



Taunton Deane Borough Council

CORPORATE GOVERNANCE COMMITTEE – 24 MAY 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

Report of the Strategic Finance Officer, Maggie Hammond

1. Executive Summary

This report presents the Council's Annual Governance Statement for 2009/10, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.

2. Background

- 2.1 The first Annual Governance Statement (AGS) was produced for the financial year 2007/08. Prior to the financial year 2007/08, local authorities were required to prepare a Statement of Internal Control (SIC) as part of the annual Statement of Accounts. The AGS is required to be formally approved by Council and signed by the Council's most senior member and officer (Leader and Chief Executive).
- 2.2 In 2007, CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers) published a framework document and guidance note for "Delivering Good Governance in Local Government". The framework, which has been given statutory effect under the 2006 Regulations, defines proper practices for the form and content of a governance statement which meets the requirement to prepare and publish a statement on internal control.
- 2.3 The framework identifies six core principles, each with a set of supporting principles, around which, it is suggested, authorities' local codes should be structured. One of the purposes of the Annual Governance Statement is to report publicly on the extent to which the Council complies with its local code. The AGS should be structured in such a way, therefore, that it follows the format used for the local code and details the level of compliance with the core principles in demonstrating the extent to which the Council is delivering the governance principles.

- 2.4 The core principles, originally developed in 2004 by the Independent Commission on Good Governance in Public Services in the report “The Good Governance Standard for Public Services” and subsequently adapted by CIPFA/SOLACE for local government purposes, are as follows:
- i) Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
 - ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - v) Developing the capacity and capability of members and officers to be effective;
 - vi) Engaging with local people and other stakeholders to ensure robust public accountability.

3. Annual Corporate Governance

- 3.1 The principle purpose of the Annual Governance Statement is to provide assurance that the organisation's governance framework is adequate and effective. The AGS is a public report which is intended to demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored, and any planned actions in the coming period.
- 3.2 The Annual Governance Statements needs to include the following information:
- i) An acknowledgement of responsibility for ensuring that there is a sound system of governance;
 - ii) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - iii) An outline of actions taken or proposed to deal with any significant governance issues.
- 3.3 The Annual Governance Statement 2009/10 is attached.

4. Action Plans

- 4.1 An action plan has been drawn up to ensure that issues raised within the AGS are monitored and progress through 2010/11. The action plan was considered by Members at the previous meeting of this Committee.

5. Recommendations

- 5.1 It is recommended that:
- i) The Annual Governance Statement for 2009/10 be approved;
 - ii) The Corporate Governance Committee monitors progress of the significant issues highlighted in the statement.

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TAUNTON DEANE BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2009/10

Scope of responsibility

Taunton Deane Borough 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.

In discharging this overall responsibility, Taunton Deane Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the code can be obtained on request.

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that 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 the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Taunton Deane Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts

The Governance Framework

The Council uses the CIPFA/SOLACE six core principles of governance to assess the adequacy of its governance arrangements. The framework in place ensures adherence to the code and the key areas of evidence of delivery are listed below:

Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.

The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements.

The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims.

Corporate Aims Delivery Plans have been introduced to plan delivery of the Corporate Aims, identify resources and embrace theme working. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

The Community Strategy for Taunton has been produced through the Local Strategic Partnership (LSP) in consultation with partners and sets out a broad agenda of action to improve the quality of life.

The Somerset Strategic Partnership (SSP) has produced a Sustainable Community Strategy for Somerset 2009-2026, setting out a vision of a dynamic, successful modern economy that supports respects and develops Somerset's distinctive communities and unique environment".

The Council is a partner on the Somerset Comprehensive Area Assessment (CAA) officers' group, a sub group of the SSP, which was formed to address the challenges of CAA. The partners are working together on a number of improvement areas.

Project Taunton in partnership with the private sector is delivering the urban renaissance of the town centre as set out in the RTP1 award winning master plan and the adopted Taunton Town Centre Area Action Plan. A "Taunton Protocol" has been developed which sets the standard for sustainable development. This has been adopted by the Council for use on development of its own landholding and many partners have agreed to use all or part of the protocol in Taunton developments.

The Council undertook a residents' survey (The Place Survey) during 2008. This gathered residents' views on what is important about the area where they live, what needs improving most and their views on the Council. The survey, along with other local and national research and consultation information, such as community profiles and Index of Multiple Deprivation, formed an important part of the evidence base for Members' workshops and ultimately the Council's 2010-2013 Corporate Strategy.

The Council has created a partnership, named Southwest One, with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership has

modernised and reduced the cost of many of the Council's support services as well as improving access to and delivery of customer-facing services enabling the Council to improve services to the Community.

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and full Council.

A substantial review has been completed that considered changes to Scrutiny and those arising from the Local Government and Public Involvement in Health Act 2007.

A fundamental review of the structure and ways of working at all levels within the Core Council has recently been completed. This will enable the Core Council to be fit for purpose, delivering our vision, widened roles and ways of working and deliver substantial efficiency savings for 2009/10 and beyond.

The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive.

The Leader and Chief Executive meet on a regular weekly basis in order to maintain a shared understanding of roles and objectives.

The statutory roles of Monitoring Officer and Chief Finance Officer are well established with their own control regimes to enhance the control environment.

There is compliance with financial procedure rules for the efficient and effective discharge of the Council's business.

Performance management and reporting has been revised with the introduction of a 'Scorecard' to provide a more holistic view of the organisation's performance, which is reported quarterly to the Executive and Corporate Scrutiny.

Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council's Standards Committee is chaired by and has a majority of independent members. The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submitted its annual report to the Council's Corporate Governance Committee on 15 March 2010.

A new code of conduct for members and employees is anticipated later this year and there will be a need for all members to be further updated on any changes.

A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members. During the year only five complaints had been received, one was withdrawn, two were referred for other action, which means that there were no findings of fact or breach, one had been referred for investigation and was referred for other action. Only one breach of the code was found and the member was requested to give a written apology to the Planning Committee and its members.

The Standards Committee has carried out an ethical governance health check, sending questionnaires to all Members and senior managers and this will be followed by a series of workshops over the coming months. A further survey will be sent to Parish councils in the Summer of 2010.

The Council has established Whistle-blowing and Anti-Fraud and Corruption policies and details of these are published in the Council's staff handbook and intranet. The staff handbook is regularly updated and is accessible by all staff. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and external audit reports arising from that, has an overview of the internal audit function and strategic risk management process, and deals with any change to the Council's constitution. The Committee also receives a quarterly update on the use of authorisations given under the Regulation of Investigatory Powers Act.

Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts. Various other inspection agencies also look at specific areas of this Council's business.

Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements

Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals.

Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny. These committees have helped to ensure that the Council challenges Value for Money more robustly.

The main decision making body of the Council is the Executive, which consists of the Leader together with 8 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.

Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council makes every effort to advertise meetings, communicate decisions and minutes to ensure they are publicly available.

The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegated authority to make certain decisions, which are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers, enables speedy and effective decision-making. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.

Risk Management has been in operation for a number of years. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives. The key features are:

- Strategy reviewed annually
- Comprehensive strategic risk register
- Individual risk registers
- Risk management implementation plan
- Joined up with service planning
- Corporate governance committee members received training
- Internal audit reports to management on effectiveness

The Council's overall financial arrangements are governed by its Financial Strategy and MTFP, which set out the financial framework for the delivery of the Council's established Corporate Strategy.

The Council has well-developed robust budget monitoring arrangements. Regular reports are presented to the Strategic Director, with quarterly exception reports considered by Corporate Management Team prior to consideration by members of the Executive and Scrutiny functions.

The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service areas. The Financial Regulations form part of the Constitution and set clear guidelines, procedures and limits in relation to financial activities.

Developing the capacity and capability of members and officers to be effective in their roles

The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties.

The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear.

Staff receive Performance Review and Employee Development interviews every 12 months to discuss their capacity and capability to ensure that they can carry out their jobs. Any identified gaps are then plugged by training and development opportunities. All new members and officers undertake an induction to ensure that they get an appreciation of the policies, procedures, values and aims of the Council.

The Council has undertaken a significant programme of management development over the last year to ensure its leadership team is equipped to support the challenging change programme that lies ahead.

The Council has a training plan for members together with regular member briefings which cover a range of issues and to ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

Engaging with local people and other stakeholders to ensure robust public accountability

The Council consults using a variety of methods, which include public meetings, forums, surveys (including the Place Survey), feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.

Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette.

The Council produces the Annual Statement of Accounts and an Annual Report, which summarises achievements and financial performance over the previous financial year. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.

The Council is a member of the Somerset Strategic Partnership and produces an Annual Report on Somerset's achievements against its Sustainable Community Strategy.

Committee and Council meetings are open to the public, with papers available on the internet.

There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.

Review of effectiveness

Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors, external auditors and other review agencies and inspectorates.

The review for the 2009/10 statement was carried out by a working group made up of the Section 151 Officer, Monitoring Officer, the Council's Group Auditor and Performance Manager. The review was informed by:

- Comments of Internal Audit – Internal Audit is provided by South West Audit Partnership. They are responsible for monitoring the effectiveness of the

systems of internal control. Their work is based on a 4 year rolling programme based on risk covering financial and operational audits. Audit reports are copied to management and carry an independent opinion on the adequacy and effectiveness of the Council's internal controls.

- Comments of External Audit – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter and Use of Resources Assessment (which includes a value for money judgement).
- Performance information and internal assessments against inspection criteria and best practice.

In 2009/10 the Council introduced a process to help manage and monitor the various recommendations of the External Auditors, Governance Statement and Internal Auditors; the latter in respect of corporate improvements. A Corporate Governance Action Plan has been produced and progress is reported to both CMT and the Corporate Governance Committee

The Corporate Governance Committee reviewed governance arrangements in June 2009. A plan was created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

In 2009/10 a new inspection regime was introduced. The Comprehensive Area Assessment (CAA) consists of both an Area Assessment and Organisational Assessment. The Area Assessment examines how well LSP partners work together to identify and address the major issues within the area. The Organisational Assessment is an inspection of individual authorities and assesses the results of both Use of Resources and Managing Performance assessments to provide an overall rating. Taunton Deane Borough Council's assessment was: "performs adequately"

Significant governance issues

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control framework was 'partial'.

This is a departure from previous years and can be put down to the Council's focus on issues surrounding the implementation of SAP. Staff across the Council have experienced problems with using elements of the SAP system. This has led to the Council having to work around the system in some areas and putting a great deal of time and effort, in trying to cope with the work arounds. This has caused major disruption in some areas and had an adverse impact on the audit opinions given to some operation reviews.

Although generally at a service level the operational reviews undertaken by Internal Audit identified few weaknesses the one overriding theme that emerged was that of staff and managers lack of confidence in SAP. This was particularly noticeable in the areas of budget monitoring. The problems the Council experienced during the implementation of SAP in respect of the payment of invoices, the raising of and collection of monies owed to the Council have had a significant effect on services.

However, the internal auditors were pleased to find that the Council has been actively monitoring the SAP issues through to completion and that managers have already taken action to deal with these issues or have agreed action plans timetabling improvements to the Council's internal control framework. The auditors were also pleased to see that the Council has been open with staff surrounding these issues ensuring that confidence in the use of the system can be restored.

During 2009/10 the Council created a Corporate Governance Action Plan to manage the improvements identified by the following:

Internal Review of the Council's Governance Framework
External Audit and inspection including Use of Resources Assessment 2008/09
Internal Audit Corporate Governance Reviews

Implementation is progressing well and the actions are summarised as follows:

Corporate Governance

- Improve the Council's disaster recovery arrangements
- Strengthen the Council's Scrutiny function by publishing an annual report and implementing recommendations from the IDeA Peer Review
- Standards Committee to adopt a more proactive role in promoting ethical behaviour
- Improve quality assurance methods of year end performance data and implement actions from Data Quality Strategy
- Improve the Council's Equalities and Diversity processes
- Improve benchmarking and Value For Money arrangements
- To develop the Council's Asset Management arrangements
- Implement improvements following the external auditors Use of Resources Assessment 2009/10
- Continue with the new Corporate Governance Review Group to identify further areas of Corporate Governance requiring improvement

Managing Finances

- Provide greater focus on the medium term when setting the 2011/12 budget, ensuring there is adequate public consultation during preparation
- To review the operation of SAP to ensure that the internal control framework is adequate in the light of the work arounds and audit work during 2009/10.

Partnership Working

- Strengthen corporate governance arrangements of partnerships through a members and officers task and finish group with aim of creating a partnerships register, reviewing attendance and objectives
- To ensure the Council realises benefits from the transformation projects and Southwest One partnership. The Council will continue to ensure that it manages risks which arise from these developments and will ensure that our governance arrangements continue to be fit for purpose.

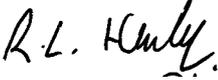
Service Improvement

- Continue to address the issues relating to the Housing Inspection
- Ensure the Council maintains focus on continued improvement of services for the community during the period of structural change

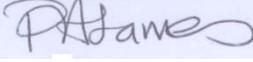
Workforce Planning

- Prepare a workforce Development Plan
- Analyse results of staff survey and identify improvements
- Continue to monitor progress in reducing sickness absence rates

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements and regularly report back to the Corporate Governance Committee on progress being made. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: 

Ross Henley
Leader of the Council

Signed: 

Penny James
Chief Executive