

## **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”*.

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.

The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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 both the Leader of the Council and the Chief Executive.

This Annual Governance Statement provides summarised details of the assurances and evidence that is in place in order to 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 ADDED WHEN COMPLETED>>](#).

### **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.

The Scrutiny Committee has the remit to review and scrutinise the decisions made by and performance of the executive and/or committees and council officers both in relation to individual decisions and over time. Decisions made either by Cabinet 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".

The Corporate Performance Plan sets out the Council's 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 2008/09 budget showed that 60% 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 auditor for the 2008/09 financial year is the District Audit Service. As part of their remit 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 Assessment. No significant issues have been identified from the work carried out to date for 2008/09. All reports issued by the District Audit Service 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.

Following a review of our risk management procedures by the Council's insurers in 2007/08 the Council appointed 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.

Since this process the risk matrix assessing levels of risk impact have been reviewed and allow service users to assess the direction of travel on risk. Training on risk management has been provided to all Councillors and all service management teams have been visited in order to provide strengthened risk assessments of service operations.

In addition to this training, with effect from 2009/10 service operational risk registers are now required to be reviewed on a quarterly basis, these risk registers are shared with the staff within the service.

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 have been reviewed to ensure business continuity exists. The Business Continuity Plan is tested by conducting exercises to ensure its effectiveness.

## **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 has reviewed 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 authority's investment strategy for the forthcoming 12 months. Deviations from the original strategy are reported to and approved by Council during the year. During 2008/09 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. Furthermore, the Council has recently reviewed, updated and adopted new Contract Procedure Rules and delivered training on the new Rules to staff involved in the procurement process.

## **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 2007/08 performance in September 2008 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 Management and Value for Money.

The report issued by the Audit Commission on the outcome of the Assessment was presented to the Audit Committee in February 2009 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 2007/08 financial year and reported no areas of maladministration. To date in 2008/09 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. During 2008/09 staff have been asked to confirm to the Personnel Section their awareness of these policies.

## **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 polices 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

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 2008/09 three Internal Audit reports concluded with Minimal Assurance (the lowest level) of adequate controls, these were:

- Developer Contributions (Section 106 Agreements)
- Court Costs
- Housing Investigation

The circumstances causing these minimal 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 to mitigate the risk. There are no instances in any of the reports that could have a material affect on the financial statements.

## **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:

- Budget Issues – The Council is currently feeling the effects of the economic climate. With this in mind a target saving of £600,000 has been set for revenue budgets to be found for the 2010/11 budget round in order to meet the requirements of the Medium Term Financial Strategy.

- Investments – The Council had made an investment in an Icelandic Bank, having followed the procedures recommended in Treasury/Government guidance. The Council has reviewed its Treasury Management policy, to further strengthen the protection of potential investments. The Council is seeking, along with other local authorities and public bodies affected by the Icelandic Banking crisis, restitution of its investments. Losses, if any, from any failed Bank will be reported to members, once the situation is clarified.
- Contractor Fatality - During 2006/07 a fatality occurred to a member of staff of our Contractors dealing with litter picking within the Council's boundaries. In January 2009 we received notification that the Health and Safety Executive are prosecuting the Council under; "The Health and Safety at Work etc Act 1974, section 3(1) which states that it shall be the duty of every employer to conduct his undertaking in such a way as to ensure, so far as is reasonable practicable, that persons not in his employment who may be affected thereby are not thereby exposed to risks to their health and safety". The case is yet to be heard by the Courts therefore the amount of costs and fine, if found guilty have yet to be determined, but under statute the fine could be of an unlimited amount.
- Hadlow Tower – The Tower is the subject of a compulsory purchase order. The Council will take possession of the Tower once the Vivat Trust, to whom the Tower will be transferred to, have satisfied the Council that they have sufficient funds in place to complete the necessary works. In the meantime a contingent liability for a loan guarantee in respect of the Vivat Trust is shown within the Accounts. However, the owner of the Tower is currently challenging 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