

WARRINGTON
Borough Council



DRAFT
ANNUAL GOVERNANCE
STATEMENT
2021-2022

CONTENTS

	Page
1. Corporate Governance	1
2. The Annual Governance Statement	2
3. The Governance Framework	2
4. Review of Effectiveness	6
5. Significant Governance Issues and actions arising	7
6. Conclusion	9

Appendix 1 Actions from 2020-2021 Annual Governance Statement

Warrington Borough Council Vision

Corporate Strategy 2020-2024:

Our residents live healthy, happy and independent lives; everyone benefits from our thriving economy; communities are safe, strong and our most vulnerable are protected; our town is clean, green and vibrant.

1. Corporate Governance

Corporate Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance ensures that the Council provides for effective leadership and management in the use of public money; ensures the delivery of high quality services to all taxpayers and citizens; and achieves the desired outcomes for service users and communities.

Warrington Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at: [\(link\)](#)

or can be obtained by writing to the Council's Deputy Chief Executive and Director of Corporate Services. The principles upon which it is based are summarised in this Statement.

2. The Annual Governance Statement

The Accounts & Audit (England) Regulations 2015 require the Council to prepare and publish an Annual Governance Statement. This is a public document that reports on the extent to which the Council complies with its own Code of Corporate Governance. The Annual Governance Statement explains how the Council makes decisions; manages its resources in line with the Council's priorities; and achieves the required outcomes for service users and communities.

In the Annual Governance Statement the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment (section 3)
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, including the phasing out of the temporary arrangements that were put in place from March 2020 in response to the Covid-19 pandemic (section 4)
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement (appendix 1)
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them (section 5)

3. The Governance Framework

Scope of Responsibility:

Warrington Borough Council is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards

- 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 in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Purpose of the Governance Framework:

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework aims to ensure that in conducting its business the Council:

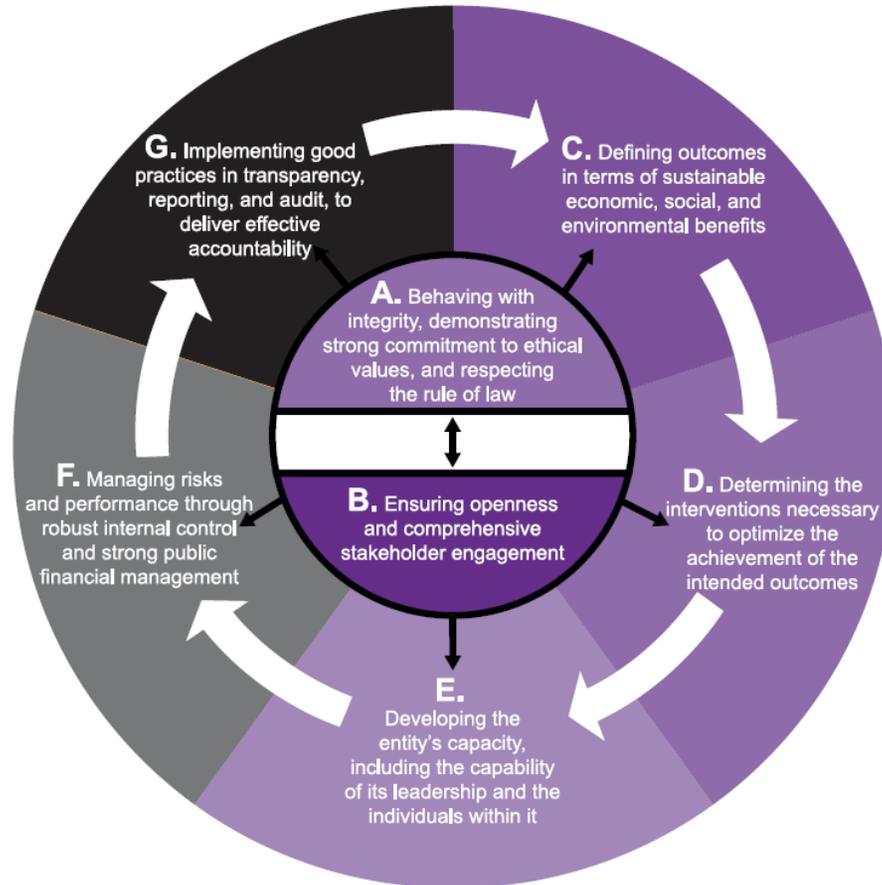
- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

The Governance Framework:

The governance framework sets out how the Council is operating in order to demonstrate compliance, ongoing improvement, its commitment to maintaining the highest ethical standards and levels of governance. The governance framework has been in place at Warrington Borough Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

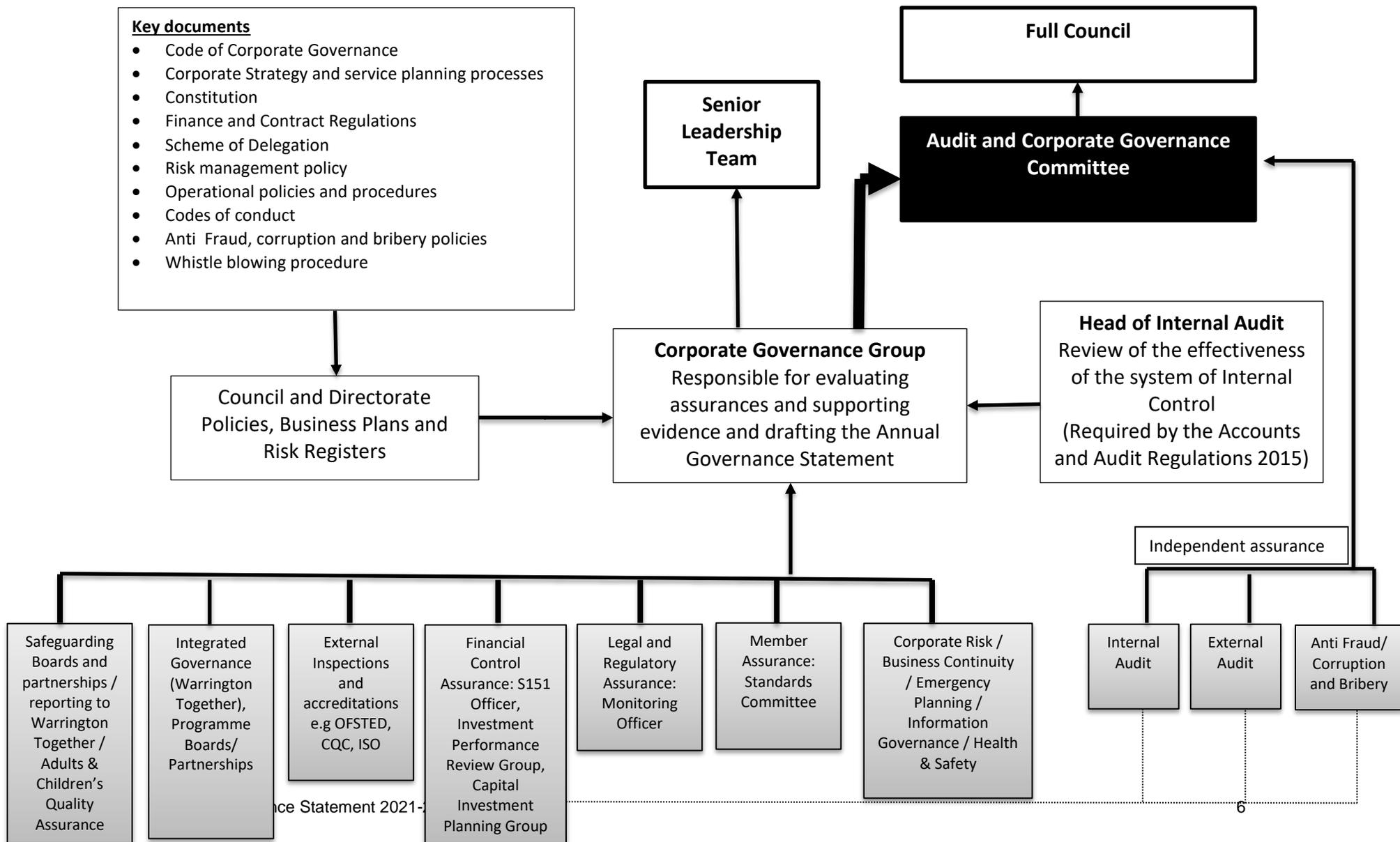
The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. These are summarized in the graphic below:

THE PRINCIPLES OF GOOD GOVERNANCE



The Council has put in place a framework to ensure its compliance with these principles. This is summarized in the diagram on the following page:

WARRINGTON BOROUGH COUNCIL GOVERNANCE FRAMEWORK



Ongoing assurance on adequacy and effectiveness of systems of governance, risk and control

4. Review of Effectiveness

Warrington Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

In June 2022 a full review against the Code of Corporate Governance was carried out. This review was undertaken by Senior Leadership Team and was overseen by the Council's Deputy Chief Executive and Director of Corporate Services. The results of the review were reported to the Audit and Corporate Governance Committee at its meeting on 21 July 2022. The revised Code can be found at [\(link\)](#).

This draft Annual Governance Statement has been reviewed by the Senior Leadership Team (SLT); Deputy Chief Executive & Director of Corporate Services; the Monitoring Officer; and the Head of Internal Audit before being presented to the Audit & Corporate Governance Committee for approval.

The Council relies on the following sources of assurance in order to maintain and review the effectiveness of the system of governance:

- **Member scrutiny** – Standards Sub-Committee; Overview and Scrutiny function; Constitution Sub-Committee; Cabinet; Audit and Corporate Governance Committee.
- **Management** - The Senior Leadership Team has responsibility for developing the Risk Management Strategy and processes, including the communications and reporting structure for strategic risk.
- **Management** - Directors and Deputy Directors have responsibility for the development and maintenance of the governance environment and provide formal assurance to Directorate Management Teams by their responses to the assurance statement questionnaires. The process of self-assessment for 2021/22 has been subject to review and challenge at Directorate Management Team meetings and evidence to support the assessments have been collated and reviewed by the Corporate Governance Group.

- **Internal Review** – The Governance Group maintains a comprehensive action plan to ensure continuous improvement of the governance arrangements in place. The Group reported on its work during 2021/22 to the 21 July 2022 meeting of the Audit and Corporate Governance Committee.
- **Internal Audit** – Internal Audit Services examine the effectiveness of the Council’s internal controls. Based upon the work undertaken during 2021/22 the Head of Internal Audit provided the Council with a generally ‘satisfactory’ assurance opinion on the control framework and on the controls reviewed as part of the internal audit work. The opinion for 2021/22 has not been able to consider key assurances from the Council’s external auditors in relation to the accounts from 2018/19 onwards. The opinion also excludes assurance from a proposed external review of the council’s commercial investments, as this work was not undertaken in 2021/22. These issues are set out in more detail in the Annual Report and Head of Audit Opinion on the System of Internal Control for 2021/22, which was presented to the Audit and Corporate Governance Committee at its meeting on 21 July 2022.
- **External Audit** - The audit of the 2018/19, 2019/2020 and 2020/21 accounts has not been concluded. This was due to a public objection to the 2017/18 accounts that was received by the external auditors during the public period of inspection. The audit of the 2017/18 accounts is now substantially complete, pending resolution of a national issue in relation to the accounting treatment of infrastructure assets, and Grant Thornton have issued their 2017/18 Audit Findings Report (see Section 5 below). An objection has also been received to the 2019/20 accounts which also remain pending for external audit review. Grant Thornton have subsequently not issued their Annual Findings Report and Annual Audit Letter for 2018/19, 2019/20 and 2020/21 which gives an opinion on the financial statements, although work on the 2018/19 accounts is underway. Grant Thornton have also not issued their Value for Money Opinion for 2018/19, 2019/2020 and 2020/21 which gives a conclusion on the Council’s arrangements to secure economy efficiency and effectiveness in its use of resources. Opinions on the financial statements and Value for Money Conclusion for these years cannot be provided until the objection process has been completed.
- **External Review** – Review and any findings and feedback from reviews carried out by external inspectorates such as OFSTED and the CQC.

5. Significant Governance Issues and actions arising

The Action Plan for the 2020/21 Annual Governance Statement contained a number of actions that had been carried forward from previous years’ Annual Governance Statements. During the year, the Corporate Governance Group reviewed these actions and

obtained assurances from the relevant officers that the issues had been addressed and could be monitored going forward as part of the council's regular processes around governance, risk and control. The annual report of the Corporate Governance Group provides more detail around this process. One additional issue was added to the Action Plan in 2020/21, in relation to the Council's property investment programme: Appendix 1 details the progress to date on implementation of this issue.

Significant governance issues at the current time are as follows:

Value for Money Opinion – 2017/18 accounts

In June 2022, Grant Thornton confirmed that, subject to the availability of national guidance in respect of highways infrastructure assets which may lead to a technical qualification of the accounts, they were in a position to otherwise sign off the Council's 2017/18 Statutory Accounts.

These accounts were reviewed at the 16th June 2022 meeting of the Council's Audit & Corporate Governance Committee.

At that meeting the auditor reported twelve recommendations in their Audit Findings Report. The Council responded to all of the recommendations and these responses are included in Grant Thornton's Audit Findings Report.

Based on the work Grant Thornton performed they concluded they 'were not satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is due to weaknesses we identified within the Council's arrangements that were in place during 2017-18 around the Council's MRP policy, arrangements to ensure compliance with the Prudential Code, monitoring and reporting of commercial investments and the decision making process for the Redwood Bank investment. Due to the significance of the matters we identified, we are not satisfied that the Council had made proper arrangements to secure economy, efficiency and effectiveness in your use of resources during 2017-18. We therefore propose to give an 'Adverse' Value for Money conclusion.'

In respect of all of the areas noted above and the wider findings, the management response was clear on the actions already taken in respect of the issue and those remaining outstanding and agreed by the Council. Those which remain outstanding will form part of the action plan for 2022/23 to ensure that the external audit recommendations arising from the audit of the 2017/18 accounts are fully addressed as agreed and approved by the Council's Audit & Corporate Governance Committee.

The council's Annual Governance Statement for 2017/18 has been amended to reflect this as a significant governance issue for that year, and was presented to Audit and Corporate Governance Committee at the 16th June 2022 meeting. In the interests of openness,

and to reflect the fact that there are still improvement actions in progress in relation to the recommendations raised in the 2017/18 Audit Findings Report, we have also disclosed this as a significant governance issue in the 2021/22 Annual Governance Statement.

Together Energy

In January 2022 due to a combination of high energy prices and the impact of the Price Cap, Together Energy became the 29th energy company to be placed into administration. The impact of this on the Council is currently being assessed by the Administrator (FRP). The administrator (FRP) deposited its first two public reports on the issue with Companies House on 29 March 2022. These were shared with the Audit and Corporate Governance Committee at its 14th April 2022 meeting.

The administration process continues during 2022/23. At the date of the appointment of the Administrator, the Council's commitments were the provision of £18.8m of a revolving credit facility, a preference share investment of £18m and a guarantee of 80% of the Company's outstanding energy liabilities to Orsted (the supplier of gas and electricity to the Company), estimated at £29m. It will only be at the end of the administration process that it will be known if there is a net financial impact for the Council and whether this will be of a value to require disclosure as a significant governance issue in subsequent year's Annual Governance Statements. Until then, the matter rests largely in the hands of the Administrator in terms of actions and information that can be disclosed in the public domain.

6. Conclusion

The review of the Council's governance arrangements for 2021/22 has been undertaken in order to produce this statement and to ensure the effectiveness of governance arrangements in place and compliance with the code of corporate governance. The review highlighted a number of governance issues that require attention and action is being planned and/or taken as noted in the statement.

With the exception of the significant governance issues that we have outlined in this statement, our review confirms that the Council has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

Signed:

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Councillor Kerr-Brown
Chair of the Audit and Corporate
Governance Committee

Date:... ..

Signed:

.....
Councillor Bowden
Leader of the Council

Date:

Signed:

.....
Matthew Cumberbatch
Monitoring Officer

Date:.....

Signed:

.....
Professor Steven Broomhead
Chief Executive

Date:.....

Progress on the significant governance issue identified in the 2020-2021 Annual Governance Statement.

Improvement Action	Progress to date
<p>Maintaining good governance</p> <p>The generation of income and cost avoidance projects feature prominently in the Council’s financial plan, including an expanding property investment programme. The Council understands that sound financial and governance processes are required in the new ways of funding and that the expanding and diverse nature of projects require new skills and sufficient staff capacity. These issues have been recognised in the Council’s Strategic Risk Register and appropriate control strategies have been put in place.</p> <p>The recommendations included in the PwC governance review action plan are a significant component of the Council’s strategy for managing these risks going forward. The recommendations were broadly split into three key areas:</p> <ul style="list-style-type: none"> • Governance structures • Reporting • Training <p>Separate workstreams are in place for each of these areas under the Action Plan Implementation Group, with a remit to deliver proposals for improvements in 2021/22.</p>	<p>The PwC Action Plan Implementation Group continued to meet during 2021/22 and the actions have now been fully or partially implemented. Progress is still underway to fully implement the recommendations in the following areas:</p> <ul style="list-style-type: none"> • Development of dashboard reporting: summary reports have been developed for most areas under the scope of the review and are presented at meetings of the IPRG or relevant project groups, but the creation of an automated single dashboard solution would require development, or purchase, of a new system and amendments to the structure of the council’s chart of accounts. A paper containing options to take this forward has been presented to senior management. • Review of company governance arrangements: the review has been completed and a report is currently pending discussion by Senior Leadership Team. The report sets out the relevant legislation and good practice for company governance, identifies the council owned and influenced companies to which these apply and makes a number of recommendations to ensure that best practice is followed in all cases and there is a consistency of approach across all relevant bodies. At the time of preparing this report Legal Services are in the process of commencing a recruitment exercise for an additional lawyer to work on the governance and administration of the Council’s companies, providing extra resource and looking to develop current work more quickly. • Development of a training programme for officers and members: training has been provided in a number of areas during the year and all relevant officers now log all of their development activity. Further training

	<p>requirements are to be identified and appropriate training delivered in 2022/23.</p> <p>The Implementation Group will continue to meet in 2022/23 and report back to SLT and Audit and Corporate Governance Committee on progress with these items.</p> <p>During 2021/22, Audit and Corporate Governance Committee requested that Internal Audit undertake a review more widely of the Council's commercial investments. The Head of Audit, Risk & Insurance decided that this work would be better undertaken by an external company, owing to the technical nature of the scope. Two tender exercises have been carried out that have failed to identify a suitable bidder for the work: we are currently carrying out due diligence on a potential provider with a view to making a direct award. Progress with the review will be reported back to Audit and Corporate Governance Committee.</p>
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