

## **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 regularly 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:

**<<LINK TO BE INCLUDED ONCE APPROVED>>**

### **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, which is available via the Council's website. The register is 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 reports 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 Overview and Scrutiny Committee has the remit to review and scrutinise the decisions made by and performance of the executive and/or committees and council officers. Decisions made by Cabinet, Committee or a Cabinet Member at an Advisory Board can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken.

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

The Corporate Performance Plan 'Spotlight' is approved by Members and provides details of the objectives for the Council for the forthcoming year and an overview of its performance for the previous year. In view of the extraordinary financial and legal uncertainties impacting on the public sector, Spotlight has not been formally updated for 2011/12. In this context Cabinet and Corporate Management Team advised service managers that 2011/12 targets should remain the same as 2010/11 targets unless there is a substantial reason for change.

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.

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

#### ***INTERNAL AUDIT***

The Council maintains an Internal Audit section which operates to the standards as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The purpose of the section is to independently examine, evaluate and report on the Council's activities, assessing the adequacy of internal control systems as a contribution to the proper, economic, efficient and effective use of resources.

The work of Internal Audit is determined by an Annual Audit Plan which is formulated based on a risk assessment to ensure audit resources are directed towards the highest risk areas of the authority. The audit plan is endorsed by Management Team prior to being approved by the Audit Committee at the beginning of each financial year. The result of audit work undertaken including the opinion on the level of assurance given is reported to the client management and the Audit Committee are provided with regular updates. Taking into account the results of audit work in the year the Chief Internal Auditor delivers an opinion on the adequacy of the control environment in place at the Council in the financial year.

The Internal Audit Team also has an effective and professional relationship with the Audit Commission, the Council's external auditors and they regularly place reliance on the work of Internal Audit during their audit work.

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. These statements are returned after the print deadline for the Audit Committee meeting and any issues raised will be reported verbally to Members. In addition, the Audit Committee receives an annual report from the Management Team 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 2011/12 financial year are the Audit Commission. As part of their remit they review the work of the Internal Audit Section in order to determine whether they can place reliance on their work, audit the Statement of Accounts and carry out a value for money assessment. All reports issued by the Audit Commission are presented to the Audit Committee for consideration and comment, irrespective of whether the report also goes to other Committees.

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

The Council has adopted a risk management strategy that sets out the roles of officers and Members 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, financial and value for money considerations and equality issues where relevant.

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 subject to half-yearly review, these risk registers are also shared with the staff within the service.

High risk or 'Red Zone' risks are reported to Management Team at the earliest opportunity and then passed to the Audit Committee for further consideration. Following the December 2011 the following areas were highlighted as high risk:

Planning, Transportation and Leisure

Development Control – maintain or improve the level of fee income.  
 Environmental Health and Housing  
 Housing – enabling new affordable housing.  
 Housing – tackling homelessness.  
 Housing – improve sub-standard housing and the energy efficiency of existing and new housing provision.  
 Food & Safety – ensure that all Services are procuring contractors and service providers with appropriate consideration to health and safety and managing contractors with proportionate consideration to health and safety issues.

Furthermore, where the Council is engaged in partnership working under the Council's Risk Management Policy it is the responsibility of the officer responsible for the partnership to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council. Partnership and Joint Working are contained within the Council's Constitution under Article 11 of Part 2.

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.

## **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. Given the scale of the financial challenge faced by the Council as part of the 2011/12 budget setting process we moved to a MTFS spanning a ten-year period. We believe that by taking a ten-year view of our finances, we have been able to minimise the financial burden for our residents whilst at the same time doing all we can to protect services. 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' where the Council's Anti-fraud Policies, Confidential Reporting Code and Anti-Money Laundering Policy can be found.

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

The draft Statement of Accounts is subject to independent scrutiny by the Audit Committee and approval by the General Purposes Committee in late June prior to the audit of the Accounts. At the conclusion of the audit the General Purposes Committee receive the audited copy of the Accounts along with the Audit Commission's Annual Governance Report.

The Council adopts a Treasury Management Strategy Statement and Investment Strategy in accordance with legislation as part of the annual budget setting process in February each year. This strategy incorporates the requirements of the CIPFA Treasury Management Code and Prudential

Code. The purpose of this strategy is to inform both Members and the public of the authority's investment strategy for the forthcoming year. Variations to the published strategy during the year are also reported and subject to approval by full Council. Investment performance is monitored during the year and reported to the Finance and Property Advisory Board and Audit Committee.

## **9. PROCUREMENT**

The corporate procurement strategy was updated and approved by Members in March 2011 and is available on both the staff intranet and the Council's website. In addition, guidance notes covering all areas of procurement have been produced and made available to staff. The strategy and guidance notes are subject to regular review by the Procurement Officer Study Group.

## **10. ANNUAL AUDIT LETTER**

As part of its assessment of the Council the Audit Commission prepares an Annual Audit Letter. The Letter is the prime means through which the results of audit and value for money assessment work are communicated to Members, the public and other stakeholders.

The Letter was presented to the Audit Committee in January 2012. In coming to his conclusions, the District Auditor issued an unqualified opinion on the Statement of Accounts and commented on the high standards of the statement and working papers and in value for money the District Auditor commented that the Council continues to have a strong and effective framework for financial planning and budgetary control.

## **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 Corporate Management Team on an annual basis. The last report covered the 2010/11 financial year and reported no areas of maladministration. To date in 2011/12 no areas of maladministration have been reported.

The Council also has a Confidential Reporting Code along with anti-fraud policies. Staff are advised of the code/policies at their induction. In March 2011, through the use of IT, staff have been required to read and accept 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 Constitution including its Financial Procedure Rules and Contracts Procedure Rules. In addition, strategies/policies relevant to council activities are made available to staff and the public via the Council's intranet and internet sites respectively. These policies include:

- Anti-fraud Policy
- Benefits Anti-fraud Policy
- Confidential Reporting Code
- Anti Money Laundering Policy

All strategies/policies are allocated to a lead officer who is responsible for their periodic review and updating.

## **13. GOVERNANCE ISSUES ARISING**

### **Internal Audit**

At the time of preparing this statement there has been no Internal Audit reports finalised for the 2011/12 financial year that has been given a Minimal Assurance (the lowest level) of adequate controls.

In addition, no issues identified in internal audit reviews undertaken in the year are considered to have a material affect on the financial statements.

## 14. EMERGING ISSUES

The Council will need to, amongst other things, continue to make progress / give consideration to:

- Budget Issues – the Council has seen its Formula Government Grant funding cut by more than £1.5m or 28% over the two-year period 2011/12 to 2012/13 with further cuts expected in future years. The Council's major income streams also continue to feel the effects of the economic climate. Based on the above, amongst other things, projections point to a 'funding gap' between expenditure and income of circa £2.54m. However, the Council has a robust Medium Term Financial Strategy and based on the above projection we could, for example, breakdown the savings target into four equal tranches of £635,000 to be achieved by 2013/14, 2014/15, 2016/17 and 2017/18. Clearly, the financial difficulties the entire public sector is facing are unprecedented, but we believe that our Medium Term Financial Strategy is resilient and the financial pressures likely to confront the Council can be addressed in a measured and controlled way.
- Government-led initiatives in the 'pipeline' that will impact on the Council's finances and, in turn, the Medium Term Financial Strategy over the medium to longer term including Welfare Reform and cessation of the administration of housing benefits over a transitional period ending in 2017/18; localisation of council tax support, business rates retention scheme; and proposals to devolve the setting of planning fees.
- The Council like a number of other public sector bodies had money invested in one of the Icelandic banks that in October 2008 went into administration. The Council had £1m deposited with the Icelandic bank Landsbanki at an interest rate of 5.86% and a maturity date of 30 October 2008. The Council is likely to recover up to 98% but that the precise amount will vary owing to foreign exchange fluctuations.
- Localism Act 2011 requirements / implications.

Signed

D. R. Hughes CPFA  
Chief Executive

Dated

Signed

Councillor M. S. Worrall  
Leader of the Council

Dated