the Leadership Team, with a dotted reporting line to the Chief Executive, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives and having access to CMT papers and meetings;
  - Being involved in all material business decisions made by the Council to ensure both immediate and long term risks and implications are considered and that these are in line with the financial strategy;
  - Leading the promotion and delivery of good financial management across the Council through ensuring that key financial targets are being set and reporting on performance against these to CMT
  - Ensuring the finance function is well led and effectively resourced throughout the year.
- The **Monitoring Officer** (Gurpreet Anand) is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about conduct and behaviour. Following the departure of the previous Monitoring Officer in June 2015, an Interim (Linda Walker) held the position between June and October 2015 prior to the commencement of the current postholder in October 2015.

- **Cabinet**

The Cabinet is the Council's principal decision-making body, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a 'portfolio' for which they are 'Commissioners'. Although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party.

- **Audit & Corporate Governance Committee**

This Committee met five times during the year. Its main purposes are:

- to provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- independent scrutiny of the authority framework and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment; and
- to oversee the financial reporting process.

At our March 2015 meeting, it was agreed that, the Audit and Risk Committee would merge with the Standards Advisory Committee to form an Audit and Corporate Governance Committee from the 1<sup>st</sup> April 2015 onwards.

- **Overview & Scrutiny Committee**

The Overview & Scrutiny Committee consisted of nine non-Executive members (those who are not members of the Cabinet) and is appointed on a proportional basis (with political groups represented in the same proportion as on the whole Council). It monitored the performance of the Leader and Cabinet and scrutinises services and policies throughout the Borough, and makes recommendations for improvement. During the year, the Committee met nine times and:

- reviewed and noted the Five Year Plan, Medium Term Financial Strategy and Capital Strategy for 2016-2020
- reviewed and noted the Treasury Management Strategy and Revenue Budget for 2016/17
- considered an update on the progress made in Year 3 of the Transactional Services Centre Partnership and further reviews of progress in-year
- considered reports on progress made on the Five Year Plan outcomes consideration was given to the Annual Scrutiny Report 2014/15
- approved the appointment of three Scrutiny Panels
- considered the Quarter 1, 2 & 3 Finance and Performance Reports
- reviewed and noted progress updates on the Children's Services Transition
- considered a report on the Council's Abandoned Vehicles Policy and Procedure

There are also three Scrutiny Panels in addition to the Overview and Scrutiny Committee which focus on the different aspects of the Council's work – Health, Neighbourhoods and Community Services and Education and Children's Services

The Council also has other committees (planning, licensing etc.), but these are not concerned directly with governance arrangements so are not listed here.

- **Policies**

The following table lists the Council's main documents, policies and procedures; we refer to and follow these, to make sure we do things in the right and consistent way. All these policies have been approved by your elected Councillors where required.

<b>Title</b>	<b>Last updated</b>
<a href="#">Constitution</a> (including Financial Procedure Rules)	May 2015
Five Year Plan 2016-2019	January 2016
<a href="#">Corporate Procurement Strategy</a>	March 2012
Risk Management Strategy 2013-2015	2013
ICT Strategy 2015-2018	July 2015
<a href="#">Slough Joint Wellbeing Strategy 2013-2016</a>	2013
<a href="#">Anti Fraud &amp; Corruption Strategy and Policy</a>	May 2015
<a href="#">Whistleblowing Policy</a> and Procedure	May 2015
<a href="#">Statement of Accounts</a>	October 2015

## **VISION, AIMS, APPROACHES AND ACTIONS**

In the introduction to this document, the second thing we said we needed was the right plan of action. The Five Year Plan was introduced in January 2015 and replaced the previous Corporate Plan. It was accepted that as a result of the funding challenges the Council faced, we needed a new approach to forward planning over the medium term.

The Plan sets the following overarching **Vision** for the Council:

### ***“Growing a place of opportunity and ambition”***

The Plan further outlines the ambition of the Council which, by 2020, is to be:

- A place where people can make good choices about where to live and work and where children can grow up to achieve their full potential
- One of the most attractive places to do business in the country, with excellent communications, business accommodation and a skilled, and available workforce

The Plan identifies the challenges and opportunities facing the town, and includes eight outcomes to respond to these opportunities and challenges, along with key actions to deliver the outcomes and measures of success. We have chosen to express our Plan in terms of outcomes supported by actions and success measures that will assist us in delivering our Plan, because we believe that a clear, simple, transparent set of statements provides the best way of establishing and then achieving them, and of being able to monitor performance – all of which is good governance.

The eight outcomes are grouped into the following three themes:

### **Changing, retaining and growing**

1. Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay.
2. There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough.
3. The centre of Slough will be vibrant, providing business, living, and cultural opportunities.

### **Enabling and preventing**

4. Slough will be one of the safest places in the Thames Valley.
5. More people will take responsibility and manage their own health, care and support needs.

6. Children and young people in Slough will be healthy, resilient and have positive life chances.

### Using resources wisely

7. The Council's income and the value of its assets will be maximised.
8. The Council will be a leading digital transformation organisation.

The Plan is therefore an important element of our strategic narrative in explaining our ambitions for Slough and how we are delivering major schemes to transform the borough for the better, while at the same time ensuring that vital services for those most in need are provided.

## **REPORTING**

In the Introduction, we said that we needed the right way of operating (including openly, honestly, efficiently, etc.) so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also mentioned above that "it is standard practice to 'work backwards' and assess the results and performance, and infer that, if these outputs are good, that is a sign that the underlying governance is also working properly. This section reviews how we reported on the results.

### Regular reporting

Within our Five Year Plan we have established a number of key performance indicators which we use to measure the performance of the Council during the year. These are reported in the form of a balanced scorecard, which is reviewed and updated annually. The following regular reports are received at our Cabinet meetings:

- **Five Year Plan Progress Updates and Annual Report (formerly Corporate Plan)**
- **Finance and Performance Report:** quarterly reporting on progress against the targets in the Corporate Plan and delivery of performance targets. We also publish detailed revenue and capital expenditure reports each quarter, and include financial forecasts.
- **Balanced Scorecard:** quarterly performance against the Council's key performance indicators
- **Council's Gold Projects Updates:** we publish quarterly performance in respect of the delivery of the Council's Gold projects, which are our key strategic projects.
- **Financial and Performance Outturn Report:** we will publish a report following the year end detailing how we performed against our targets for 2015/16

We publish, annually:

- The **Audit of Accounts:** The format of these is set by accounting regulations. The council's accounts are subject to external audit by BDO. Members of the public and local government electors have certain rights in the audit process.
- An **Annual Audit Letter:** Every year the council's external auditors, currently BDO, produce an Annual Audit Letter. This letter is a high level summary of the auditors' findings from their work during the previous financial year.

### Auditing and monitoring

The Council was subject to auditing and monitoring processes, which were intended to be objective and (where necessary) critical:

- **Internal audit:** we appointed RSM to carry out audits on a number of specific areas that we asked them to review. For each area of review, internal audit would typically provide assurance on the policies and procedures in place and the governance arrangements in operation to monitor the performance in that area. For each area, a report was issued concluding with an assurance opinion that utilised a 'traffic light' system (red, amber, green) as to how they think each area was doing; and to agree management actions for changes to our procedures and governance arrangements. RSM have provided an Annual Report in which it includes all the areas they reviewed; what 'traffic light' they gave and how many [high/medium/low priority] management actions were agreed.



The Head of Internal Audit Opinion for 2015/16 provided a positive opinion on our Risk Management, Governance and Control Framework. Positive assurance opinions were provided in 20 of the 31 audit reports issued in 2015/16 (excluding follow up and advisory reviews). Of the two red and nine amber red assurance opinions during the year no areas of common weakness were identified although these reports highlighted a number of areas where improvements in the control framework were required. It should also be noted that a number of advisory review were also undertaken which identified weaknesses in control, and these, together with the significant issues identified within the red and amber red assurance reports have been highlighted within the improvements section below.

**External audit:** The Council's external auditors, BDO, provided an unqualified opinion on the financial statements for the year ended 31 March 2015. However, a qualified opinion was issued on the Council's use of resources and delivery of value for money, due the significant weaknesses in Children's Social Care Services identified by Ofsted since 2011, the further deterioration in such services identified by another Ofsted review in 2014, and the decision of the Department for Education to pursue a transfer of Children's Social Care Services to another body.

**Other external assurance sources:** Sometimes we are reviewed by external bodies that look at certain services such as OFSTED on Safeguarding, which was an area for inspection in December 2013. This inspection was followed up and an Ofsted inspection report of services for children in need of help and protection, looked after children and care leavers was published in February 2014 with an 'inadequate' rating. This resulted in the Parliamentary Under Secretary of State for Children and Families using intervention powers under section 497A of the Education Act 1996 with respect to the Council's exercise of its children's social services functions, and work on creating this new organisation was finalised in September 2015, with staff transferring to the new organisation (Slough Children's Services Trust) from 1 October 2015.

- **Corporate Risk Register:** We document our corporate risks within this register which enables the Council to monitor how risks are being managed through regular review at the Risk Management Group and CMT. The Corporate Risk Register describes and rates each risk in terms of likelihood and consequence. It also lists controls mechanisms in place to manage those risks stated and actions to be undertaken to reduce the risks. This process has continued into 2015/16.
- **Audit recommendation tracker:** In 2013/14 we introduced a process of recommendation tracking to ensure that recommendations made by our Internal Auditors are implemented in a timely manner. We report on the progress in implementing recommendations to the Risk Management Group each meeting. This process has continued into 2015/16.

## **REVIEW OF EFFECTIVENESS**

Slough Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of all managers within Slough Borough Council who have responsibility for the development and maintenance of the governance environment.

The following process has been applied in maintaining and reviewing the effectiveness of the governance framework, and includes:

- The work of the Risk Management Group and the Risk Management Strategy
- The annual assurance statements produced by all Heads of Service
- The work of the Audit and Corporate Governance Committee
- The work of the Standards Sub-Committee



- The work of Internal Audit
- The work of the Overview and Scrutiny Committee.
- Directors complete an annual assurance statement that is supported by a governance self-assessment completed by each Assistant Director; these are available on request.

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Audit and Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **ANNUAL ASSURANCE STATEMENTS**

As detailed above, in order to provide confirmation that each Directorate within the Council has a sound system of internal control in operation, which in turn helps to manage and control business risk, each Director has been required to complete, certify and return a statement of their Directorate's current position.

Each Director and Assistant Director has been provided with a model format for completion and, in completing the statement, has facilitated the involvement of their Direct Reports to ensure that sufficient input has been obtained to provide a clear and coherent statement of all risk and control issues within any given area. These statements are held by Internal Audit.

## **IMPROVEMENTS**

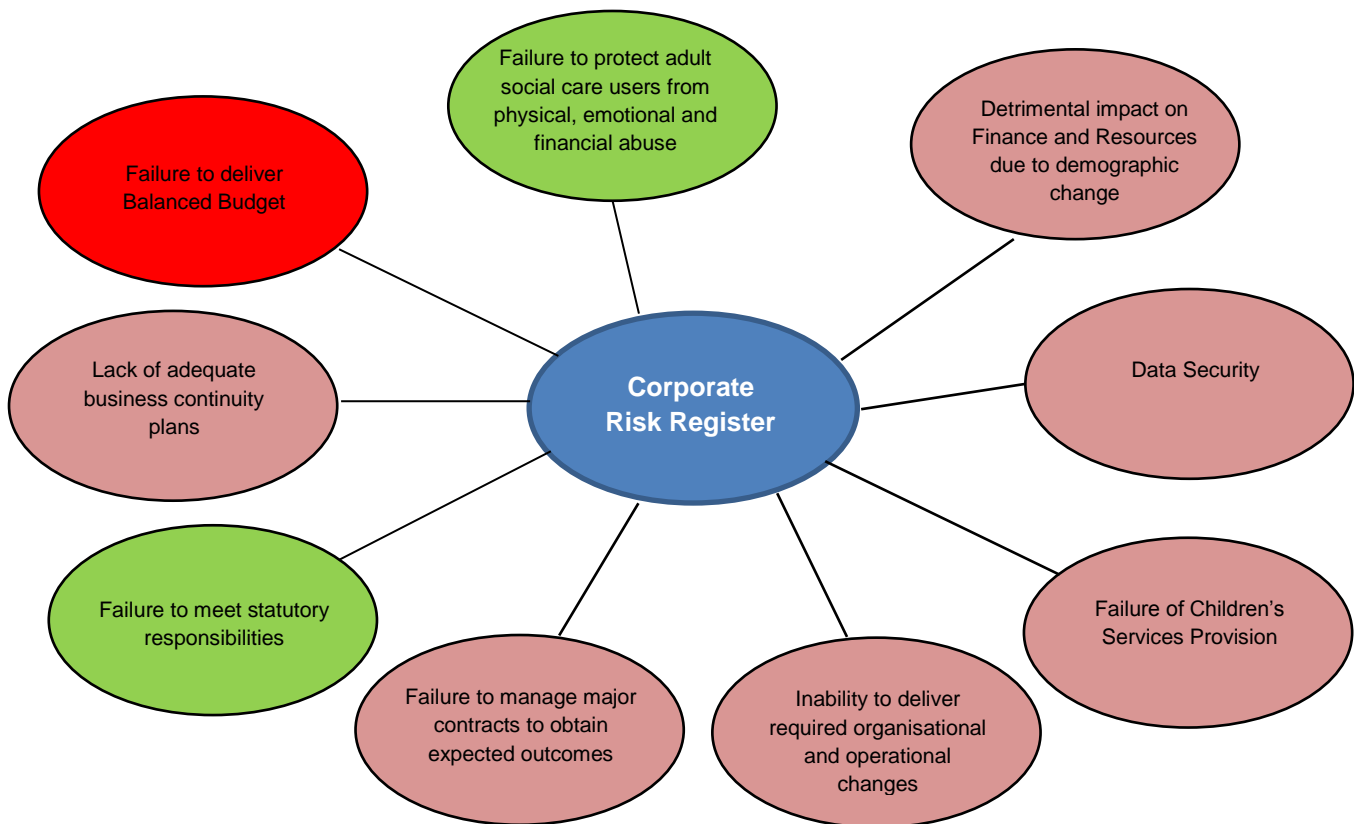
In the Annual Governance Statement for 2014/15 we identified a number of areas for improvement. The table below lists them, and comments how we did in addressing them in 2015/16.

<b><i>Issues reported in 2014/15 AGS</i></b>	<b><i>2015/16 actions taken</i></b>	<b><i>Is this an issue for 2016/17 and beyond?</i></b>
Safeguarding services and Safeguarding outcomes for children and young people (including risk assessments).	<p>Items remain on the corporate risk register; risk remains in Children's Social Care following the Ofsted inspection in December 2013 and the follow up in February 2014. (An inspection of Children's Services was also undertaken during 2015/16 and the results are awaited.)</p> <p>From the 1<sup>st</sup> October 2015 a new organisation, Slough Children's Services Trust, was established with staff previously working with Children's Services transferred to this organisation. We have worked with the Commissioner for Children's Social Care to ensure that we minimise any disruption to the provision of services.</p> <p>In 2015/16, Internal Audit undertook a review of our adult safeguarding arrangements and identified a number of areas of improvement were required. We have developed an action plan in response to this audit and are in the process of implementing actions to address the weaknesses identified.</p>	Yes
Contract Management	<p>This remains a key risk for the Council and continues to be managed by officers and captured on the Strategic Risk Register. In 2015/16 Internal Audit undertook a number of advisory reviews to assist us in developing our contract management arrangements together with carrying out an open book review into significant contracts. This work will continue into 2016/17. We have specifically targeted some of our internal audit coverage to provide some advice and assistance around our contract lettings procedures and processes to address some of the weaknesses in this area.</p>	Yes

Continued Economic Instability and Turbulence at a national level.	The Failure to Deliver a Balanced Budget Remains on the Corporate Risk Register for 2015-16 and beyond. The Council is currently reporting an overspend on outturn for 2015-16 of £300,000. We have set ourselves a balanced budget for 2016/17.	Yes
Managing a mixed economy workforce.	The Council continues to monitor performance through metrics to ensure outcomes are met. We requested Internal Audit undertake a review of our management of agency staffing and this identified a number of areas where improvements were required and we are putting in place processes to address these. We also requested Internal Audit carry out a review of our recruitment processes and this concluded positively on the effectiveness of controls in place.	Yes
Partnership and Governance arrangements	This in part relates to the above risk, though we need to continue to improve partnership governance arrangements in light of the Ofsted report and ensuring close working with partners into the future. In addition, a 2015/16 Internal Audit review into the Five Year Plan Outcomes provided a positive opinion in relation to the governance arrangements for the monitoring and delivery of outcomes.	Yes
Procurement	During 2015/16 we have continued to use Internal Audit in an advisory capacity to support us in the development of our contract management arrangements including how significant contracts are procured. This work will continue into 2016/17.	Yes
Schools Environment	We continued to commission an extensive programme of Internal Audit reviews around the management of our schools, including re-auditing a number of schools where negative opinions were provided in the previous year. Further audits of schools have taken place in 2015/16 to continue to drive forward improvements in internal controls, and to engage further with schools over improving safeguarding arrangements. This process will continue to be actively supported by our Audit and Corporate Governance Committee in 2016/17 and beyond. The Council needs to maximise its progress in respect of school improvement in an increasingly disparate education provision environment.	Yes
Risk Management	We have continued to develop our risk management arrangements during 2015/16, working towards implementing the recommendations made in this area by Internal Audit. Whilst we acknowledge that there is further work to be completed, improvements have been made in the processes in place, particularly with regards to developing the role of the Risk Management Group, and in 2016/17 we will be further embedding risk management throughout the organisation and using this to support the delivery of our 5 year plan.	Yes
Asset Register	During 2015/16 we requested our Internal Auditors to undertake a further review of the controls in place around our asset register, and to identify improvements made from the previous year. Whilst this review concluded that some assurance can be provided over this area, it noted that a number of further improvements were still required.	Yes

## Risk Register

The following risks have been highlighted on the Corporate Risk register as at the 31<sup>st</sup> March 2016, together with the associated residual risk rating (colour coding):



*We, the Leader and Chief Executive, undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2015/16, and will reflect and report on their operation and effectiveness as part of our next annual review.*

Signed .....

Date:

Leader

Signed .....

Date:

Chief Executive

## CONCLUSION

The Council's Audit & Corporate Governance Committee is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment and ensuring that appropriate action is taken with respect the issues raised on the control environment (for which the Annual Governance Statement forms a key element).

The Committee believes that it has discharged that responsibility, and that this report is evidence of that.