

## **Annual governance statement 2016/17**

### **Scope of responsibility**

1. Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and efficient and effective services.
2. To meet these responsibilities the council has put in place proper arrangements for overseeing what we do. These arrangements are intended to make sure that we have the right people, doing the right things, at the right time, for the right reasons, and in the right way in an open, inclusive and accountable manner.
3. The council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy ("CIPFA")/Society of Local Authority Chief Executives ("SOLACE") framework for delivering good governance in local government. For ease of reference the table at appendix 1 shows how the council's principles map to the CIPFA framework principles. The council's code is available on the website at: [Code](#) . As part of the review of the council's constitution and having regard to the revised framework for delivering good governance in local government the code of corporate governance has been revised and will be considered for adoption by full Council on 19 May 2017.
4. This statement explains how the council has complied with its current code and meets the requirements the Accounts and Audit Regulations 2015.

### **The purpose of the governance framework**

5. The governance framework comprises the systems, processes, culture and values by which the council is controlled, and also sets out how the council accounts to, engages with and leads the community.
6. The governance framework enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives; it can only offer reasonable rather than absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to:
  - identify and prioritise the risks to the achievement of the council's policies, aims and objectives;
  - assess the likelihood and impact of the risks should they be realised; and
  - manage the risks efficiently, effectively and economically.

## The governance framework

9. The framework we have in place to ensure adherence to the code is described in more detail below.

### **Principle 1 – Provide the best possible service to the people of Herefordshire**

10. Herefordshire Council's priorities for the county are set out in the corporate plan approved by full Council. An annual delivery plan is approved by cabinet and funding to carry out these activities is agreed through the medium term financial strategy (MTFS). Both the corporate plan and MTFS cover the period to 2019/20 and were reviewed during the autumn of 2016 to ensure they remained aligned to residents' priorities and fit for purpose to meet the financial challenges facing public services. A revised MTFS was adopted by full Council in February 2017 and cabinet approve an annual corporate delivery plan demonstrating the key activity planned in order to achieve the corporate plan priorities. The council currently has a number of strategic visions associated with various strategies and plans which presents a risk that the overall vision and priorities are not able to be communicated effectively or used to inform courses of action for the council and its partnerships. Actions to mitigate this risk are included in the action plan for the coming year.
11. During 2016/17 the council delivered a balanced budget and continues to closely monitor, through the performance monitoring process, delivery of service transformation and implementation of savings plans.
12. Overall performance has been reported to cabinet on a quarterly basis together with financial outturn reports. During the year these quarterly reports have been supplemented by periodic performance reviews which have taken place led by senior management and providing the opportunity for members of the executive, overview and scrutiny chairs and group leaders to participate. These reviews are directorate based and cover all areas of the council's operations.
13. In addition cabinet receives an annual report on performance and financial outturn. It also receives a summary of the evidence base captured in 'Understanding Herefordshire' which incorporates the joint strategic needs assessment for the county, and summarises the input received from residents through consultations completed during the year. All these documents are available on the council's website.
14. The council aims to have good governance arrangements in respect of partnerships, and has developed protocols for working with particular sectors such as local councils and the voluntary and community sector. More formal partnership arrangements with other councils, such as the Marches Local Enterprise Partnership, have been established as joint executive committees which themselves are subject to the relevant statutory requirements for open and accountable decision-making. During 2016/17 a framework for partnerships governance was adopted and a register of significant partnerships will be maintained on the council's website. Initial risk assessments of significant partnerships' governance arrangements are being undertaken and will inform improvement action.
15. The council has a commercial and commissioning strategy which sets out the council's approach to commissioning, procurement and contract management and our future strategic commissioning and commercial objectives to support the delivery of the corporate plan priorities. However the strategy is now out of date and there is a need to ensure the strategy effectively supports achievement of the corporate plan priorities and adequately ensures that any such arrangements demonstrate compliance with the code of corporate governance. The action plan for the coming year includes actions to address this.

16. Continued financial pressures on health and social care services together with changing national policies affecting NHS organisations and local government present continuing governance challenges to the council. We must ensure that the resources we have available are transparently used to best effect, that partnerships we engage in uphold the values of the council, and that arrangements we make for the future delivery of services remain flexible to respond to further change.

**Principle 2 – Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness**

17. The constitution sets out transparently and comprehensively the rules controlling our business including the council's executive arrangements, committee structure, codes of conduct, contract and financial procedure rules and schemes of delegation. A review of the constitution, led by elected members, was in large part completed in 2016 and a revised constitution adopted by full Council in December 2016 having regard to the following design principles:
- Members and officers perform effectively in clearly defined functions and roles
  - Maximise member engagement and participation, including the involvement of all members in the development of key policies
  - Decision making is informed, transparent and efficient
  - The council welcomes public engagement and makes accountability real

An implementation date of 19 May 2017 was agreed to enable outstanding work to be completed in relation to the codes and the finance and contract procedure rules and to enable a training and development programme for both members and employees to be put in place to support effective communication of the new constitution.

18. The council publishes an annual pay policy statement setting out arrangements for employee remuneration.
19. There is a formal staff performance review requirement for all employees; personal performance development plan and quarterly review compliance is monitored by directors.
20. An independent remuneration panel is established which makes recommendations to full Council regarding member allowances; the panel's last report was considered by full Council in May 2015 and is available at: [panel report 2015](#). Following the completion of the review of the constitution the panel has been asked to undertake a more fundamental review of allowances and their recommendations will be considered by full Council in May 2017.
21. A member development and training working group has been established, reporting to the cabinet member health and wellbeing (deputy leader), to review ongoing training and development needs and make recommendations for future training and development programmes.
22. Internal audit reports include specific agreed action plans to implement improvements identified, these inform the annual internal audit report to the audit and governance committee. The audit and governance committee has led the implementation of a system of tracking implementation of audit recommendations to strengthen assurance in this area.
23. The council has in place a range of policies and mandatory training for employees to aid and enhance their effectiveness. Compliance monitoring and some internal audit findings have identified that there is some inconsistency in compliance and actions to secure improvement are included in the 2017/18 action plan.

### **Principle 3 – Require high standards of conduct**

24. The council has agreed values, which act as a guide for decision-making and a basis for developing positive relationships and trust both within the council and between the council and its partners. The council follows CIPFA recommended financial management arrangements; the s151 role is fulfilled by the chief finance officer. Although this is not a director-level post, the post has direct lines of accountability to the chief executive, is a member of the senior management team, and is entitled to attend or send a representative to meetings of the council and cabinet in relation to any item which he considers raises financial issues. The s151 officer has appointed a deputy. The chief finance officer is also responsible for maintaining an effective internal audit service and does so through the South West Audit Partnership. A self-assessment against the governance arrangements in the CIPFA statement on the role of head of internal audit has been undertaken and no significant weaknesses have been identified.
25. The council has an anti-fraud and corruption policy. The council has also undertaken the CIPFA counter fraud self-assessment which has informed the action plan for the coming year.
26. The solicitor to the council fulfils the role of monitoring officer and has arrangements in place to ensure compliance with legislation, corporate policies and procedures. The monitoring officer is a member of the senior management team and is entitled to attend, or send a representative to meetings of the council and cabinet. A regular programme of member training has been delivered and induction provided for new members. Refresher briefing sessions on the code of conduct are usually held annually both for Herefordshire Council members and for parish and town councillors; the refresher training in 2016 has been deferred pending adoption of a revised code of conduct scheduled for 19 May 2017. The monitoring officer and her deputy are available to provide advice and guidance on matters of conduct. The council has appointed two independent persons to support the monitoring officer in dealing with code of conduct complaints relating to Herefordshire Council or parish council members.
27. The annual report of the monitoring officer includes performance information regarding standards cases, whistleblowing incidents, complaints and ombudsmen findings, and informs the development of any improvement actions.
28. The chief executive fulfils the responsibilities of head of paid service. Managers are responsible for making sure employees keep to policies, procedures, laws and regulations. There is an employee code of conduct setting out clear expectations and standards; this is supported by employee policies such as whistleblowing, grievance, bullying and harassment, and member and officer relations; these have been reviewed as part of the review of the constitution to ensure they remain relevant and fit for purpose. Regular employee opinion surveys are undertaken to inform the focus for improvement. The chief executive has established an internal health, safety, wellbeing and equality board to ensure that the culture of the organisation is one that listens to concerns and responds to them effectively and efficiently.
29. The council's member code of conduct and employee code of conduct have not been reviewed since 2012, and there is a lack of clarity regarding the types of interest to be declared by members and the processes for declarations amongst employees. During the year a review of both codes has been undertaken and revised codes will be reported to council in May 2017 for adoption within the council's constitution.

### **Principle 4 – Take sound decisions on the basis of good information**

30. The council ensures its constitutional arrangements provide for effective council and executive decision-making with clearly defined roles for members and officers. Processes are in place to ensure that decision makers are provided with complete information necessary for them to take balanced and informed decisions in compliance with the principles of good decision making.
31. During 2016/17 some weaknesses were identified in relation to the quality assurance of financial tables printed in reports and in relation to the ease of use of capital financial reports. Both internal and external audit confirmed that these weaknesses did not affect the financial statements or decision-making but improvement action has been identified in this area.

**Principle 5 – Be transparent and open: responsive to Herefordshire’s needs and accountable to its people**

32. All meetings are held in public unless there are clear reasons for the exclusion of the public. All executive decisions, including those taken by officers under delegated authority, are available on the council’s website, unless there are clearly stated reasons for not doing so.
33. Public participation through submission of questions to public meetings of full Council is encouraged; during the year a review of the council’s constitution identified the benefits of extending this to a wider range of public meetings of the council which will come into effect in May 2017, and the newly adopted constitution includes a guide to public participation.
34. The council has strategies which support engagement; promote the use of digital technology to increase engagement and self-service; and respond to customer concerns if expectations are not met. However there are not consistent standards being applied across the council in relation to consultation and engagement and this will be included in the action plan for the coming year.
35. The council has designated the democratic services manager as statutory scrutiny officer and ensures the overview and scrutiny committees are provided with the support necessary to enable them to perform all statutory duties required of them. In reviewing the constitution members expressed a clear wish to strengthen the effectiveness of the scrutiny function and have made changes to the committee structure to facilitate this.
36. The council has approved a revised communications strategy and protocols in 2016/17 and the communications team help the council to communicate with all sections of the community in Herefordshire via the media, marketing and through digital channels. Services are making increasing use of social media and the council’s website has been redesigned to improve user experience.
37. The council meets its statutory responsibilities regarding data transparency. The council is firmly committed to openness, transparency and acting in the public interest. Whilst the council determines to exclude the public from very few of its meetings and provides access to decision making records unless there are legal reasons not to do so, the information within decision reports is not always as accessible or clear as it could be and does not always demonstrate the how the council is having regard to the public interest when determining whether information should be withheld. The council’s new website makes it easier to find information about forthcoming decisions and those that have been taken, and actions to secure further improvement are included in the action plan

**Review of effectiveness**

38. Herefordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the following key systems of control: risk management, procurement, the whistle blowing policy, the control environment and associated counter fraud and corruption arrangements, and the complaints process.
39. The review of effectiveness, jointly led by the section 151 officer and the monitoring officer, is informed by reports from external agencies including internal and external audit, risk and performance reports, analysis of complaints and standards issues through the year, assurance reviews completed by managers and progress against actions identified in the previous year's annual governance statement. The review has considered the effectiveness of the council's governance arrangements against the principles set out in the revised CIPFA framework for delivering good governance in local government.
40. Herefordshire Council has not experienced any significant governance failures during the last year. The results of the review were provided to senior management to consider, and an action plan has been drawn up (at appendix 2) to address the key issues identified and ensure continuous improvement.

Appendix 1 Council governance principles mapped to CIPFA framework principles.

<b>CIPFA principle</b>	<b>Council principle</b>
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law	<ul style="list-style-type: none"> <li>• Require high standards of conduct</li> </ul>
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> <li>• Be transparent and open, responsive to Herefordshire's needs and accountable to its people</li> <li>• Take sound decisions on the basis of good information</li> </ul>
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Provide the best possible service to the people of Herefordshire</li> <li>• Take sound decisions on the basis of good information</li> </ul>
Determining the interventions necessary to optimise the achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Provide the best possible service to the people of Herefordshire</li> <li>• Take sound decisions on the basis of good information</li> </ul>
Developing the council's capacity including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> <li>• Define the roles of councillors and officers, ensuring that they work together constructively, and improving their effectiveness</li> </ul>
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> <li>• Take sound decisions on the basis of good information</li> </ul>
Implementing good practices in transparency, reporting, and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>• Be transparent and open, responsive to Herefordshire's needs and accountable to its people</li> <li>• Take sound decisions on the basis of good information</li> </ul>

Improvement required	Action planned	By when	Owner	Progress
1. Members and officers modelling the values and behaviours expected and clear about the processes to follow if they have concerns.	Supporting implementation of the revised constitution and codes which provide clearer information, a communication and training programme will be delivered for both members and officers.	End July 17	CW	
2. The council's commitment to openness and the public interest is not always clear in its decision-making.	New guidance on access to information is included in the revised constitution.	19/05/17	CW	
	Guidance on public interest will form part of training to report authors and decision-makers	End July 17	AB	
	Guidance on report writing will provide clarity on expected report content and the requirements for compliance with all the principles of good decision making to be demonstrated	End July 17	AB	
3. Channels of communication with the community and stakeholders are not always clear and there are inconsistent approaches to consultation.	Supporting the communication strategy and protocols, consultation and engagement standards will be established	TBC	DE	
	Communications training for staff and members delivered	TBC	NS	
4. Links between the various visions, budget and service planning and commissioning, risk management, performance and value for money are not consistently demonstrated or measured	Seek to agree consolidated vision through development of corporate delivery plan 2018/19 (test through budget consultation?)	March 18	AN	
	Supplement the performance, risk and opportunity management framework with some clearer guidance on service and project planning to ensure these links are made effectively and consistently; to ensure risk is consistently recorded and used to inform decision making; and to ensure outcomes are measured and reported	Sept 17	RB	
	End of year/annual report to highlight the impact of activities	July 17	RB	
	Revised commercial and commissioning strategy adopted, communicated and monitored to ensure	Sept 17	NS	



		contractual arrangements reflect the council's priorities and can demonstrate value for money.			
		Options appraisal to establish whether a course of action represents best use of resources, to be a consistent element of business cases informing decisions	Sept 17	AL	
5.	The level of awareness of fraud risk and potential mitigation is low in areas outside of financial transaction service areas.	The anti-fraud and corruption policy will be reviewed and refreshed	July 17	AL	
6.	There is some evidence from internal audit findings that policies and procedures are not always understood/followed.	Communication and training of the revised policy will be delivered	Dec 17	AL	
		Establish a register of policies and procedures which identifies the policy/procedure, policy owner, scope of policy, approval date, review date, and monitoring arrangement.	Dec 17	CT	
		Following above action, establish programme to review all policies and procedures to ensure they are relevant, have clear processes for communication to employees, and compliance is monitored appropriately	March 18	CT	
7.	There is a risk that partnerships' governance arrangements don't fully reflect the principles of the revised code of corporate governance.	Significant partnerships have been identified and initial self-assessments undertaken. These will be discussed with the relevant partners and, as part of those discussions improvement actions to mitigate any risks identified will be agreed. This review process will become business as usual going forward.	Ongoing	AB	

Action owners:

- RB – Assistant director environment and place
- AB – Head of corporate governance
- DE – Interim assistant director commissioning and transformation
- AN – Chief executive
- NS – Assistant director communities
- CT – Equality, resilience and information compliance manager
- CW – Solicitor to the council