
The Annual Governance Statement

SCOPE OF RESPONSIBILITY

Hinckley and Bosworth Borough Council (the 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 make arrangements to secure continuous improvement and to ensure economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of corporate governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. One of the objectives of the Constitution is to "enable the Council to review its governance arrangements as required". A full review of the Constitution (11th edition) took place in December 2013.

This Annual Governance Statement (the Statement) explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011. The Statement details the systems of corporate and operational governance as well as the procedures of internal control that are in place. This document relies on several assurance mechanisms including internal audit, the work of Council committees, risk and performance management processes and external audit

OVERALL SUMMARY

This is a positive Statement for the financial year 2013/2014. No significant control weaknesses have been identified in year and those issues identified in 2012/2013 have been fully addressed and rectified. The Council continues to operate a robust governance framework which is designed in a way to address risk and operates effectively.

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

THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE

Corporate governance refers to the system by which an organisation is directed and controlled. The governance structure specifies the distribution of rights and responsibilities among stakeholders and specifies the rules and procedures for making decisions. Governance provides the structure through which organisations set and pursue their objectives, and reflects the mechanism for monitoring actions, policies and decisions and delivering appropriate, cost-effective services.

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The systems of corporate governance are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

THE PURPOSE OF THE INTERNAL CONTROL ENVIRONMENT

Internal control is a process for assuring achievement of an organisation's objectives through identifying and controlling risk. The Committee of Sponsoring Organisations (COSO) defines the framework of internal control as comprising of six components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring¹

CIPFA GUIDANCE ON GOOD GOVERNANCE

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines the principles of good governance. The addendum to this paper published in December 2012 ² outlines these principles as:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Translating the vision into objectives for the authority and its partnerships
- 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 and value for money
- 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 in respect of the authority and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviours for members and staff
- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the authority's financial management arrangements confirm with the governance requirements of the *CIPFA Statement on the Role of the Chief*

¹ Internal Control — Integrated Framework (1992) COSO

² Delivering Good Governance in Local Government: Framework – Addendum (2012) CIPFA

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Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

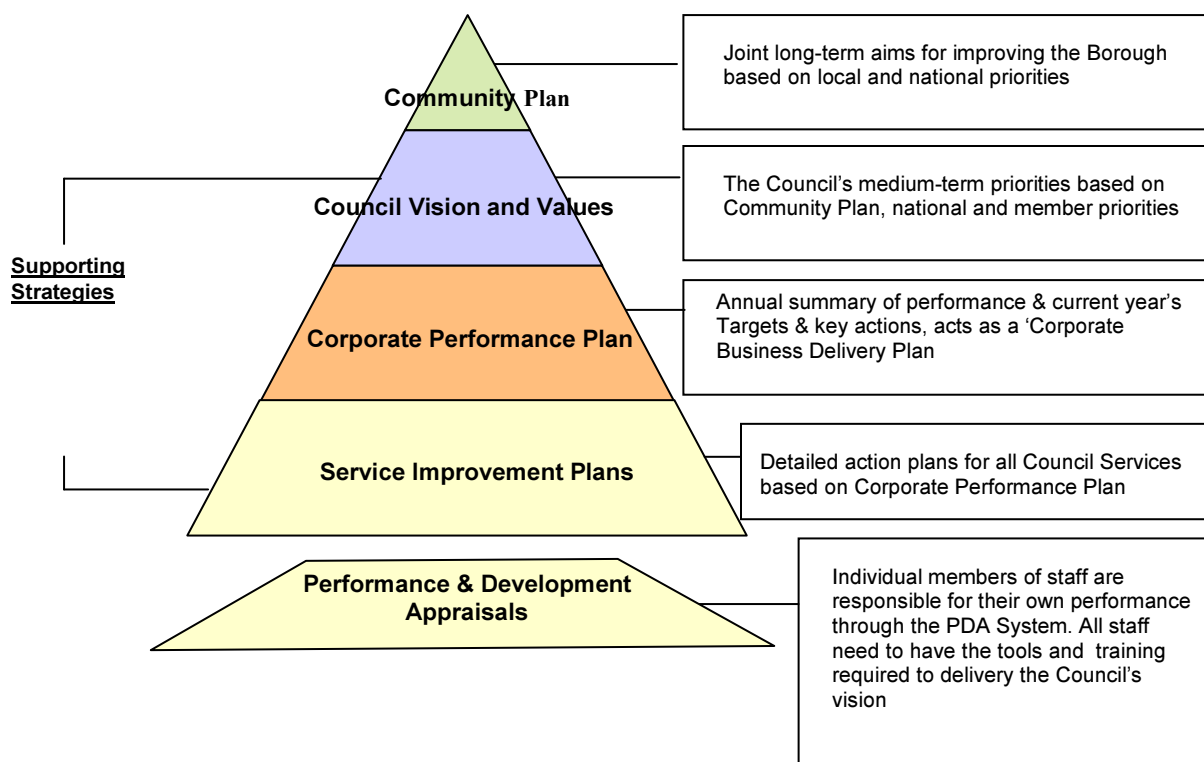
- Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function
- Ensuring effective arrangements are in place for the discharge of the head of paid service function
- Undertaking the core functions of an audit committee as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- *Whistleblowing and for receiving and investigating complaints from the public*
- *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*
- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- *Enhancing the accountability for service delivery and effectiveness of other public service providers*
- *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Corporate Plan developed for the period 2013-2016 sets out the long-term aims of the Council and drives the corporate Performance Plan and Medium Term Financial Strategy. The Corporate Plan provides residents, members and staff with a clear vision to make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines four corporate aims and six corporate values which guide all decisions made by the Council and help to focus priorities.
- The Council uses plans and strategies at various levels to plan and monitor the achievement of its aims and objectives. This system is demonstrated by the Corporate Planning Framework which is represented by the diagram below. The objectives set out within the Corporate Plan are used to set targets for each department in their Service Improvement Plans (SIPS). Plans are refreshed annually and progress against targets is managed through the TEN performance management system on a monthly basis. Performance reports are produced quarterly and reported to the Joint Management Boards and Finance Audit and Performance Committee. All officers are required to reflect their departmental SIPS in individual personal development plans and are assessed against these annually.

Hinckley & Bosworth Borough Council – Corporate Planning Framework



- The Council's financial strategy, aims and objectives are outlined in the Medium Term Financial Strategy 2013/14-2016/17 which was approved by full Council in May 2014. The document outlines ten financial objectives which the Council looks to achieve whilst managing current financial risks. Alongside this, the Council has put in place a Housing Revenue Account (HRA) Business Plan which sets out how the organisation will finance and deliver affordable housing over the next thirty years. From a capital perspective, the Capital Programme and Asset Management Plan cover expenditure and financing plans for the Council over a period of three financial years. Finally a Treasury Management Strategy is approved annually by Council and details the organisations approach to borrowing and investing.
- The system of internal financial control reflects the budgetary control framework which is based on the following principals:
 - Preparation of comprehensive annual budgets, reserves review and a Medium Term Financial Strategy to examine the financial health of the Council
 - Robust financial regulations and authorisation limits to ensure accountable financial decisions
 - Allocation of financial resource to ensure that each budget holder meets with a dedicated accountant on a monthly basis
 - Production of monthly reporting packs which are discussed by Strategic Leadership Board and the Corporate Operations Board
 - Preparation of regular financial reports for member forums which indicate actual expenditure against forecast
 - Use of a comprehensive financial ledger and reporting tool which produces disaggregated financial reports at various levels (e.g. fund, cost centre,

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- expenditure type) to ensure that stakeholders receive information to inform decisions
- Inclusion of financial implications in all committee reports.
- The Council's budgetary control system is reviewed each year by Internal Audit and in 2013/14 received a "full assurance" rating based on achievement of the following control objectives:
 - The Council prepares a Medium Term Financial Strategy (MTFS) which is designed to deliver strategic priorities and contains robust key assumptions.
 - Budgets are set in a structured, comprehensive and robust manner in accordance with the organisation's plans and objectives and the MTFS.
 - Any changes to the start point budget are appropriately authorised, recorded and reported (including virements)
 - Responsibility for controlling budgets is delegated to trained and clearly defined budget holders who receive appropriate support from the finance department.
 - Accurate and complete financial information is produced in a timely manner to budget holders and committees for inspection, analysis and control of budget performance.
 - Budget variations are analysed, investigated, explained and acted upon.
 - Regular and robust forecasts are undertaken to project outturn against budget.
 - Any savings plans established to ensure a balanced budget are robust, and are reported upon and monitored at relevant committee and council level
- As a key element of internal control, the Internal Audit function operates in accordance with the CIPFA *Code of Practice and Statement on the Role of the Head of Internal Audit*. Internal Audit reviews are performed as set out in the annual audit Plan which reflects the Council's strategic risk register. Internal Audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of Internal Audit, and updates on recommendation implementation are reported to, and scrutinised by, the Finance, Audit and Performance Committee. This Committee undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities and Police 2013 Edition*. Dedicated training was provided to this Committee in May 2014 to outline the content of this guidance and to review the effectiveness of the Committee as "those charged with governance".
- The Corporate Planning Framework is underpinned by a number of strategies which outline how the support services of the Council will reinforce and sustain front line provision. These include:
 - Asset Management Strategy (including the acquisition and disposals strategies)
 - Budget Strategy
 - People Strategy
 - ICT Strategy and Web Strategy
 - Medium Term Financial Strategy
 - Health and Safety Policy
 - Risk Management Strategy
 - Procurement Strategy
 - Communication and Consultation Strategy

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- Data Quality Policy
 - Corporate Debt Recovery Strategy
- The Council’s strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Environmental Management Strategy, Anti Poverty Strategy, Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework, Children and Vulnerable Adults Safeguarding Policy, Housing Investment Strategy and Business Case and Strategy for Children and Young People.
 - Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council’s Executive, whilst those falling outside the framework are referred to full Council. The “call-in” procedure enables the Scrutiny Commission to review decisions made by Executive and Council (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.
 - The standards of behaviour expected from members and officers are set out in member/officer codes of conduct. A register of members’ interests is maintained. All members and senior officers are required to complete ‘related party’ declarations at the end of the financial year in support of the statutory financial statements. Members’ allowances are published and reviewed annually by Council. The Ethical Governance and Personnel Committee monitors the performance of members, senior officers and the Council’s committees.
 - The Financial Procedure Rules, Whistleblowing Policy and Corporate Anti-Fraud Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any potential fraud and corruption. The Corporate Anti-Fraud Policy was reviewed by the Council’s External Auditors (PricewaterhouseCoopersLLP) in 2013/2014 and has been updated to reflect the outcomes of an officer risk assessment and The Audit Commissions’ publication “Protecting the Public Purse” (2013)
 - The Constitution (Article 10) includes provisions for the governance of partnerships involving the Council. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with are detailed below:

Partnership	Purpose	Partners involved
Think Family Partnership	<ul style="list-style-type: none"> ▪ Oversee delivery of SLF programme. ▪ Improve outcomes for Children and Young People. ▪ Oversee delivery of Sure Start programme. 	CYPS; Adult Services; Libraries; Youth Services; Police; Probation; VCS; Parents/carers; Health Services; Education; HBBC; DIG.

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Partnership	Purpose	Partners involved
Health and Wellbeing Partnership	Deliver the Health and Wellbeing Strategy	CCG; GP's; VCS; Public Health; HBBC; Local Sport & Health Alliance.
Hinckley and Bosworth & Blaby Community Safety Partnership	To oversee and deliver the Community Safety Strategy.	Police; Probation; LCC; Blaby; HBBC; Health; VCS; Fire.
Endeavour Tactical Group	To ensure emerging risk and threat is addressed in a timely manner. To co-ordinate campaigns and projects.	HBBC services, Police, Trading Standards, Fire Service, County Community Safety, Youth Service.
Housing Services Partnership	Developing integrated housing services.	Districts, Adult Services, Children's Services, RP's, County Community Safety, CAB.
Housing Offer for Health Project Board	To ensure development and delivery of Housing's offer for health.	District Councils, Adult Services, CCG's, First contact, Papworth Trust.
Cross Border Employment and Skills Partnership	To co-ordinate the delivery of cross border local economic and employment initiatives in accordance with LEP priorities.	HBBC; NBBC; NWBC; NWHC; Recruitment agencies; NAS; key local employers.
Hinckley & Bosworth Voluntary and Community Sector (VCS) Forum and Commissioning Board	<ul style="list-style-type: none"> ▪ To oversee and lead the establishment, development and sustainability of front line VCS service delivery organisations, and brokering of effective joint working between VCS and the public sector. ▪ To oversee and develop VCS commissioning, via VCS Commissioning Board. 	Lead Partners: HBBC; Next Generation and Community Action Hinckley & Bosworth; plus 30 key/leading VCS organisations within the locality.
Hinckley Town Centre Partnership	To deliver the Hinckley Town Centre BID.	HBBC; LCC; Local retailers; Police.
Leicestershire Waste Partnership	<ul style="list-style-type: none"> ▪ To reduce CO2. ▪ To reduce waste going to landfill by increasing recycling rates and residual weight reduction. ▪ Keep neighbourhoods clean. ▪ Co-ordinating waste and street cleaning 	All Districts, LCC

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Partnership	Purpose	Partners involved
	services across county.	
Hinckley & Bosworth Tourism Partnership	To deliver blueprint for action to promote visitor numbers and spend in the Borough.	HBBC; Leicestershire Promotions; LCC; Concordia Theatre; Hinckley Museum; Local accommodation providers; Twycross Zoo; Mallory Park.
LLRLRF	Emergency management.	All Cat 1 responders plus voluntary services e.g. Red Cross.

- The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) and the Head of Paid Services have responsibility for ensuring that the Council does not act in an *ultra vires* manner. Management are supported by the internal audit service, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources (HR) function, through the use of workforce development reviews, assesses and provides a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. All officers are required to complete annual appraisals and a process of 360 degree feedback has been introduced to widen the feedback process. The Council's financial management arrangements conform with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*.
- The Communication and Consultation Strategy outlines how the Council will engage with local people and stakeholders through means such as the Citizens' Panel, Disabled Person's Forum, Parish Council Forum, Together for Tenants, Youth for You, Older Peoples Forum, Developer Forum and Registered Social Landlord Forum. A number of public consultations have taken place in 2013/2014 on pertinent issues including community safety, green spaces delivery, housing allocations and various conservation areas. The Council communicates to residents through the Borough Bulletin which is circulated to all residents each quarter. Regular staff communication is achieved through Chief Executives' briefing notes and staff feedback sessions.
- The Council's dedication to quality of service is embedded through relevant strategies and also in the Council's Customer Service Charter. The Council collates customer satisfaction results for face to face, telephone and website interaction. Targets were exceeded in 2013/2014.
- The Council regularly measures performance through a suite of performance indicators managed on the TEN Performance Management system. All indicators are mapped to corporate priorities and are embedded within individual Service Improvement Plans. Each month performance is entered by managers before the database is locked to maintain accuracy in reporting. Progress reports are presented to Strategic Leadership Board, Scrutiny Commission, Finance Audit and Performance Committee and the Executive. The reports provide the following information for each of these indicators:

 - Performance for current year
 - The target set for current year

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- Performance in the previous year
 - Targets for the next three years
 - An explanation of performance and the targets set
 - Data Quality Checks
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- All information produced by the Council is subject to Data Quality procedures. The Council's Data Quality Policy outlines how standards of data quality are maintained by the Council and respective responsibilities. Through implementation of this Policy, the Council is compliant with all relevant legislation including the Data Protection Act and Freedom of Information.
 - The Council is committed to continuous improvement. This was proved by the fact that in 2008/09 the Council sought a CPA re-assessment and was re-categorised as an "excellent" Authority. This was a recognition of all the work that had been undertaken since 2004 to implement and embed the improvement actions identified in the 2004 inspection. The Council continues to win awards which evidence high performance. In 2013/2014 these included:
 - Finalist in MJ Awards "Innovation in Finance" Category
 - Four* rating for "Better Connected". The Council's website has been named in one of the top 20 for local authorities in the county
 - Gold Footprint award for dog warden surveys
 - Green Flag Award for Green Spaces;
 - The Council's performance management regime is supported by risk management processes. The Risk Management Strategy outlines how best practice risk management processes are embedded into the Council's operations. Operational risk registers are maintained on the TEN system and all managers are required to assess the impact and likelihood of risks as well as mitigating controls and action plans to reduce their severity. Quarterly reports on the risk position are taken to Finance, Audit and Performance Committee and Executive. Risk registers are also in place for significant projects, examples being the Leisure Centre and Crescent developments and the office relocation.

REVIEW OF EFFECTIVENESS 2013/2014

The Council has responsibility for conducting a review of the effectiveness of the system of internal control annually. This review is reported by internal audit in their Annual Report, Chief Officers through their service assurance returns and also by comments made by the external auditors and other review agencies and inspectorates.

Internal Audit

Internal audit is provided in accordance with the statutory responsibility under s151 of the Local Government Act 1972, the Accounts and Audit Regulations 2011 and to the professional standards of the CIPFA Code of Practice for Internal Audit in Local Government.

The Council's internal audit service has been outsourced to Coventry and Warwickshire Audit Services (CW Audit) for 2013/14. Internal audit delivers its work in accordance with best practice and complies with the requirements of the Government Internal Audit Standards, CIPFA Code and other relevant CCAB standards. CW Audit report through the section 151 officer as the responsible financial officer for the Council. The section 151 officer then submits reports to the

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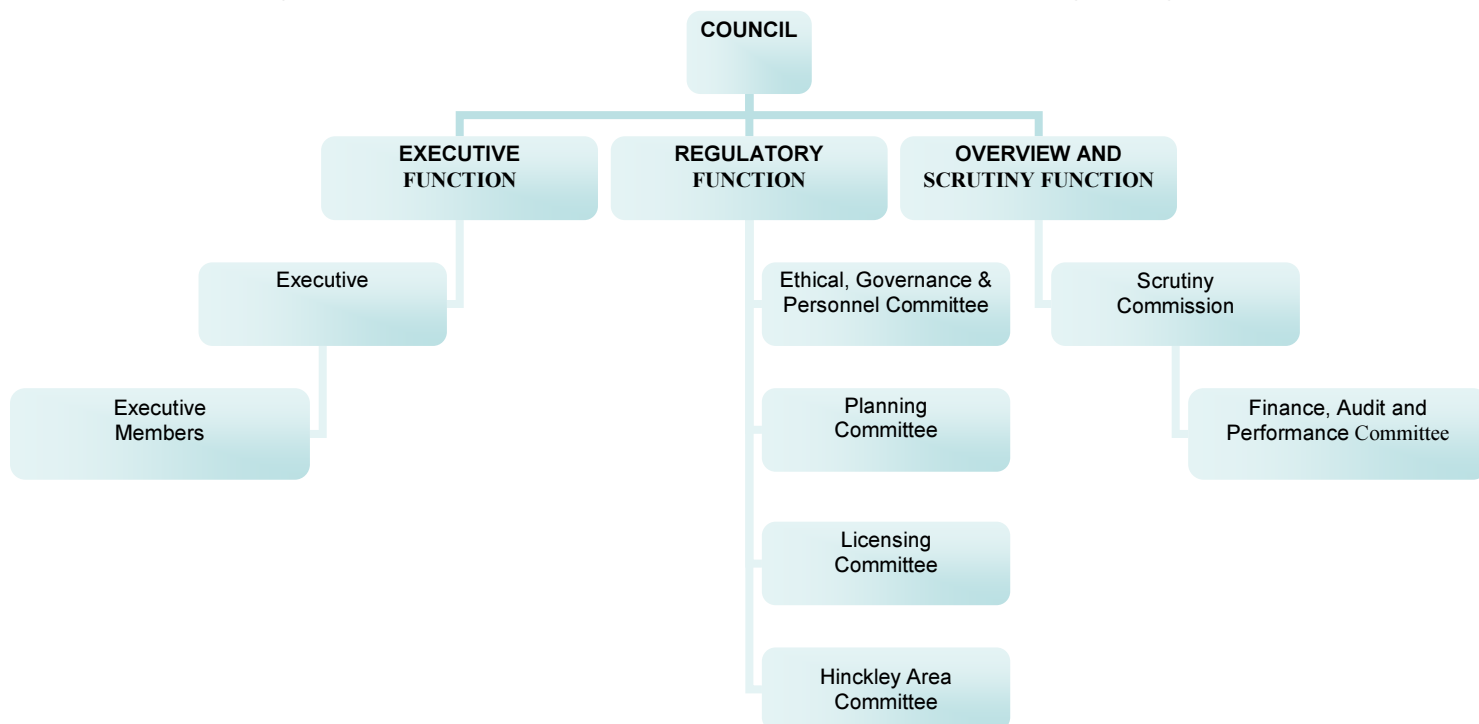
Finance, Audit and Performance Committee, which in turn derives its terms of reference from the Scrutiny Commission. Audit recommendations are followed up in a timely manner based upon the priority of the recommendation through the use of the “TeamCentral” recommendation tracking software.

CW Audit acting as Chief Internal Auditor and in accordance with the *CIPFA Statement on the Role of the Head of Internal Audit (2010)* provide an annual assurance opinion which comments on the adequacy and effectiveness of the system of internal control. In their 2013/14 Annual Audit Report presented to Finance Audit and Performance Committee on 12th May 2014, CW Audit issued a “significant assurance” rating for the Council’s internal control and identified no significant control weaknesses.

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Annual Audit Letter is considered formally by the Finance, Audit and Performance Committee.

Council Structure

The diagram below sets out the Council’s democratic decision making arrangements



The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Finance, Audit and Performance Committee. It describes the functions and membership of the Commission and Committee and Scrutiny Procedure Rules. Decisions of the Executive are subject to scrutiny by the Scrutiny Commission and the Finance, Audit and Performance Committee. The Scrutiny arm also has a role in policy development. In addition, task groups are established to oversee ad-hoc projects. Examples of areas reviewed by the Scrutiny Commission in year include:

- Welfare Reform and the impact on residents

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- Green Space Delivery Plan
- Planning and Enforcement Decisions
- Leisure Centre Procurement
- Annual Budget
- Anti – Poverty Strategy
- Gypsy and Traveller Accommodation
- Medium Term Financial Strategy

The Scrutiny Commission publishes an Annual Report and a work programme. In accordance with Executive Arrangements regulations (meetings and access to information) the council publishes on its website key and private decisions which are due to be taken by the Executive with a 28 day notice period where possible.

Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Councils has to put in place arrangements dealing with complaints and standards issues. The Council adopted an individual own Code of Conduct in 2012/13 and formed an Ethical Governance and Personnel Committee which merged the remits of the previous Standards & Personnel Committees and covers conduct and complaints.

Officers

Each year all service areas are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action plans are incorporated in the service planning process.

SIGNIFICANT INTERNAL CONTROL ISSUES

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council. In addition an update should be provided on any issues identified in the previous Statement.

2013/2014 Significant Control Weaknesses

No significant control weaknesses have been identified for reporting in 2013/2014. This has been confirmed by the Council's Internal Auditors in their year end opinion.

2012/2013 Significant Control Weaknesses

During 2012/13, it was noted by the finance team that the budgets for both programmed and responsive repairs were considerably under-spent. Following preliminary investigation, it was established that the main reason for this under-spend was due to a backlog of "work in progress" held within Orchard (housing repairs system). This related to jobs that are in the various stages of completion but were yet to be closed off for payment on Civica (financial management system). To understand the reasons for the backlog, Internal Audit were asked to complete a specific review based on sample testing of the backlog, plus a sample of paid contractor invoices. A number of control weaknesses were identified through this work which have been raised in Internal Audit's Annual Audit Report for 2012/2013. The impact of the backlog meant that a large cost relating to previous years work

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was transferred in 2013/2014, creating a gross overspend on housing repairs (capital) of £290,102.

In response to this issue, a dedicated internal review of housing repairs controls and processes was conducted, lead by the Chief Officer for Finance, ICT, Asset Management, Audit and Procurement. A comprehensive action plan was developed which outlined improvements that were made to both operational and financial processes. In addition, a neighbouring Authority was commissioned to complete a high level peer assessment of the service to inform the action plan. Regular reports have been provided to the Finance, Audit and Performance Committee to provide assurance that actions have been put in place in line with timescales set. In order to address any value for money issues associated with housing repairs operations, an independent benchmarking exercise was performed on the internal "schedule of rates" and an "uplift" will be applied to rates from 2014/2015 as approved by the Finance, Audit and Performance Committee.

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Steve Atkinson MA(Oxon) MBA FioD FRSA
Chief Executive

Date.....

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Stuart Bray
Leader of the Council

Date