

## ANNUAL GOVERNANCE STATEMENT

### 1. SCOPE

Local authorities are required to prepare and adopt a local code of Corporate Governance. A Code of Corporate Governance was adopted by the Council in September 2003 and was further updated and approved by members in February 2008 in order to comply with the CIPFA/SOLACE framework publication 'Delivering Good Governance in Local Government – Guidance Note for English Authorities'.

This framework is considered best practice, "*to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit*".

Risk management is a principal element within Corporate Governance, to this end a Risk Management Strategy was adopted in March 2002 and is reviewed annually and endorsed by the both the Leader of the Council and the Chief Executive.

The Code of Corporate Governance covers the principles underpinning governance at the Council, demonstrates how the Council intends to maintain these principles and assists the Council in reviewing its governance arrangements and its effectiveness against the published framework.

This Annual Governance Statement provides summarised details of the assurances and evidence that is in place in order demonstrate compliance with the Code. A full version of the assurances and evidence can be found on the Council's website at <<WEBLINK TO BE ATTACHED FOLLOWING APPROVAL>>.

### 2. RESPONSIBILITIES

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 and 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 efficiency, effectiveness and economy.

In discharging this overall responsibility, the Council is also 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.

The roles of the Chief Executive, the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within part 2 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and reviewed on a regular basis by the Monitoring Officer.

Furthermore, the constitution also covers the scheme of delegation to both officers and members.

### 3. GOVERNANCE

The Council has adopted a Code of Corporate Governance which has been prepared in accordance with the principles outlined in the CIPFA SOLACE publication.

The governance responsibilities are charged jointly to the Audit and General Purposes Committees. The role of approving this Statement and recommending the Code of Governance for adoption by full Council falls to the Audit Committee, and the responsibility for the approval of the Accounts and the subsequent Audit Commission Governance Report falls to the General Purposes Committee.

### 4. POLICY AND DECISION MAKING

In discharging its statutory duties in the provision of Services the constitution provides details of the decision making process for the Council as a whole.

The Council's Constitution is available on the Council's website and is reviewed by the Monitoring Officer and Management Team on a regular basis and regular reports are received by Council relating to proposed changes. The Executive are responsible for taking most operational decisions. Key decisions are published in advance via the forward plan, which is published at monthly intervals. All Member meetings held by the Council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing and legal matters and those of a contractual nature.

All decisions made either by Cabinet, Committee or Cabinet Member at an Advisory Board can be subjected to further scrutiny via a call-in procedure allowing challenge of the decision being taken within five working days.

### 5. ESTABLISHMENT AND MONITORING OF CORPORATE AND SERVICE OBJECTIVES

The Corporate Performance Plan 'Spotlight' is approved by Members on an annual basis and provides detail of the objectives for the Council for the forthcoming year and reports its performance for the previous year. Copies can be found on the council's website at : <http://www.tmbc.gov.uk/cgi-bin/buildpage.pl?mysql=1096> or obtained by telephoning 01732 876020.

The Corporate objectives are set using feedback from the Council's Residents' Panel, consisting of a cross section of the community. These objectives then feed down through to section performance plans and individual performance appraisals, the "Golden Thread".

This performance plan sets out the Councils targets for both National and Local Performance Indicators. These targets are cascaded to section performance plans and are time specific. Performance is monitored by the Corporate Management Team and the Executive on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

- Through the use of service planning, which determines the service delivery models for the Council as a whole
- Through the use of a budget prioritisation model developed in 2004 and reviewed on an annual basis. The model examines the services and budgetary links to the Key and

Corporate Priorities. The results of the model used for the 2007/08 budget showed that 64% of the Council's resources were targeted to the top 25% of scored services.

## **6. INTERNAL AND EXTERNAL AUDIT**

### **INTERNAL AUDIT**

The Council has a duty to maintain an Internal Audit service. This responsibility is discharged by the Director of Finance. The scope of internal audits shall encompass the examination and evaluation of the adequacy and effectiveness of the Council's system of internal control and the quality of performance in carrying out assigned duties and responsibilities.

The Internal Audit Section undertakes work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom. The outcome of audit results in a level of assurance opinion being reported to management. The outcome of the audits undertaken is reported to the Audit Committee providing details of recommendations made and the actions taken on a quarterly basis.

A risk model is used to formulate a three-year plan from which the annual workload is identified. Both the three-year and annual plans are reported to, and agreed by Management Team and the Audit Committee at the beginning of each financial year with progress reports being reported to the Audit Committee on a regular basis where they are considered to a detailed level.

At the end of each year service assurance statements are issued to each Chief Officer to provide assurances on the identification and assessment of risks, and that sound operational arrangements exist within their service. Following their return no significant internal control issues have been identified.

In addition the Audit Committee receives an annual report from the Director of Finance and the Chairman of the Audit Committee providing details of the effectiveness of Internal Control operated via the Internal Audit Section and the Audit Committee.

### **EXTERNAL AUDIT**

The Council's external appointed auditors for the 2007/08 financial year are the Audit Commission; they carry out a triennial review of the work of the Internal Audit Section as well as auditing the Statement of Accounts, and carrying out a Use of Resources. No significant issues have been raised relating to issues arising from audit work undertaken since April 1<sup>st</sup> 2007, pertaining to either the 2006/07 or 2007/08 years. All reports issued by the Audit Commission are presented to the Audit Committee for consideration and comment, irrespective of reports being first taken to other member Committees.

## **7. RISK MANAGEMENT AND BUSINESS CONTINUITY**

The Council has adopted a risk management strategy that sets out the roles of Members and Officers in the identification and minimisation of risk. The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed on an annual basis as part of service and strategic planning. The strategies themselves identify those service risks and categorise them as high and low probability and high and low impact on the authority. Services are then asked to put plans in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. To ensure that risk is considered all reports presented to Members must include a risk assessment of the

actions within the report. This assessment also covers legal and financial and value for money considerations.

In addition to this during 2007/08 our risk management procedures were reviewed by the Council's Insurers who made recommendations to strengthen further risk management. These recommendations have been implemented including the appointment of two risk champions, the Chairman of the Audit Committee and the Chief Internal Auditor, who have been charged with the promotion of risk management at all levels within the organisation. Following the elections held in May 2007, the Council undertook a comprehensive training programme for all members on risk management.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Risk Management Policies are currently being updated to take account of this wider working.

The Council also has a Business Continuity Plan in place to mitigate significant business risk; in addition to this our major partners are required to provide us with their Business Continuity Plans, for review and assessment by the service partners. These have been received and are to be reviewed in the first few months of the 2008/09 financial year.

## **8. FINANCIAL MANAGEMENT**

In addition to Financial and Contractual procedure rules contained within the constitution, in order to maintain its financial management the Council operates budgetary control procedures which are used in conjunction with a Medium Term Financial Strategy (MTFS).

Budgetary control of both revenue and capital expenditure is carried out by Services on a monthly basis with reports covering the major areas of expenditure and income being presented to the Finance and Property Advisory Board at their scheduled meetings. These reports detail current and future variations and provide details of any management action to be taken where appropriate.

Our MTFS ensures longer term targets and assumptions about inflation and government grant are taken into account when annual budgets are established. The MTFS spans a six year period and provides a sustainable basis for the delivery of resources. This provides for the development and improvement of the Council's key services whilst ensuring Council Tax increases are kept to reasonable levels and our financial reserves can be maintained at an appropriate level. The MTFS is regularly reviewed as part of the budget review process and when significant changes occur to ensure its assumptions and financial projections remain soundly based.

Internal Audit regularly reviews the financial accounting systems to ensure that adequate safeguards are in place in order to protect the Council from financial irregularity. The Council's website has a section dedicated to Combating Fraud and this includes provision to report irregularities through the Confidential Reporting Code. In addition, the Council has a Benefits Investigation Team to investigate allegations of Benefits irregularities.

In addition to these constitutional rules and budgetary control guidance, the Council complies with statutory legislation relevant to financial issues which are communicated to the appropriate staff; these will include the Statement of Recommended Practice which governs the production and format of the Statement of Accounts and the CIPFA guidance on Treasury Management and the Prudential Code.

The draft Statement of Accounts is approved by the General Purposes Committee in June each year prior to the Audit of the Accounts by the Audit Commission. The General

Purposes Committee then receive the audited copy of the Accounts along with the Audit Commission's Annual Governance Report in September.

The Council adopts an Investment Strategy and Treasury Management Strategy Statement in accordance with legislation as part of the annual budget setting process in February each year. The strategy incorporates the requirements of the Prudential Code. The purpose of this strategy will be to inform both Council Members and the Public of the authorities investment strategy for the forthcoming 12 months. Deviations from the original strategy are reported to and approved by Council during the year. During 2007/08 no deviations to the original strategy have been reported. An outturn report is reported to Cabinet in June each year.

## **9. PROCUREMENT**

A corporate procurement strategy has been prepared, and approved by Members and subsequently communicated to all staff. In addition to the strategy, guidance notes covering all areas of procurement have been produced and made available to all staff. The strategy and guidance notes are subject to regular review.

## **10. USE OF RESOURCES**

The Council is subject to an annual assessment by the Audit Commission on its use of resources. The Use of Resources (UoR) assessment evaluates how well local authorities manage their financial resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements and is an important part of the Comprehensive Performance Assessment (CPA) framework.

The Assessment covers five themes: financial reporting, financial management, financial standing, internal control and value for money. The Council was assessed on its 2006/07 performance in September 2007 and achieved an overall score of 4 (highest score) which is defined as "*Well above minimum requirements – performing strongly*", with notable practice being identified for Financial Reporting, Financial Management and Financial Standing.

The report issued by the Audit Commission on the outcome of the Assessment was presented to Cabinet in February 2008 and identified further areas for improvement and officers are planning to address these areas, which will be the subject of consideration and action as appropriate.

## **11. COMPLAINTS AND CONFIDENTIAL REPORTING POLICIES**

The Council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the Council's website. The procedure is well documented and complaints referred to the Local Government Ombudsman are reported to the General Purposes Committee on an annual basis. The last report covered the 2006/07 financial year and reported no areas of maladministration. To date in 2007/08 no areas of maladministration have been reported.

The Council also has a Confidential Reporting Code along with anti fraud polices including benefit fraud. Staff are advised of the code/policies at their induction, with reminders being issued by the Chief Executive on a regular basis. In addition to these reminders staff are asked to confirm their awareness of these at their appraisal each year.

## 12. COMPLIANCE

The Council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the Council's Financial Procedure Rules and Contract Procedure Rules. Other policies or strategies covering both internal and external issues are available to staff and the public via the Council's intranet and internet sites respectively and can be found on the Council's website at [www.tmbc.gov.uk](http://www.tmbc.gov.uk) . These policies include:

- Anti-fraud Policy
- Benefits Anti-fraud Policy
- Confidential Reporting Code
- Freedom of Information
- Anti Money Laundering Policy
- Diversity Policy Action Plan
- Race Equality Scheme
- Anti-harassment Policy
- Child Protection Policy
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All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each of the policies /strategies.

## 13. GOVERNANCE ISSUES ARISING

### Internal Audit

During 2006/07 two Internal Audit reports concluded with Minimal Assurance (the lowest level) of adequate controls, these were;

- Internet Usage by Council Officers
- Refuse Collection, Street Cleansing and Recycling

The circumstance causing these limited assurances have been reported to the Members of the Audit Committee. Action plans from these reports have been completed by the responsible Chief Officer in order mitigate to the risk. There are no instances in either report that it is considered could have a material affect on the Accounts.

## 14. EMERGING ISSUES

There are a number of risks that have been identified for both the current and future financial years. In identifying these risks, the Council has also stated how it plans to mitigate these risks. These are:

- Housing Private Finance Initiative – This is a joint initiative with Kent County Council and nine other District Councils to provide specialist housing needs. A number of risks were identified and have been addressed to the satisfaction of the Audit Commission.
- Budgetary issues – Following the announcement of the Local Government Settlement for the 2008/09, 2009/10 and 2010/11, the Medium Term Financial Strategy has identified a budget gap of £500,000. A report will be submitted to the Cabinet in early 2008/09 in order to identify potential areas for review in order to bridge the gap.

- Concessionary Fares – Linked to the issue above is the projected increase in Concessionary Fare payments following the introduction of the national scheme in April 2008.
- Hadlow Tower – The Tower is the subject of a compulsory purchase order. This is currently with the Secretary of State for decision. There is currently a contingent liability reflected in the Accounts for a loan guarantee on behalf of the Vivat Trust to whom the Tower is to be transferred to subject to the decision of the Secretary of State. However, the owner of the Tower is fighting the CPO which could leave the authority open to further legal costs.

Signed

D. R. Hughes CPFA  
Chief Executive

Dated

Signed

Councillor M. S. Worrall  
Leader of the Council

Dated