

Babergh District Council

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Scope of Responsibility

- 1.1. 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, 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.
- 1.2 In discharging this overall responsibility, the Council needs to have in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy)/SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework '*Delivering Good Governance in Local Government*'. The core principles are listed in 3.1.

A copy of the code is on the Council's website at:

<http://www.babergh.gov.uk/Babergh/Home/About+us/How+we+work/Local+Code+of+Corporate+Governance.htm>

In addition, further information relating to the Council's governance arrangements have been placed in a dedicated area on the Council's website for the convenience of its stakeholders, local people and communities.

- 1.4 This statement assesses the Council's governance framework for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts. It explains how the Council has complied with the Local Code and the CIPFA/SOLACE Framework, and also meets the requirements of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. 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.

- 2.2. The governance framework comprises the Council's systems and processes, its culture and values and the way in which it accounts to, engages with and leads the community. These ensure that the Council monitors progress on achieving its strategic aims and priorities and enables it to consider whether these have led to the delivery of high-quality, cost effective services, which meet the needs of those using them.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot however 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 on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and priorities, to evaluate the likelihood of those risks being realised (and the impact should they be realised) and to manage them efficiently, effectively and economically.

3. The Council's Governance Framework and Arrangements

- 3.1. The core governance principles of the Council (based on the national CIPFA/SOLACE Framework), as set out in the Local Code of Corporate Governance, are as follows:
- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve common purpose with clearly defined functions and roles;
 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 Key evidence to support and demonstrate the Council's governance arrangements against the core principles, as listed above, are reported in **Annex A**.
- 3.3 In June 2009, CIPFA issued a *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports work to strengthen governance and financial management across the public services. It consists of the following over-arching principles and is supported by good practice benchmark checklists in relation to:-

- a) governance requirements;
- b) core responsibilities of the Chief Financial Officer; and
- c) personal skills and professional standards.

- 3.4 In the Statement CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.
- 3.5 The Director of Finance has undertaken an assessment to determine the degree with which the Council complies with the checklist. Overall, this shows that the Council is already substantially complying with the requirements.
- 3.6 The governance requirements to support the principles in the Chief Financial Officer statement will be incorporated into a review and update of the Council's Local Code of Corporate Governance.

4. Review of Effectiveness of Arrangements

Current corporate governance arrangements

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and risk management.
- 4.2 For 2009/10, this has been achieved through:
- A review of the evidence supporting the core governance principles by senior management.
 - The Head of Audit's overall opinion of the Council's internal control arrangements as reported in his Annual Audit Report 2009/10; and
 - Reports submitted by the External Auditors, other review agencies and inspectorates.
- 4.3 The AGS is reported to and considered by our External Auditors, who have a role in advising whether robust corporate governance arrangements are in place.

Systems and processes in place

- 4.4 Examples of the Council's arrangements are provided below. They include those existing arrangements, which continue to be effective, and those developed or strengthened during 2009/10.

Scrutiny arrangements

- The Overview & Scrutiny (Stewardship) Committee acts as the Council's Audit Committee and has responsibility for reviewing the adequacy of internal controls, monitoring the performance of internal audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance of the Council and considering the effectiveness of the Council's governance arrangements.

- Clear scrutiny arrangements to develop policy and monitor the decisions of the Strategy Committee exist. Overview and Scrutiny Committees can 'call-in' a Strategy Committee decision, which has been made but not yet implemented to enable them to consider whether the decision was made in an appropriate manner.
- An effective Standards Committee is maintained, which regulates and oversees the national Code of Conduct. The Monitoring Officer maintains the Council's Constitution and promotes high standards of conduct through the provision of support to the Standards Committee.

Senior Management arrangements

- The Council's Management Team meet regularly to discuss strategic matters together with endorsing specified reports prior to them being considered by the Council's relevant Committees.
- The Director of Finance is Section 151 Officer of the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the Council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control.

Internal Audit arrangements

- In terms of the work carried out by Internal Audit for 2009/10, the Head of Internal Audit in his annual report was of the opinion that the Council's overall internal control arrangements provide an acceptable level of assurance and that there is satisfactory management of risk.
- Internal Audit reports directly to the Director of Finance, who is also the Section 151 Officer. The Head of Internal Audit and the Acting Audit Manager has the right of direct access to the Chief Executive and the Chairman of the Overview and Scrutiny (Stewardship) Committee, which acts as the Council's Audit Committee.
- A report on each audit, including recommendations for improvement, was issued to the Director of Finance and other relevant directors and Heads of Service. The Chief Executive and Deputy Chief Executive receive all audit reports that have a 'Not fully Acceptable' or 'Poor' audit opinion. There are timely reviews and follow up of recommendations to ensure that they are acted upon. Internal Audit also undertakes fraud investigations and fraud detection work.
- An annual review of the effectiveness of the system of internal audit has been undertaken as part of the AGS arrangements. The Director of Finance and the Acting Audit Manager have completed a checklist in relation to this and can confirm that the system of internal audit is effective.

Other internal arrangements

- The Council regularly publicises its Anti-Fraud and Corruption and Whistleblowing Policy, which provide measures to enable confidential public and officer concerns to be raised with the Council. The policy was reviewed and approved by the Overview & Scrutiny (Stewardship) Committee in January 2009 with progress on the ethical framework at Babergh and managing the risk of fraud and corruption being reviewed by the Committee in March 2010.
- The Overview & Scrutiny (Stewardship) Committee receive an annual report on the Council's ethical framework and how it manages the risk of fraud and corruption. This explains the arrangements in place within the Council to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provides details of proactive work undertaken by Internal Audit and the Fraud Team to deter, prevent and detect fraud and corruption. In addition, a formal complaints policy exists to deal with other matters of public concern regarding services provided by the Council.
- A Significant Business Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The Risk Management process is reviewed to ensure its relevance to the Council and the Overview and Scrutiny (Stewardship) Committee receive quarterly updates on risk management. In addition, significant risks within divisions are included in the Service Plans and are regularly monitored and reviewed. These are now reported alongside the significant business risks to the Overview and Scrutiny (Stewardship) Committee. Clear risk training and refresher programmes, including partnership risks, ensure that all Members and staff have a level of understanding of how risks and opportunities could affect the performance of the Council and to regard the management of those risks as part of their everyday activities.
- The Council has in place arrangements to ensure effective performance monitoring and management arrangements. The Management Team, Heads of Service and relevant managers actively manage that framework. The Overview & Scrutiny (Stewardship) Committee receives quarterly reports on Finance and Performance Management. Reports are linked on areas identified as requiring the attention of both Overview and Scrutiny Committees.
- In addition, staff have followed up on areas for improvement identified through the data quality audit. The Council now has a clear set of policies (approved by Strategy Committee) and action plan in place to ensure that we continue to secure further improvements in 2010.

External arrangements

- The external auditor reports on the Council's governance, performance and accounting arrangements. The key messages from the External Auditor's Audit Letter for 2008/09, (Paper J168), include:
 - An unqualified opinion on the financial statements and an unqualified value for money conclusion;

- The Council's Organisational Assessment for 2008/09, which was produced by the Audit Commission, highlighted a number of strengths and concluded that the Council is one that is 'Performing Well' overall. It was seen that the Council is tackling issues that local people recognise as priorities and reflect the challenges facing the local area.
- Included in the above, a Use of Resources assessment score of Level 2, performing adequately. Although the auditor's assessment recognises some key areas of strengths in the Council's effective management and use of resources, officers still remain of the view that the Council's strengths, achievements and outcomes in 2008/09 had not been adequately recognised. Notwithstanding this view, the focus in 2009/10 has been to address the key areas highlighted by the auditors. The auditors have indicated that the Council has significantly strengthened arrangements during 2009/10.

Governance issues identified

4.5 The table below details the main issues that were identified following the 2008/09 review of the Council's governance arrangements, together with the action taken to address the issues:

Issue Identified	Action Taken
<p>Ensure that informal and 'lower level' complaints are dealt with more effectively, through the Customer Access and Service Transformation (CAST) Action Plan.</p>	<p>The Council has a documented procedure for handling complaints. Each of the 5 Divisions maintains a complaints log which is overseen by the relevant Head of Service. This ensures that complaints are tracked, and addressed, in accordance with the Council's Service Standards, audit trails are available if a complaint is escalated and that any learning points or procedural changes are fed back into the organisation as a whole.</p> <p>Customer satisfaction surveys on complaints handling is undertaken at regular intervals using samples extracted from the complaint logs for each Division. That enables surveys to be undertaken from different perspectives. e.g. targeting specific services, specific geographical areas, equality issues etc or any combination of factors.</p> <p>The Overview & Scrutiny Committees receive a report annually on complaints.</p> <p>Managers & Team Leaders receive regular training on handling and responding to complaints.</p>

Issue Identified	Action Taken
<p>Ensure that there are clear arrangements for partnership working to provide assurance that the governance arrangements within the partnerships the Council belongs to are appropriate to manage risks, finances and data quality.</p>	<p>Approved Partnership Strategy in place, supported by a self-assessment toolkit to assess the effectiveness of its existing and new partnerships, which focuses on performance, outcomes, value for money and the governance arrangements, including risk.</p> <p>Partnership Risk workshop undertaken to raise Lead Officer awareness of risks associate with partnership working and how these can be identified and managed effectively. Contents of workshop included how to meet the Use of Resources requirements covering partnerships.</p>
<p>Continue and develop new ways to deliver and demonstrate Value for Money, linked to achieving efficiencies and using cost and performance information to inform that.</p>	<p>The Council has put in place a number of new approaches and mechanisms in 2009/10 to help it to better understand and challenge costs in order to inform decisions on partnership working, service delivery, savings and efficiencies, financial planning and Budget information.</p> <p>This includes a comprehensive 'Budget Deconstruction' exercise. In addition, further use has been made of benchmarking data and comparisons to inform decisions on areas where service changes and savings could be achieved.</p>
<p>Improve workforce planning through use of HR establishment data and the Organisational Development (OD) Plan.</p>	<p>The actions supporting delivery of the OD Plan have progressed well across the year according to timetable and a detailed programme for establishment monitoring and management has been developed, with quarterly reporting to the HR Panel. The Council are working with all Councils across Suffolk to establish a County-wide Workforce Plan in 2010.</p>
<p>Further develop and monitor its internal and external communications and consultation strategy to secure meaningful two-way engagement and feedback.</p>	<p>The Council has a comprehensive external communication and consultation strategy. This has been in place for a number of years and will be reviewed in the new year to ensure that it deals with changes in technology.</p>

Issue Identified	Action Taken
	A new internal communication strategy has been approved and is being implemented both within Babergh and across Mid Suffolk District Council with the internal communication implications of the ongoing managerial and operational integration between the two Councils. This strategy includes the use of a wide range of ways of delivering two-way communications between the Council and staff and includes face-to-face briefings and regular newsletters.

Further actions taken to strengthen governance arrangements during 2009/10

- 4.6 The Council have continued to consolidate existing arrangements and, in addition to the above, has put in place further arrangements to strengthen governance in specific areas during 2009/10. Details are available through the following link:

<http://www.babergh.gov.uk/NR/rdonlyres/53CE148B-C94C-4169-992E-4CB669477603/0/SupportingtheCoreGovernanceAnnex.pdf>

5. Chief Executive and Chairman of Strategy Committee Statement of Assurance

- 5.1 We propose over the coming year to review and update the Local Code of Corporate Governance and (based on the issues highlighted in section 4.5) take further steps to ensure that governance arrangements are strengthened where necessary. We are satisfied that these steps will continue to address the need for any improvements that are required and that the Council will monitor their implementation and operation as part of our next annual review.

Signed.....
Pat Rockall, Chief Executive

Signed
Nick Ridley, Chairman of
Strategy Committee

Date

Date