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Annual Governance Statement – 2015-2016

Scope and Responsibility

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public and organisations in the area of the Borough. The Council is responsible for ensuring that its business is conducted in accordance with 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 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.

Governance

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The Council's Governance Framework

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management leading to better service delivery, and, ultimately, better outcomes.

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

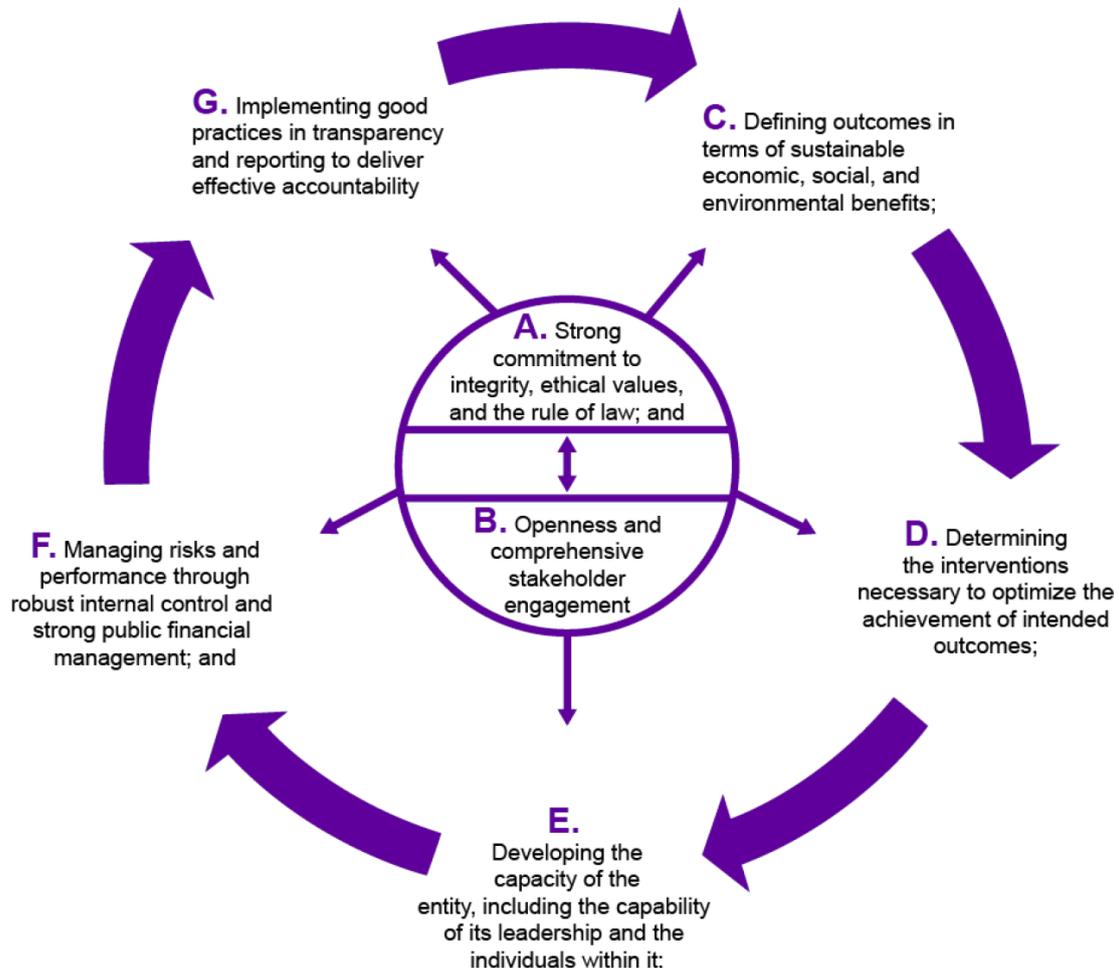
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and proportionate level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework comprises of seven principles of good governance.

The seven principles of good governance set out in the framework are:

- A. Strong commitment to integrity, ethical values, and the rule of law.
- B. Openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended out comes.
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency and reporting to deliver effective accountability.

The core principles for good governance in the public sector are high level and bring together a number of concepts. The figure below sets out the relationship between the principles:



Review of Effectiveness

Barrow 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 the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in reviewing this draft Annual Governance Statement

- Executive Director Head of Paid Services
- Director of Resources - S151 Officer
- Assistant Director - Community Services
- Assistant Director - Regeneration and the Built Environment
- Assistant Director - Housing
- Democratic Services Manager - Monitoring Officer
- Internal Audit Manager
- Corporate Support Manager

Self-Assessment

The Council has assessed itself against the principles of good governance that are defined in the Local Code of Corporate Governance.

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Group.

In addition the Council has established a governance group who annually collect assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self assessment the Council considers its governance arrangements to be improving and of a higher standard than previous years.

To support the self assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional evidence to demonstrate compliance with the suggested supporting principals of good governance.

The Council's governance arrangements are aligned to the seven principles defined in the CIPFA framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*. We produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements.

A: Strong commitment to integrity, ethical values, and the rule of law.

The Council is responsible for using national resources collected through local and national taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and officers.

Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council maintains shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution.
3. We annually adopt formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture. Their remit includes the functions formally undertaken by the Standards Committee.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with

ethical standards; and are subject to monitoring of their effectiveness.

7. We ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. We have appointed an acting Principal Legal Officer to provide support in accessing professional advice.
8. The Council has appointed statutory officers:
 - The Executive Director is the Proper Officer.
 - The Director of Resources is the S151 Officer.
 - The Democratic Services Manager is the Monitoring Officer.
9. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
10. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
11. We have put in place effective systems to protect the rights of staff. That policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The whistle-blowing service is administered independently by the Internal Audit manager.
12. We have established a governance group with the remit of collecting assurance information across all departments.
13. We publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

B: Openness and comprehensive stakeholder engagement

The Council operates for the public good and recognises there is a need for openness about our activities as well as clear channels of communication and engagement with all stakeholders. We must demonstrate that we act in the public interest at all times to maintain public trust and confidence. We should demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

1. We ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We have developed and will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2016/17 we will put in place arrangements to enable the Council to

engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. The Council is improving its website to provide more opportunities for engagement.

5. We publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We have identified and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.
5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

D: Determining the interventions necessary to optimise the achievement of intended outcomes.

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements. The Council has developed a workforce strategy to ensure that staff have the right skills to achieve our intended outcomes.

1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
3. We will ensure that there are effective arrangements in place to monitor service delivery.
4. We have put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
5. We have prepared contingency arrangements including disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
6. We provide senior managers and Members with timely financial and performance information.
7. We ensure that budget calculations are robust and reserves are adequate.
8. We align financial and performance data to provide an overall understanding of performance.

E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.

The Council has developed and will retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We provide training and support to enable staff to develop their skills so they can achieve their full potential.

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.

3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We ensure that effective management arrangements are in place throughout the organisation.
8. The Head of Paid Services is the Executive Director who is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council 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.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to in terms of lawfulness and legality.
13. We assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and

systems necessary to perform the role effectively within the Council.

F: Managing risks and performance through robust internal control and strong public financial management.

The Council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

1. We maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. We enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.
4. We ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We ensure effective internal control arrangements exist for sound financial management systems and processes.
6. We have established a performance reporting mechanism to ensure that Members and managers are provided with accurate and meaningful performance information.

G: Implementing good practices in transparency and reporting to deliver effective accountability.

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required and other frequently requested information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;

5. We maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We ensure an effective internal audit function is resourced and maintained.
7. We maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.
11. We maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

Internal Audit opinion

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards. The effectiveness of the Internal Audit function is examined on an annual basis. The Internal Audit function examines and evaluates the adequacy of the Council’s system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The Internal Audit Annual Report stated that Internal Audit had obtained reasonable assurance that the organisation’s framework of governance, risk management and control predominantly operated satisfactorily during 2015/16. The report stated that:

“My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.”

There are however, two areas where only Restricted Assurance can be provided, which relate to:

- *Procurement (including ordering); and*
- *West Shore Coastal Defence Contract.*

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external”.

The process for implementing recommendations raised from Internal Audit reviews is consistently applied and there is always a post-implementation review to ensure appropriate action has been taken. The recommendations relate both to individual service areas and also to the Council corporately. Matters raised with individual service areas are implemented by the service managers and matters raised corporately are implemented by senior managers or by Management Board. All high priority recommendations are reported to and considered by Management Board and the Corporate Support Manager monitors the implementation of these; reporting to the Audit Committee.

Financial management

The Director of Resources is the Officer charged with statutory responsibility for the proper administration of the Council’s financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Council’s financial management arrangements conform to the governance requirements of the Statement.

Director of Resources:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The current Medium Term Financial Plan is based on the Council’s 2016-2020 Budget Strategy which was agreed at the Full Council meeting on the 6th September, 2016. The Medium Term Financial Plan is based on the delivery of the strategy proposals and contains the assumptions and estimates used to

arrive at both the £2.37m deficit challenge in 2019-2020 and the balanced position after implementing the proposals.

Significant governance issues

There were no recommendations relating to the Annual Governance Statement in the 2014/15 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified two significant governance issues that require action in 2016, in respect of disaster recovery and agreeing the 2016-2020 Budget Strategy.

The Council has identified arrangement for ICT disaster recovery and these were implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Partial testing of this system has been completed to provide confidence that these arrangements are effective. Comprehensive testing has been delayed because of the refurbishment at the crematorium which hosts the microwave repeater. Following the completion of the refurbishment the repeater was found to be irreparably damaged and we are awaiting a replacement.

The Council's Budget Strategy was agreed at the Full Council meeting on the 6th September, 2016, and will now be implemented. Delivering the savings required in the Budget Strategy will be challenging and it is dependent on delivering significant savings in the Revenues & Benefits and the Waste & Cleansing contracts and from restructuring our cultural services arrangements. There is a high level of uncertainty as to whether the estimated savings can be made so this is a significant risk to the Council.

The actions to address these issues have been set and are shown in the following table.

| Action | Responsible officer | Due date |
|---|--|-----------------|
| Comprehensive testing of disaster recovery arrangements. This has been delayed because of the refurbishment at the Crematorium and the damage to the repeater which occurred during the refurbishment. There have been further issues with the repeater but these have now been resolved and the testing plan has been developed. | Corporate Support Manager | October 2016 |
| Agreement and publication of the 2016-2020 Budget Strategy and Medium Term Financial Plan. | Executive Director & Director of Resources | September 2016 |

We propose to take these steps to address the issues identified to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and report in our next annual review.

Aside from these specific issues, we believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns
Chairman of the Audit Committee
15th September 2016

P Huck
Executive Director
15th September 2016

Signed on behalf of the Council