

WARRINGTON

Borough Council



DRAFT

ANNUAL GOVERNANCE STATEMENT 2022-2023

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Warrington Borough Council Vision

Corporate Strategy 2022-2024:

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 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 (section 4)

Provides details of how the Council has responded to any issue(s) identified in last year's governance statement and reports any new significant governance issues arising in 2022/23 (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:

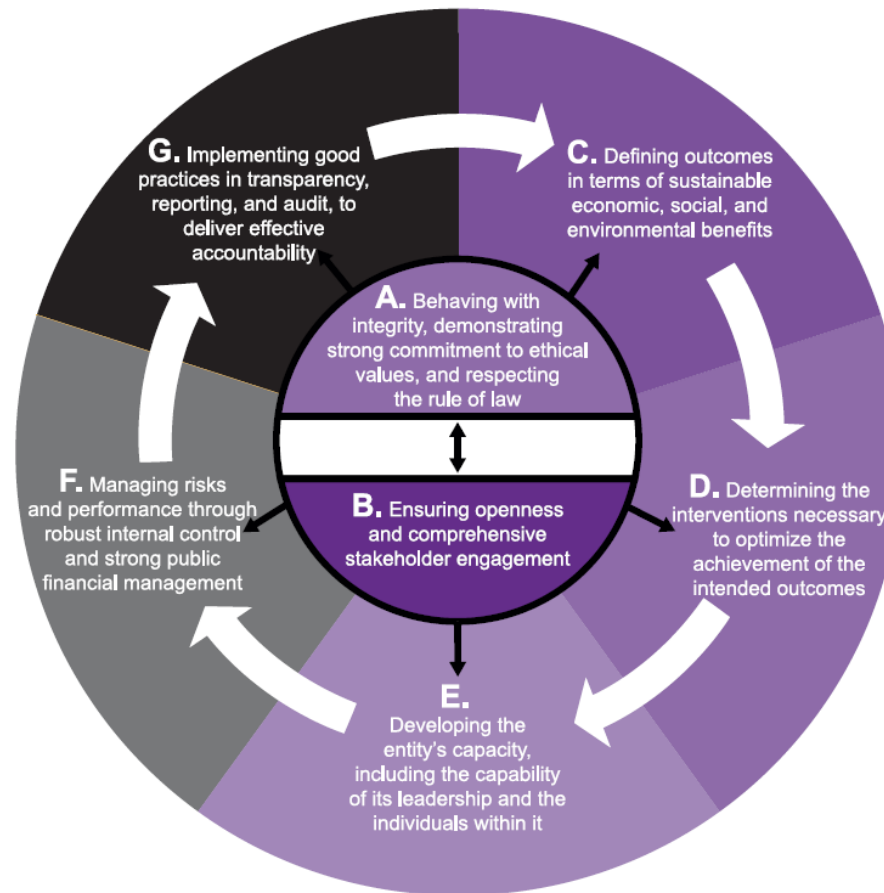
- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

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 2023 and up to the date of approval of the statement of accounts.

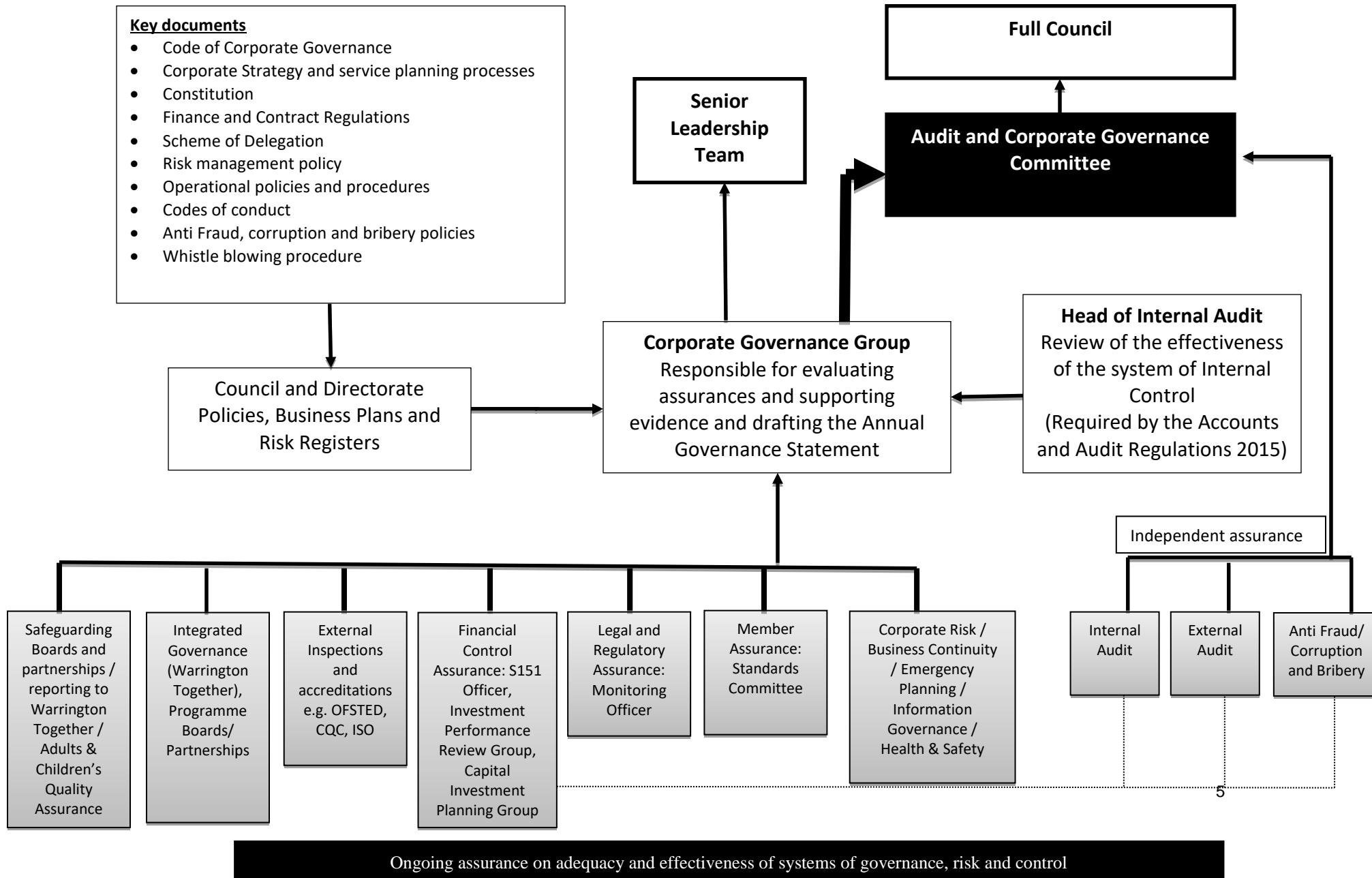
The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. These are summarized in the graphic below:

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



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.

During 2022-23, Internal Audit started work on developing a comprehensive corporate assurance framework. The purpose of the framework is to support the council's governance arrangements by identifying and assessing the level of assurance available against the council's key activities and strategic risks. This assurance can be provided by management oversight, internal control operations, the work of internal and external audit and through external reviews and assessments (for example OFSTED and CQC inspections, external accreditations). Much of this information already exists, but once complete the assurance framework will pull all of this information together in one place, to enable those charged with governance to assess where assurance is provided and where additional assurance may need to be obtained. We intend to complete the development of the framework during 2023-24.

The Council's Strategic Risk register was subject to a major review at the end of 2021/22, which resulted in significant changes to the content:

- New risk descriptions were provided for most risks, together with a summary of the factors that may cause the risk to occur (risk sources) and those which may result if the risk does materialise (risk consequences).
- The narrative content was reviewed and restructured to identify more clearly the controls we have already put in place to manage the risk, together with any additional controls that were planned to be implemented during 2022/23.
- An additional column was added to document the nature of our response to the risk, based on the "4 TSQ" approach (Tolerate, Treat, Transfer or Terminate).
- To support the work being undertaken to develop and document a formal framework of assurance for the Council, a further column was added to specify the nature of assurance offered by the controls we have identified.

Updates to the Strategic Risk Register have been presented regularly to Senior Leadership Team, Cabinet and Audit and Corporate Governance Committee during 2022/23. As a result of discussions at these meetings, risks have been both escalated to and de-escalated from the register, and scores have been amended to reflect changes in the risk environment. The number of risks in the

strategic register has gradually increased over the past ten years, reflecting the more challenging and dynamic environment in which local authorities operate.

Set out below are summaries of external assurances received in relation to key governance areas in the council in 2022-23, with links to published documents containing further detail, where relevant.

Children's Social Care

An LGA Peer Review of Children in Care and Care Leavers Service was commissioned in June 2022 to consider how well the council meet our statutory duties to children in care and care leavers. The LGA found we have continued the progress made in this area since our last full Ofsted Inspection: *"It is clear from the self-assessment and from the evidence gathered by the peer team that Warrington is an organisation that knows itself well and is aware of what needs to be done."*

[Link to Peer review report](#)

The annual cross-remit meeting with OFSTED took place in February 2023, covering children's social care, early years, schools and further education and skills. Some of the key outcomes from this included:

Social care

- Turnover of social workers remains high, but is reducing
- There is clearer management overview and quality assurance in place, leading to improved performance
- Work on supporting children on the edge of care has led to a reduction in the numbers of children entering care

Early years

- There is a joined-up approach to support children through their education journey
- The council works closely with health services to improve early health notifications
- There are sufficient childcare places to meet demand; take up of place for two year-olds continues to improve

Schools

- 97% of primary schools and 92% of secondary schools are graded as "good" or "outstanding" by OFSTED
- There is a rigorous process for keeping schools under review, linked to a school improvement model

- The council is focusing on supporting schools to improve the curriculum offer where gaps in attainment and progress are wide

Further education and skills

- The council is working to reduce the number of care leavers not in employment, education or training
- The council is working with different providers across the region to ensure that they offer the curriculums to meet the identified skills needs.

Adult social care

The Council commissioned the Local Government Association to undertake a peer challenge around adult social care, to prepare for a future assessment by the Care Quality Commission of care at the local authority and integrated care system level. The peer review's main findings were that:

- Adult Social Care is well led and we identified a strong and unified culture with a clear focus on doing the best for Warrington communities
- There are strong strategic partnerships across Warrington, with Warrington Borough Council respected as a valued partner and leader in the Health and Care system
- Adult Social Care is self-aware around its strengths and areas for improvement and will now need to deliver plans to address areas of improvement at pace
- The Council should prioritise work to agree, and then implement, comprehensive strategies around co-production and equality, diversity and inclusion
- The Council should develop ways to better evidence the impact of your work in terms of outcomes for people and value for money
- The Council should review how waiting lists are managed for assessment and care and agree clear plans for addressing these

Between the 23 January and the 10 February 2023, Ofsted and the Care Quality Commission jointly inspected arrangements across education, health and care services to understand how well members of Warrington's Partnership work together to improve the experiences of children and young people with SEND. It highlights that senior leaders across the Warrington Partnership are ambitious for children and young people with SEND. Inspectors also found a number of areas where Warrington Partnership is

making a positive difference to improve the lives of children and young people with SEND. Warrington Borough Council was the first local authority in the region to be inspected under the new framework which has 3 potential outcomes:

- The local area partnership's arrangements typically lead to positive experiences and outcomes for children and young people with SEND.
- The local area partnership's arrangements lead to inconsistent experiences and outcomes for children and young people with SEND. The next full area SEND inspection will take place within approximately 3 years.
- There are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with SEND, which the local area partnership must address urgently.

The inspection team found that Warrington's arrangements lead to inconsistent experiences and outcomes for children and young people with SEND and have asked that the partnership to work together to address the following areas for improvement:

1. Leaders across health, education and social care must improve the efficiency and quality of their information gathering processes so that that children's and young people's assessments are coordinated across providers and services.
2. Leaders across the partnership should ensure that assessments for EHC plans are completed within the statutory timeframes.
3. Health commissioners and providers should ensure that children and young people receive health services in line with area plans and that service specifications better meet children's and young people's needs in Warrington.
4. Leaders across health, social care and education should ensure that they have effective systems to share information about children and young people's needs in a more useful, timely and effective way.

Governance was highlighted as a strength within the inspection.

[Link to OFSTED report](#)

Planning

Following the Examination in Public of Warrington's draft Local Plan last year, Planning Inspectors have confirmed that with a number of Modifications, Warrington's Local Plan can be found sound.

A 6 week period of consultation on the Modifications recommended by the Inspectors concluded on 26th April 2023.

The representations made to the consultation have been passed to the independent Planning Inspectors for their consideration. Following a review of responses to the Modifications, the Inspectors will then issue their final report before the Plan proceeds to Full Council for adoption. It is anticipated that the Local Plan will be adopted later this year.

[Link to Council's Planning policy homepage](#)

To support the annual review of effectiveness, all heads of service were issued with a senior managers' assurance statement for completion. The statement consists of self-evaluation questions for each of the key areas contained in the CIPFA / SOLACE good governance guide, for managers to identify either good practice or areas for further development. The results of the assessments have been used to identify opportunities for providing additional training and support – no areas were identified from this exercise that would require disclosure as a significant governance issue in the AGS.

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.

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. The Strategic Risk and Business Continuity Group has met regularly during the year to discuss risk matters and identify items for potential escalation to the strategic register.

- **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 2022/23 has been subject to review and challenge at Directorate Management Team meetings and evidence to support the assessments has been collated and reviewed by the Corporate Governance Group.
- **Internal Review** – The Governance Group meets regularly during the year and maintains a work plan to ensure continuous improvement of the governance arrangements in place. The Group reports on its work annually to 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 2022/23 and in preceding years, 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 2022/23 has not been able to consider key assurances from the Council’s external auditors in relation to the accounts from 2019/20 onwards. The opinion also excludes assurance from a proposed external review of the council’s commercial investments, as this work has not yet been completed. These issues are set out in more detail in the Annual Report and Head of Audit Opinion on the System of Internal Control for 2022/23, which will be presented to the Audit and Corporate Governance Committee at its meeting on 27 July 2023.
- **External Audit** - The audit of the 2019/2020, 2020/21 and 2021/22 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 2021/22 Annual Governance Statement remains in draft as the accounts for that year have not yet been audited. The 2021/22 Statement reported two significant governance issues for the Council, relating to the adverse Value for Money opinion for the external auditors on the 2017/18 accounts and Together Energy entering administration.

Both of these remained significant governance issues in 2022/23. An update on these is included in this section, along with four additional items that are being disclosed as new significant issues currently facing the Council.

Significant governance issues at the current time are as follows:

Value for Money Opinion – 2017/18 and 2018/19 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 and following final sign off of 2017/18 Accounts, the final Audit Findings Report was reviewed at the Audit & Corporate Governance Committee meeting on 15th March 2023.

Based on the work Grant Thornton has performed on 2018/19 draft accounts, it is anticipated that Grant Thornton will present their Value for Money Judgement on the 2018/19 Accounts at Audit & Corporate Governance Committee in July 2023.

The Council has not received the full Audit Findings Report for 2018/19 and future open years, yet to be audited. The full 2018/19 Audit Findings Report is expected to be available for review by management by September 2023.

Agreed actions arising from the 2018/19 Audit Findings Report will be added to the action plan for 2023/24 to ensure that the external audit recommendations arising from the audit of the 2018/19 accounts are fully addressed as agreed and approved by the Council's Audit & Corporate Governance Committee.

Together Energy

Over 2022-23, the administration of Together Energy (TE) has been progressed by FRP Advisory, the court-appointed administrators. Following discussions with Orated, the administrator has now confirmed to the Council that its guarantee to Orated (the wholesale energy supplier to TE) is no longer required and therefore can be released. Accordingly, the Council's potential liability has now declined to £36.85m, consisting of £18.85m of loans and £8.899m of preference share capital (once the original £18m has been adjusted for the prudent impairment to the equity that the Council made last year).

The hedge position of TE continues to be liquidated and is still forecast to make a positive net return to the company once all liabilities to Orated are paid. In addition, the parent company Together Energy Limited (TEL), where the Council has its debt and equity holdings, has significant cash balances based on collection of outstanding amounts from customers. Based on this, the administrators have advised the Council that they still anticipate that the Council loans (£18.85m) will be repaid in full.

However, there remains significant uncertainty around the potential level of recovery, if any, against the equity investment and the administrators remain unable to provide a clear assessment or guidance. This is primarily because of a recent court judgment on the status of Ofgem claims and customer credit balances in the insolvency of a failed energy supplier. The judgement currently states Ofgem has provable claims for RO/ROC balances and that the SoLR (Supplier of Last Resort), who takes on the customers in case of an insolvency, has legitimate grounds to make a claim in the insolvencies of failed suppliers in relation to customers' credit balances. This has created uncertainty around the assets available to equity holders once creditors have been repaid and the administrators are currently evaluating the impact of the judgment alongside their wider exercise to determine recoveries for all creditors. The Council are thus forecasting the same position it did in 2021/22 of retaining the equity at the same value as last year, pending further clarification from the administrators. The Council has impaired the value of the equity down to £8.899m. Therefore based on information available at this time, the likely maximum exposure to WBC is the potential loss of the £8.899m equity investment.

Livewire Leisure & Libraries

During 2022/23, the Council has stepped up financial support to LiveWire. In January 2023, Cabinet approved a funding grant to LiveWire to support increased energy and service costs.

LiveWire has faced significant financial challenges, like many other leisure service providers across the country. This is against a backdrop of legacy impacts of the COVID pandemic, alongside significant increases in running costs linked to high energy bills and inflation rates. Keeping services like swimming pools open, for example, is currently considerably more expensive than in previous years, with the leisure sector going through a period of great difficulty.

The Council is therefore having continued discussions with LiveWire to identify the best way to ensure the continued and long-term delivery of LiveWire's valuable leisure and library services, acknowledging the tremendous impact and value LiveWire gives to our communities.

The Council are committed to continuing to support LiveWire. At the time of writing, there have been no decisions made on the way forward. Any decisions will ultimately require Cabinet approval and any appropriate budgetary provisions will be reflected in the Medium Term Financial Planning process.

Integrated Care System

The Integrated Care System (ICS) is now in place but still in its infancy. As there are Committees in the structure which have formal status as joint committees there needs to be reference to it in the Constitution. Whilst setting up the ICS framework both locally and regionally there have been some interim measures in the Constitution to allow the Council to be represented.

Whilst further change and development are expected it was proposed at full council on 22nd May 2023 that a new section is introduced into the Constitution to explain and recognise the Council's involvement in the ICS and to allow appointments and decision-making powers to be put in place.

Arrangements for the establishment of the Joint Health Overview and Scrutiny Committee for Cheshire and Merseyside were completed in 2022. A report was brought to Council on 20 June 2022 and Council agreed to adopt the updated Protocol for the Establishment of Joint Health Scrutiny Arrangements in Cheshire and Merseyside which were included at Part 5, Section E of the Council's constitution.

The Sub-Committee recommended to full Council that the Constitution is amended to include a section on the ICS, including appointments and decision-making powers for those councillors and officers involved in the integrated care work. The Sub-Committee recommended to full Council that the ICS section of the Constitution can be updated by the Monitoring Officer to incorporate changes/developments to the ICS governance framework and terms of reference for ICS Committees.

Council approved the proposals as presented.

External Capital Review Summary

During 2023, the Council, was advised of a Capital Review to be undertaken by CIPFA requested by the Department for Levelling Up, Housing and Communities.

The objectives of the review were stated as follows:

Firstly, to assess the level of risk that the council is exposed to due to its current debt and investment profile and future capital plans. In assessing this, the review should consider both the inherent risk and the council's arrangements to manage risk. The review must consider the forward position of the council and the level of risk to financial stability due to sensitivity to changes in future assumptions.

Secondly, to include as part of the considerations of the review whether it is appropriate and necessary for the councils to take actions to reduce its risk (for example, by reducing debt), and the options by which the council may do this and the viability of such options. The report should provide recommendations that can reasonably inform the government's and council's consideration of further actions.

The focus of the review was intended to be on the financial risks arising due to the council's investment and debt profile; with the review to consider other elements of the council's finances so far as they are relevant.

Warrington Borough Council was one of a number of Local Authorities across the country to be subject to a similar review. At the time of writing, the Council has not been advised of the outcome of the review which will be reviewed by Audit and Corporate Governance Committee once a final report becomes available.

Climate Change

Climate Change is one of the key strategic risk facing society today. Climate change risk management has been projected as conscious transformation at unprecedented scale and speed involving a contest of ideas and experimentation across scales of authority. Yet there remains a sense that achieving the urgent transition to a low carbon, climate resilient and sustainable world requires significant innovation in risk management and governance. The Council will continue to integrate Climate Change risk into its governance processes, systems and policies.

6. Conclusion

The review of the Council's governance arrangements for 2022/23 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:

Signed:

.....
Councillor Bowden
Leader of the Council

Date:

Signed:

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Matthew Cumberbatch
Monitoring Officer

Date:.....

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Professor Steven Broomhead
Chief Executive

Date:.....

