# ANNUAL GOVERNANCE STATEMENT 2013/14

## 1. SCOPE OF RESPONSIBILITY

Bath & North East Somerset 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 its services are delivered in terms of economy, efficiency and effectiveness in order to demonstrate 'Best Value'.

In meeting its responsibilities, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The Council's system of internal control is designed to manage risk to a reasonable level rather than eliminate the risk of failure to achieve organisational objectives. Therefore the Annual Governance Statement only provides reasonable assurance around effectiveness.

The Council has adopted a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. A copy of the Code is accessible through the Council's website at www.bathnes.gov.uk.

This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Our definition of Corporate Governance is –

'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

This definition is underpinned by values of Integrity, Making a Difference and Innovation. The purpose of the governance framework is to allow the Authority to -

- Focus on the outcomes for the area and its community and create a vision for the local area which it can play a leadership role in helping to implement;
- Engage with local people and its other stakeholders to ensure robust public accountability;
- Foster a leadership community that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities;
- Promote values and behaviours for the Authority that will demonstrate how it will uphold good governance and high standards of conduct;
- Take informed and transparent decisions which manage risk and opportunity and are subject to effective scrutiny;
- Develop the capacity and capability of its Members and Officers to be effective and innovative

The governance framework has been in place at B&NES Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

# 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website http://www.bathnes.gov.uk or can be requested from the Council, e- mail: councilconnect@bathnes.gov.uk

## 1) Legal & Constitutional Governance

### a) Constitution

The Council's Constitution sets out how the Council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is put in place to ensure accountability is clear. Full Council has responsibility for setting what is called the Policy and Budget Framework. This is a collection of plans, strategies and policies (including the Council's Budget) which describe how services are to be provided.

Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on our website and all follow a standard process as set out by the Constitution.

### b) Council Structure & Leadership

The Council operates under a Leader and Cabinet structure with Cabinet Members responsible for individual portfolios. The following cabinet portfolios and responsibilities have been agreed at full Council:-

- Leader of the Council
- Community Resources
- Wellbeing
- Early Years Children & Youth
- Homes & Planning
- Sustainable Development
- Neighbourhoods
- Transport

The Cabinet can only make decisions which are in line with the Council's overall Policy and Budget Framework. If it wishes to make a decision which is contrary to the Policy and Budget Framework, it must be referred to the full Council to decide.

The Cabinet collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. Full Council will decide whether to allocate decision making responsibilities to individual members of the Cabinet. If the Council decides to allocate these powers, it will also determine the scope of those powers and the range of service responsibilities allocated to each Cabinet Member.

For most "key" decisions made by the Cabinet, by Cabinet Members or by Officers, the Council is required to publish in advance information about:

(a) the matter to be decided;
(b) who will be making the decision, and
(c) the date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Cabinet does not have the power to carry out

### c) Budget & Resource Setting

The Council is required to set a balanced budget on an annual basis under the Policy & Budget framework. The budget sets out how much money will be spent on services, invested in projects and the level of Council Tax for individual residents. This also includes the tax required by the Police, Fire Authorities and Parishes, although it has no control over the amount set by these bodies.

The budget process follows a set path each year involving proposals from Cabinet, scrutiny by Policy, Development and Scrutiny Panels and final approval at Full Council.

### d) Code of Corporate Governance

In May 2008 the Council approved a 'local' Code of Corporate Governance. The 'local' Code sets out the Council's definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted

## 2) Democratic Governance & Scrutiny

### a) Policy Development and Scrutiny Panels

Full Council established 6 Policy Development and Scrutiny Panels.

- Early Years, Children and Youth Policy Development and Scrutiny Panel
- Economic and Community Development Policy Development and Scrutiny Panel
- Housing and Major Projects Policy Development and Scrutiny Panel
- Planning, Transport and Environment Policy Development and Scrutiny Panel
- Resources Policy Development and Scrutiny Panel
- Wellbeing Policy Development and Scrutiny Panel

The Panels monitor the activity of the Cabinet and also assist them in developing policy.

A further Joint Scrutiny Panel has been established to monitor the West of England Partnership:

A Joint Committee for oversight of Joint Working for Health agreed it's Terms of Reference at a meeting in November 2013.

### b) Standards Committee

Standards Committee is made up of five Councillors, three independent people and three Parish Councillors. The roles and responsibilities of the Committee include:

- Promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent representatives on school governing bodies.
- Assisting the councillors, co-opted members and church and parent representatives on school governing bodies to observe the Members' Code of Conduct;
- To recommend to the Council one or more Codes of Conduct and Practice or protocols for members and/or employees of the Council.

The Localism Act 2011 repealed the Standards Committee Regulations 2008 and a revised Local Code of Conduct was agreed by Council on the 19th July 2013.

### c) Audit Committee

The Corporate Audit Committee is made up of six (seven up to the meeting on the 20th May 2013) Councillors and one independent member. The Council has delegated to this Committee responsibilities including:

- To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
- To approve the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year.
- To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations).
- To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement.
- To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
- To review periodically the Council's key financial governance procedures.
- To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance.
- To consider the Annual Audit & Inspection Letter from the External Auditor

## 3) Organisational Governance

### a) Management Structure

A management structure is in place to operate the Councils services through the Policy and Budget Framework, this includes a number of statutory and senior Officers.

Staff within the organisation are led by a Chief Executive and three Strategic Directors who each then have their own individual management structures to deliver their functions.

### b) Head of Paid Service

The Chief Executive is designated as Head of Paid Service and has overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). She provides professional advice to all parties in the

decision making process; and, together with the Monitoring Officer, is responsible for the system of record keeping for all Council's decisions. She represents the Council on partnership and external bodies as required by statute or by the Council.

## c) Monitoring Officer

The Council Solicitor is designated as Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulations, and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet

## d) S151 Officer

The Divisional Director Finance is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010 CIPFA / SOLACE issued an application note on the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This required the Chief Finance Officer (S151 Officer) to be:

- A key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- Leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- Lead and direct a finance function that is resourced to be fit for purpose; and
- Be professionally qualified and suitably experienced.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Budget Management Scheme (November 2007), Financial Regulations (May 2002) and Contract Standing Orders (November 2007). The Council has put in place a Financial Plan to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year

## e) Internal Audit

Internal Audit is delivered by an in-house function and operates to the Public Sector Internal Audit Standards.

A Quality Assurance and Improvement Programme is required which will need to be self-assessed internally and externally at least every 5 years. The Council's appointed External Auditor will consider Internal Audit's overall arrangements as part of their work for the Council and the function reports progress on its work to the Audit Committee.

### f) Counter Fraud & Corruption Arrangements

The Council has an Anti-Fraud and Corruption Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. It details:

- The key principles of the policy;
- The roles and responsibilities of Members and Officers;
- Investigation procedures to be followed in a suspected case of fraud.

The Council's Whistleblowing Policy is a component of the Anti-Fraud & Corruption Policy.

## 4) Planning & Policy Framework

### a) Corporate Plan

The Corporate Plan represents the Council's high level strategic plan and the priorities for its administration. During 2012/13 the plan was refreshed and the Council's previous eight priorities were replaced with three objectives that describe what Bath and North East Somerset is trying to achieve and to enable it to focus resources.

Whilst the same direction of travel is maintained there was a change of emphasis that puts people first and communities at the heart of everything.

The Vision is:
- Where everyone fulfills their potential;
- With lively, active communities;
- Unique places with beautiful surroundings.

To deliver this Vision the Council will focus on three key objectives:
- Promoting independence and positive lives for everyone.
- Creating neighbourhoods where people are proud to live.
- Building a stronger economy.

Each of these objectives then has a number of outcomes that will be delivered through the Council's Plans, Policies and Strategies.

### b) Medium Term Service & Resource Plan

This is a 3 year rolling plan which links the outcomes of the Council's Corporate Plan to that of each of its three main Directorates -

- Resources;
- Place;
- People and Communities

Each Directorate will therefore individually represent the changes taking place and the proposals for the future in response to the key influences and challenges facing each one of them.

The Plan highlights the local and national contexts affecting each portfolio along with the individual priorities for each of its services and the overall financial and workforce planning parameters. Once approved these plans then directly feed into the formal budget setting process and completion of individual Service Plans.

## c) Service Action Plans

Service Action Plans represent the operational annual plans for each of the services within the three main Directorates. The Plans detail the purpose and objectives of their services, budgets for the forthcoming year and the key priorities and outcomes to be achieved which relate directly back to the Corporate and Medium Term Service and Resource Plans.

The Plans are finalised once the budget has been approved in February of each year and the performance management system monitors delivery of the priorities through the service delivery programme which is reported publicly.

## 5) Performance Management Framework

### a) Performance Management

A system of performance management is in place in the authority to monitor and manage performance from a Corporate to Service to an individual perspective.

Performance management is based on what's happened in the past, enabling intelligent planning for the future and informing current decisions to provide services. Performance Management data is compiled every quarter and this results in a comprehensive pack of performance, financial, risk and organisational health information.

This is formally reported to the Council's Senior Management Team, whilst Cabinet Members receive quarterly updates on remedial actions linked to any areas previously reported as requiring improvement.

### b) Financial Management

The Council has in place a detailed framework of financial and budgetary management as a result of its responsibilities under the Policy and Budget framework.

As well as the processes already detailed above for the preparation and approval of the Budget and Medium Term Service and Resource Plans it has a number of other key elements –

- Creation and adoption of Financial Regulations and a budget management scheme;
- Monthly financial dashboards which provides a detailed analysis of each individual service's financial performance;
- This identifies the latest position, current issues or potential risks to meeting service budgets as well as a forecast to the end of the financial year;
- The dashboard provides a view both against revenue and capital budgets with individual commentaries on major projects or initiatives using a RAG status;
- The Accounts themselves are based on the financial ledger used by the Councils Agresso Financial Management System;
- This system is managed and monitored by the Council's Finance Service and has inbuilt into it sufficient controls to reduce or remove the risk of fraud and corruption, for example –
    - a) authorisation limits for individual officers;  (i.e. journals)
    - b) controlled access to only authorised parts of the system;
    - c) reconciliation processes to balance control accounts

- The Councils finance service contains appropriate skilled and experienced staff to manage the production of the accounts as well as providing training for staff in services to use the financial ledger appropriately

## c) Risk Management

The Council Risk Management Strategy is reviewed annually and sets out the framework to manage risk in terms of –

- Objectives
- Processes
- Systems
- Reporting

The Cabinet and Strategic Directors Group maintain a Corporate Risk Register which defines and assesses risks to Council's objectives and records actions to manage these risks. The risks and actions are monitored on a quarterly basis. Strategic and Divisional Directors review Service risk management processes periodically e.g. the maintenance of Service risk registers.

Internal Audit provides an overview of the risk management framework and advises services on the operation of the relevant systems. The Corporate Audit Committee monitors the risk management plan periodically.

## 6) Partnership Governance

### a) Public Services Board

Our Public Services board brings together senior representatives from local public service agencies and other key partners. It is responsible for maintaining an overview of all of our partnership arrangements as well as setting a strategic vision for the area through the development and delivery of a Sustainable Community Strategy. Its work is supported by themed delivery partnerships which align to the Sustainable Community Strategy.

### b) Sustainable Community Strategy

The Sustainable Community Strategy was created in 2009 and sets out a long term vision, up to 2026 in terms of a framework for long-term economic, social and environmental wellbeing of the area as a whole. It links directly to the priorities within the Corporate Plan and provides a starting point for the Council and its partners in building Bath and North East Somerset as the place to live, work and visit.

It contains six drivers for change –

- Climate Change
- Demographic Change
- Growth
- Inequalities
- Locality
- Economy

## c) Health Services

The Health & Social Care Act 2012 led to the abolition of Primary Care Trusts (PCT's) with responsibilities being transferred to Local Clinical Commissioning Groups. Much of the Clinical Commissioning Group's work is carried out by a Governing Body made up of representatives elected by 28 practices in Bath and North East Somerset.

With effect from 1$^{st}$ April 2013 the health reforms also transferred some public health responsibilities from B&NES NHS to the Council. The Director of Public Health reports to the Strategic Director of People and Communities and he's responsible for public health grant funding. The conditions of the grant funding require them to be used to:
- Improve significantly the health and wellbeing of local populations.
- Carry out health protection functions delegated from the Secretary of State.
- Reduce health inequalities across the life course, including within hard to reach groups.
- Ensure the provision of population healthcare advice.

The stated intention of the health reforms was to improve the health and wellbeing of the nation and delivering better outcomes. To assist with the measurement of these outcomes a Public Health Outcomes Framework for public health at national and local levels has been established by the Department of Health. It sets out a high level vision for public health outcomes, focused on increasing healthy life expectancy and reducing inequalities in health. These outcomes are to be measured through a range of indicators grouped into 'wider determinants of health', 'health improvement', 'health protection' and 'healthcare public health and preventing premature mortality'.

The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. Membership of the Board includes Council Officers & Members, CCG and Healthwatch representatives.

A Joint Health Scrutiny Panel has been established with the other Councils in the former Avon area.


## d) Community Healthcare and Adult Social Care Partnership - Sirona

In October 2011, the Council transferred its health and social care services to a Community Interest Company (CIC), Sirona Care & Health CIC.

Sirona is an independent non-profit distributing organisation providing publicly-funded health and social care services. Sirona is responsible for the delivery of the community healthcare and adult social care services previously provided by Bath and North East Somerset PCT and Council respectively. A Council Member is a Non-Executive Director of Sirona and in addition the Council has four of the twenty Company Members.

This was a significant change to the way social services are delivered. Under the Community Care Act 1990 (Section 47) the Council is not able to delegate some decision making powers relating to the assessment of need and support plans. To enable the effective delivery of these functions legal advice was taken and a Secondment Agreement process was completed to allow Sirona staff to undertake Council roles / responsibilities.

### e) Economic Regeneration - West of England Local Enterprise Partnership

The Local Enterprise Partnership (LEP) builds on the existing 'West of England Partnership' of the four local unitary councils and businesses in the sub-region. Significant funding is being made available to invest in economic regeneration of the sub-region through various means including the 'city region deal'.

Bath and North East Somerset Council is the Accountable Body for the central administration of the LEP, whilst individual themes and projects are led by a relevant Authority. There are specific governance mechanisms in place to control each of the funding streams and delivery of the LEP's objectives.

The key actions of the LEP Business Plan are:

1. Improving Transport Infrastructure
2. Tackling Skill mismatches and/or gaps in the workforce
3. Putting the West of England on the map: Inward Investment
4. Create a clear case for investment from the LEP to national government
5. Growing the green economy
6. Creating a successful Enterprise Zone/Enterprise Areas

## 7) Stakeholder Governance - Feedback & Review

### a) Corporate Feedback/Complaints

The Council has a Corporate Feedback Policy and Procedure which describes how feedback will be handled and responded to whether it is suggestions or complaints.

It details how the Council will monitor and track complaints through its Customer Relationship Management system and ensure that feedback is proactively used to improve services and identify training needs.

For complaints specifically the Council has adopted a two stage approach to ensure that if the complainant is dissatisfied with the outcome of Stage 1 they can request a Stage 2 review. This review is carried out internally by officers independent of the service area to which the complaint was received. If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman

### b) Stakeholder Communication

The Council has an established Communications Strategy to engage with citizens and the Community. Four main methods are used to communicate the Council's objectives and achievements to citizens and service users:

- **'Your Local Council Spending & Council Tax Guide'** including an A-Z of Council Services is sent to all Bath & North East Somerset Council households. As well as providing statutory information relating to the Council Tax and budget setting process it provides full detail of the Council's Vision & Priorities and a review of progress.
- **The Council Website**, which is updated daily, and provides information about the Council & online access to services;
- **The 'Inform' newsletter**, which is sent weekly via email to all subscribers providing detailed news stories;

- **'Connect Magazine'** is produced quarterly and sent to all households within Bath & North East Somerset.
- **Council Facebook & Twitter Accounts** are updated regularly to provide instant access to relevant on-going events and incidents.

The Council also undertakes consultation exercises with stakeholders, through either one off consultations on specific subjects, or through the Voicebox satisfaction survey.

### c) External Audit/Inspectorates

The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised. During 2012/13 the External Auditor changed to Grant Thornton under the auspices of a new 5 year contract as a result of the abolition of the Audit Commission.

## 4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. In accordance with best practice, the Council has adopted a methodology (Process & Assurance Framework) to formally review the governance framework for the purposes of this Statement. The components are as follows:

**Management Assurance -**
- A review of compliance with the adopted Local Code of Corporate Governance.
- A review of the implementation of the Risk Management Strategy
- A review of Internal Audit Report findings and recommendations.
- A review of fraud and special investigations completed during the year by Internal Audit.
- Meetings with 'Key' Corporate Officers to specific areas including: Performance; Finance; Communications; Legal; Information Governance; Human Resources; Health & Safety; Equalities; Sustainability; Corporate Complaints and Internal Audit. The objective of these meetings was to identify issues for further discussion with Divisional Directors.

**Statutory Officer Assurance**
- Meeting with the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Chief Financial Officer) to discuss their roles and responsibilities and issues identified during the year.

**Service Assurance -**
- Meetings with Divisional Directors to capture their input using a standard Service Assurance framework.
- The Service Governance Framework consisted of the following components: Governance, Service Planning, Financial Management, Risk Management, Information Governance, Internal Control, Procurement, Project Management, Partnerships, Human Resource Management; Health & Safety, Corporate Equality; Environmental Sustainability & Climate Change and Public Interest.

**Performance Management -**
- A review of performance management reporting
- A review of financial management reporting

**External Review Assurance -**
- An examination of external inspection reports.
- An examination of external audit reports
- A review of complaints considered by the Local Government Ombudsman.

**Other Sources -**
- An examination of the work of the Corporate Audit Committee.
- An examination of Standards Committee and Policy Development & Scrutiny Panels minutes
- A review of the adequacy of the complaints procedure including monitoring and reporting outcomes.
- A review of Strategic Director / Senior Management Team meeting reports / minutes.

## 5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

- **Divisional Directors** – Divisional Directors were interviewed as part of the review process to assist obtaining corporate involvement.

- **Statutory Officers** – The S151 Officer and Monitoring Officer were consulted during January / February 2014 on the process and their roles and responsibilities.

- **Corporate Audit Committee** – The Committee were informed of the Annual Governance Review on 4th February 2014 and consulted on the Long List of Issues on the 13th May 2014.

- **Strategic Directors** – The Annual Governance Review and the 'List of Issues' were considered by Strategic Directors during June 2014.

- **Leader of the Council & Chief Executive** – The Annual Governance Statement 2013-14 is signed by the Leader of the Council and the Chief Executive.

## 6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2012/13

The following issues were identified on last year's Annual Governance Statement:

| No. | Issue | Actions | Update |
|-----|-------|---------|--------|
| 1. | **Conflicts of Interest/Financial Management** | S151 Officer has reviewed and updated the budget management scheme and financial reporting of virements. | All actions completed. |
| | During the year it was identified that in one service a small number of grants and contracts had been inappropriately allocated and managed as a result of conflicts of interest. | Council Solicitor has reviewed the relevant contractual arrangements and recommended improvements and options to resolve. | |
| | In addition budgetary management and governance had not followed agreed council procedures leading to an overspend within one cost centre. Whilst this was an isolated set of circumstances and there was no material effect on the Council's financial position, significant resources were still required to resolve the situation. | The Head of Audit has reviewed the system for allocation of grants and contracts, whistleblowing arrangements and system for declaration of interests within the service area. | |

## 7. SIGNIFICANT GOVERNANCE ISSUES 2013/2014

Based on work carried out, including Senior Management involvement, it has been concluded that there are not any significant governance issues to be reported.

**SIGNED BY:**

**PAUL CROSSLEY**
**LEADER OF THE COUNCIL**

**DATE: 12th September 2014**

**JO FARRAR**
**CHIEF EXECUTIVE**