

## Section 8: Annual Governance Statement

### CORPORATE ASSURANCE STATEMENT 2013/2014

#### Scope of responsibility

Middlesbrough 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. Middlesbrough 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, Middlesbrough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Middlesbrough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the SOLACE (Society of Local Authority Chief Executives) / CIPFA (Chartered Institute of Public Finance and Accountancy) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk) or can be obtained from Legal Services, Middlesbrough Council, Town Hall, Middlesbrough TS1 9FX. This statement explains how Middlesbrough Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

During 2013/2014, the Council had a Corporate Governance Team comprising: The Director of Legal & Democratic Services (now, Assistant Director Organisation & Governance), Assistant Director of Finance, Policy and Improvement Manager, Internal Audit Manager and Insurance Manager. The Team is responsible for managing the process by which the annual review of corporate governance is conducted. The Audit and Governance committee is responsible for reviewing the findings of the draft Governance Statement and advising the Council on matters it wishes to draw to the Council's attention.

In May 2014, the Council merged the Corporate Affairs Committee and the Audit and Governance Committee into the Corporate Affairs and Audit Committee with a single Chair.

#### The purpose of the governance framework

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

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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 failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Middlesbrough 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 these risks efficiently, effectively and economically.

The governance framework has been in place at Middlesbrough Council for the year ended 31 March 2013 and up to the date of approval of the annual statement of accounts.

### The Governance Framework

The Council operates in a well-established, open and documented Governance Framework. Specific documents referred to in this section are available for review on the Council's website at [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk)

The key elements of the systems and processes that comprise the Authority's governance arrangements as they relate to the principles of the CIPFA / SOLACE Framework are as follows;

#### Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

The Council reviewed its strategic priorities for Middlesbrough in 2012 and published them in the Middlesbrough 2020 Our Vision document. This sets out a vision for Middlesbrough to be 'the place to live, work and visit' and is supported by three strategic aims:

- a town that is clean, safe and healthy;
- a learning town, in which families and communities thrive; and
- a town that continues to transform.

The vision has subsequently been adopted by the Council's partners and in its role as a community leader the Council will work with communities and its partners to achieve the Vision.

Building on this, the Council has identified three strategic objectives and nine supporting outcomes that together comprise its specific contribution to the achievement of the Vision.

These are set out in the Change Programme 2014-2017 document approved by Council on 14 May 2014. The outcomes will be supported by detailed Outcome Delivery Plans that will be developed by November 2014, and provide a clear direction for all Council services to 2017.

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Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources

During 2013/2014 the Strategic Plan formed the basis of the Council's corporate performance management framework, with progress monitored and published on a quarterly basis.

Detailed information on service facilitation and delivery is set out in the individual departmental and service delivery plans and supporting strategies, which are owned and monitored at the directorate and service levels.

From May 2014, the Change Programme 2014-2017 document will supersede the Strategic Plan as the Council's overarching business plan.

The forthcoming Outcome Plans will form the basis of a new Performance Management Framework for the Council, which will be based on the Balanced Scorecard approach.

The Balanced Scorecard approach will be piloted and rolled-out across the Council by the end of 2014/15. The Council will reorganise its performance and management information processes to support Balanced Scorecards.

The Council's is in the process of developing and updating the performance management framework to use a balanced scorecard. This will be piloted in 2014/2015 with a view to being fully adopted in 2015/2016.

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

Elected Members are collectively responsible for the governance of the Council.

During 2013/2014 the Council operated a directly elected mayoral model with the Mayor being re-elected for a third term in May 2011. The Mayor had a mixed party Executive of six (including the Deputy Mayor), which are focussed on the delivery of the Council's priorities.

In May 2014 the Executive Scheme of Delegation was changed and there are now nine Executive Members (including the Deputy Mayor), which are focused on the delivery of the Council's priorities.

The Chief Executive, Section 151 Officer, Monitoring Officer and other senior managers are responsible for advising the Executive on legal, financial and other policy considerations.

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The Council has formal, procedural and financial regulations to govern the conduct of the Council's business which are detailed in a number of documents including

- The Constitution
- Scheme of Delegation to Individual Members of the Executive
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Terms of Reference for the Independent Teesside Pension Fund panel

### Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct expected of members and officers are clearly set out in the relevant codes of conduct documents. A specific responsibility in these codes is to cascade these expectations across the entire organisation.

The Council has an established Standards Committee, which gives the Council advice on adopting a local code of conduct, monitoring the effectiveness of the code and promoting and maintaining high standards of conduct for members. It also responds to national reviews and consultations on standards related issues. The committee also has power to conduct formal hearings to hear complaints that members have breached the Members Code of Conduct.

### Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Council operates a process whereby the requirements to update standing orders and instructions is vested in the Director of Legal Services (from 1 June 2014 Assistant Director Organisation & Governance) and is achieved through appropriate consultation with the relevant Directorates.

Updated orders and instructions are communicated to all Directorates in writing. During the year, the Council reviewed its procurement procedures to incorporate the requirements of web based e-tendering.

As part of the Change Programme, the Council had its insurer, Zurich Municipal, to undertake a review of its risk management arrangements during 2013/2014. Zurich confirmed that the Council's approach is based on sound risk management principles, but recommended that more should be done to embed the processes into day-to-day operations. Working with Zurich, the Council will be implementing a number of actions to strengthen its risk management approach within 2014/2015. This will form part of the roll-out of the Middlesbrough Manager competency framework.

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Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Finance Officer in Local Government (2010)

Compliance with this statement is agreed as 'proper governance arrangements' by the Society of Local Authority Chief Executives.

The Authority's financial management arrangements during 2013/2014 did not comply with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) with regard to points 1 and 2 below;

1. The Chief Finance Officer is 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.
2. The Chief Finance Officer is actively involved in, and able to bring influence to bear on, most material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's overall financial strategy achieved.
3. The Chief Finance Officer leads 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.
4. The Chief Finance Officer leads and directs a finance function that is resourced to be fit for purpose.
5. The Chief Finance Officer is professionally qualified and suitably experienced.

In the 2012/2013 annual governance statement a post year end event described significant changes in respect of the Governance arrangements including the role of the Council's Chief Finance Officer and the relationship with the Chief Executive's Management Team and Executive.

The Council appointed the External Auditor to conduct a review into the governance arrangements.

That report and action plan resulting from that review has now been reported to the Corporate Affairs and Audit Committee in May 2014 and describes the new arrangements that are in place that satisfy the Society of Local Authority Chief Executives (SOLACE) / CIPFA Statement on The Role of the Chief Finance Officer in Local Government (2010) Framework Delivering Good Governance in Local Government.

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*

Part of the role of the Corporate Affairs and Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. During the period since the last Governance Statement the Committee has held 6 meetings.

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Specifically, the Committee undertake the core functions identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities* by;

1. Reviewing the financial statements, external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.
2. Approving (but not directing) internal audit's strategy and plan and monitoring performance.
3. Considering significant findings of internal audit reviews and investigations and monitoring implementation of agreed recommendations.
4. Supporting and monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.
5. Ensuring that effective and proper processes and procedures are in place to ensure business continuity of the Council.
6. Reviewing and approving the Annual Governance Statement.
7. Monitoring the Council's compliance with its published standards and controls and recommending any necessary changes to Financial Regulations and Standing Orders.
8. Keeping under review the Council's arrangements for Corporate Governance and Policies and ensuring that effective systems are in place that will underpin the processes of the Council and ensure the highest standards in respect of audit and governance matters.

### Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The following officers have specific duty to ensure that the Council acts in compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

1. Chief Executive (Head of Paid Service)
2. Assistant Director Organisation & Governance (Monitoring Officer)
3. Chief Finance Officer (Section 151 Officer)

The Council has in place a range of policies, processes and procedures for managers and employees that establish a legal and ethical framework for action. The Council is in the process of reviewing all such documents to ensure their continued relevance and fitness-for-purpose in the light of the Middlesbrough Manager Competency Framework. Internal Audit will act as a critical friend in this work.

The specific policies and procedures are incorporated into a series of documents including:

1. Corporate Procurement Strategy
2. Financial Procedure Rules
3. Health and Safety Strategy
4. Equality and Diversity Strategy

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### Whistle blowing and the receipt and investigating complaints from the public

The Council has a documented Whistle blowing policy primarily for concerns where the interest of others or of the organisation itself, are at risk. The policy aims to encourage and enable staff to raise serious concerns of 'blowing the whistle' within the Council rather than overlooking the problem or raising the issue outside.

No matters were brought to the Council's attention during the period under review.

The Council also has a Corporate Complaints Procedure, which aims to ensure complaints, compliments and comments are dealt with speedily, fairly and consistently.

The Council defines a complaint as an expression of dissatisfaction by one or more members of the public about:

- The standard of a service
- The behaviour and/or attitude of staff
- A refusal, failure, delay or lack of a service by the Council or its staff
- The failure to follow Council policies and procedures

The Complaints procedure establishes timescales for dealing with complaints as well as identifying escalation procedures in the event that the complainant is dissatisfied with the response.

### Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Elected Members require an understanding of the on-going and emerging issues facing the community as well as the knowledge and skills to instill confidence through open and intelligent discussions and debates resulting in informed decision making. Members are also required to undertake training in respect of certain roles and in order to serve on certain committees.

An annual Development Programme for Elected Members is provided, which contains a range of different opportunities for attendance at learning events. These will include conferences, seminars, training courses, briefings, workshops and forums. The programme of planned activities is published by the Members resources team and the Member Development Working Group.

The development needs of senior officers are identified through appraisal, or through corporate review, as appropriate. In 2013/14 the Council outlined a new competency framework for managers – 'The Middlesbrough Manager'. All managers within the Council are now being assessed against this framework, and in 2014/15 appropriate development and self-serve tools will be implemented to ensure that managers are well-supported to deliver required outcomes and the cultural and service transformation outlined in the Change Programme.

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### Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The consultation and engagement mechanisms adopted by the Council are outlined in the Consultation Policy : a Framework for Effective Consultation.

The Council has a range of well-established consultation and engagement mechanisms to identify local peoples views and priorities including:

1. Community Councils, and;
2. Surveys (Voiceover citizens panel).

The consultation and engagement mechanisms are outlined in a number of documents including:

1. Framework for Effective Consultation
2. The Community Engagement Framework and Consultation Toolkit
3. Budget Consultation
4. Involving Children and Young People in Decision Making

The Council has a well-developed on-line consultation portal that provides access to live consultations, information on the outcomes of previous consultations and the option to register an interest in future consultations.

The Council also has an established citizens' panel (Voiceover) of around 1,200 local residents, recruited to be representative of the wider population. Panel members participate in up to three surveys a year, and are also invited to attend group discussions on particular issues. The panel supports the Council in clarifying local priorities and in evaluating and improving services.

### Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

Middlesbrough Council operates in conjunction with more than 100 partners in a range of contractual, strategic, project and delivery arrangements. As a comparatively small town, relationships with partners are generally close and there is a well-established and understood common agenda enshrined in key documents, particularly the Joint Health & Wellbeing Strategy

At a local level, the Middlesbrough Health & Wellbeing Board, is the key partnership bringing together parts of the public sector, private business, community and voluntary organisations so that different initiatives and schemes support each other and work together. In addition, the Council works with the other four Councils of the Tees Valley in a number of partnerships designed to improve quality of life in the area, in particular through Tees Valley Unlimited, which secured Local Enterprise Partnership (LEP) status during 2011.



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The Council has a successful record in partnering with the private and 'third' sectors. The governance arrangements are considered robust for all partnerships.

### **Review of Effectiveness**

Middlesbrough Council has responsibility for conducting, at least annually, a review of the effectiveness of the corporate governance arrangements and the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the statutory officers within the Authority who have a responsibility for the development and maintenance of the internal control environment, and also by comments made by our external auditors and other review agencies and inspectorates. In determining the effectiveness of the system of internal control review activities have been undertaken by a number of parties. These include:

- Statutory officers
- The Overview and Scrutiny Board
- Internal Audit
- External audit
- Other inspection and review agents
- The Executive
- The Audit and Governance committee (now the Corporate Affairs and Audit Committee)
- The Standards committee
- Executive Directors and Assistant Directors

For the year under consideration, the key internal assurance work has been provided through Internal Audit. The Internal Audit manager has concluded, based on the findings of work undertaken at Middlesbrough Council that there are sound systems of internal financial control in place. A number of areas of improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

The Council was subject to reviews by a number of outside bodies. There were no governance issues raised.

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### Significant governance issues

The Internal Control environment had highlighted, at the end of 2012/2013, the following area of concern requiring improvement and / or careful monitoring.

2012/2013 Areas requiring Improvements	Action Taken 2013 / 2014
<p><b>Payroll Overpayment.</b></p> <p>In the first week of the calendar year a control error in the Council's payroll system resulted in a significant overpayment to one member of staff.</p>	<p>1. The overpayment was quickly repaid in full, the SAP system was immediately reprogrammed and tested to ensure that a reoccurrence could not happen again.</p>
<p><b>Foster Carers System</b></p> <p>Internal Audit Identified significant issues in the IT system used to pay the Council's in-house Foster Carers.</p>	<p>1. Implementation of a new system was planned for 2013/2014 and whilst testing has been undertaken it will not go live until 2014/2015.</p>

The Internal Control environment has highlighted, at the end of 2013/2014, the following areas of concern requiring improvement and / or careful monitoring. CIPFA guidance on the definition of a "significant internal control issue" (in relation to the Accounts & Audit Regulations 2003) has been used to identify appropriate issues for inclusion within this statement.

2013 / 2014 Areas requiring Improvements	Action Taken 2013 / 2014 and Planned 2014 / 2015
<p><b>Coroners</b></p> <p>Internal Audit identified overall weaknesses in the control environment within the financial systems currently being used by the Coroners Service.</p>	<p>1. Appropriate Coroners staff have now attended SAP refresher courses and are now using the financial management system. This is a key improvement to the processes which will improve the overall control environment.</p>

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### **Officer and Member Review**

On the basis of the self-audit processes and effectiveness reviews carried out to date, we are satisfied that, except for the areas of concern listed above and confirmation on the management arrangements, the Council's corporate governance procedures, including the systems of internal control, are adequate and are operating effectively.

We are satisfied that the Council's management arrangements, supplemented by the continued officer and Member involvement in the corporate governance processes, will address the required improvement and continue to review their development and effectiveness on an ongoing basis.

**Signed:**

**Ray Mallon**  
**Mayor**

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**Mike Robinson**  
**Chief Executive**

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**Paul Slocombe**  
**Chief Finance Officer**