

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2008

REPORT OF STRATEGIC DIRECTOR (SA)

ANNUAL GOVERNANCE STATEMENT 2007/08

1.0 EXECUTIVE SUMMARY

- 1.1 This report presents the Council's first Annual Governance Statement, a new requirement on local authorities from 2007/08, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.

2.0 BACKGROUND

- 2.1 Prior to the financial year 2007/08, local authorities were required to prepare a Statement on Internal Control (SIC) as part of the annual Statement of Accounts. In accordance with the Accounts and Audit (Amendment) (Regulations) 2006, there is now a requirement to review the Council's Local Code of Corporate Governance and to prepare an Annual Governance Statement (AGS). The AGS, like the SIC, 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:

1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 5. Developing the capacity and capability of members and officers to be effective;
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.5 A Local Code of Corporate Governance has been drawn up in accordance with the corporate governance framework guidance developed by CIPFA/SOLACE and this was submitted to and approved by the Corporate Governance Committee on 17 March 2008.

3.0 ANNUAL GOVERNANCE STATEMENT

- 3.1 In March 2008, the Corporate Governance Committee considered the new corporate governance framework and the requirement to produce a Local Code of Corporate Governance and an Annual Governance Statement.
- 3.2 The principal 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.
- 3.3 The Annual Governance Statement needs to include the following information:
- An acknowledgement of responsibility for ensuring that there is a sound system of governance;
 - A brief description of the governance framework;
 - A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - An outline of actions taken or proposed to deal with any significant governance issues.
- 3.4 The Annual Governance Statement 2007/08 is attached.

4.0 RECOMMENDATIONS

4.1 It is recommended that:

4.2 The Annual Governance Statement for 2007/08 be approved;

4.3 The Corporate Governance Committee monitors progress of the significant issues highlighted in the statement and aides with the preparation of the Annual Governance Statement for 2008/09.

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TAUNTON DEANE BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2007/08

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, and used economically, efficiently and effectively. Taunton Deane Borough 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, and which includes 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 and processes, and culture and values, by which the authority 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 Taunton Deane Borough 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 2008 and up to the date of approval of the statement of accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

The governance framework

On 17 March 2008 the Council adopted a formal code of corporate governance in line with guidance provided by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This describes how Taunton Deane Borough Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA/SOLACE. The framework we have in place to ensure we adhere to the code and the key areas of evidence of delivery are as follows:

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

Taunton Deane Borough Council is one of a number of organisations (public sector agencies and private, community and voluntary sector groups) represented on the Taunton Deane Local Strategic Partnership (LSP), formed to ensure that the joint efforts and resources of local agencies are combined as far as possible to identify and address the issues that really matter to the residents of Taunton Deane. The LSP have an agreed Community Strategy for Taunton Deane that sets out a broad agenda of action to improve the quality of life in Taunton Deane. The delivery plan for the Community Strategy is the Local Area Agreement (LAA).

The Council undertook a major consultation exercise with residents during 2007/08 entitled "Your Council, Your Views", the survey was conducted to seek residents' views about the Council, its priorities and is an important part of the evidence base that feeds into the production of the Council's Corporate Strategy. The Council have produced a rolling 3-year Corporate Strategy that builds on that broad agenda to clearly establish the Council's own set of ambitions and priorities.

The Corporate Strategy sets out detailed objectives and supporting actions under each of the corporate priorities – specifying what Taunton Deane Borough Council will do to secure improvement in each area. In addition, the Corporate Strategy sets out a series of organisational objectives, embodying "how the Council will deliver services" and meet its statutory requirements.

The Corporate Strategy is the Council's core planning document – from which the Council's Financial Strategy, Medium Term Financial Plan and annual budget, Asset Management Plan, Capital Strategy and Housing Strategy are formed. Service Plans are produced from the Corporate Strategy to show how each service within the Council will contribute to the delivery of the objectives.

Monitoring reports detailing Best Value and local Performance Indicators performance & progress against the corporate Strategy are reported to the Strategy & Performance Panel every quarter. This panel was created in October 2007 and has helped to ensure that the Council challenges Value for Money more robustly. The report is also circulated to the Executive and the Council's Corporate Management Team prior to being submitted to the panel. At the year end the outturn report is also presented to the Executive. A dashboard is presented summarising the Council's

progress against the Corporate Strategy in line with its Corporate objectives, alongside detailed appendices.

During 2007/08 the Council created a Southwest One partnership with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership will modernise and reduce the cost of many of the Council's services as well as improve access to and delivery of customer-facing services enabling the Council to improve services to the Community.

The Council is also working on a collaborative partnership between all the Somerset Councils entitled Pioneer Somerset. This will offer strong and accountable leadership across the County, reduce duplication, deliver excellent service quality and value for money and give communities a greater say in service provision.

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

During 2007/08 the Council undertook an exercise to set out the roles and responsibilities of each member of the Council's Corporate Management Team. The results of this review are set out in the "CMT Roles and Responsibilities & Priority Tasks document published in early 2008. It sets out the link of each Director to a geographical area of the Borough, to the Community Partnership they chair, to Portfolio Holders, to a group of Ward Councillors and Senior Managers. It also sets out specific priority tasks for the Chief Executive and Directors.

The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Directors – who meet on a weekly basis with the Chief Executive.

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

The value of, and emphasis on, engaging in partnership working has increased significantly over recent years. As such, partnership working is playing an increasingly important role in policy development and service delivery. Locally within Taunton Deane the Council is engaged in a number of significant partnerships such as Southwest One, the Waste Partnership, Project Taunton, Audit Partnership, the Local Strategic Partnership etc. With such significant levels of resources (both financial and human) invested/committed to these partnerships it is absolutely crucial that the Council is sure that each partnership is effective and provides value for money. The Council agreed in December 2007 a priority order of partnerships for its Scrutiny function to review starting with the Local Strategic Partnership and has agreed a method for conducting those reviews.

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

Taunton Deane Borough Council has a Standards Committee that is designed to be chaired by, and have a clear majority of independent members. The terms of reference for this Committee include promoting and maintaining high standards of conduct by Councillors, advising and training on the members Code of Conduct, dealing with referrals from the Standards Board for England, and dealing with any issues reported by the Monitoring officer. The Committee submitted its annual report to the Council's Corporate Governance Committee in March 2008. During the year a new Model Code of Local Government Conduct was produced by the Government which was adopted by the Council in April 2007 and appropriate training provided for Councillors in May 2007. Members are encouraged to undertake training relevant to the area of decision making in which they are involved, for example, probity in planning, Human Rights Act requirements. New members joining the Council receive a detailed induction folder and receive induction training, including a separate session devoted to Ethical Standards with the Monitoring Officer.

Changes to the complaints process for members came into force in May 2008, whereby complaints are now sent to the Council instead of the Standards Board for England. All members have received training on this. In addition there has been a close working relationship with the Monitoring Officer to ensure that all the relevant publicity is being done together with the necessary paperwork being put in place.

Taunton Deane Borough Council has established Whistle-blowing and Anti-Fraud and Corruption policies, details of which are published within the Council's staff handbook. The staff handbook is regularly updated and published on the intranet site – which is accessible by all staff. The handbook contains all key personnel policies, standards and procedures, and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and any external audit reports arising from that, has an overview of the internal audit function, an overview of the strategic risk management process, and deals with any changes to the Council's Constitution.

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 such as the Audit Commission also look at specific areas of this Council's business.

The Council's internal audit function is delivered via a Partnership arrangement – South West Audit Partnership (SWAP). The Internal audit function operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Working in partnership has significantly improved the quality of reporting and the extent of assurance provided.

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. Although a number of minor changes had been included since 2002, the time had arrived where a more significant review needed to be undertaken.

This need reflected the substantial changes in the Council's approach over Governance and service delivery in recent years. This work will be informed by a small Steering Group set up to work its way through the various changes needed. This work would then be taken to full Council for its approval.

All significant decisions are made by 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. Apart from the Council itself, the Executive is the main decision making body and makes decisions on matters which have been delegated to it.

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

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 – and these 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.

Scrutiny of Taunton Deane Borough Council decisions and performance is carried out through the Overview and Scrutiny Board set up in October 2007 which in turn sets up a number of Task and Finish Groups to look at specific issues. The groups have the freedom to make recommendations on future policy options, and to review the general policy and service delivery of the Council and have access to external experts. During the year officers and Councillors have worked together to make several changes to the Scrutiny function. These included the appointment of a Scrutiny and Performance Manager and Scrutiny Officer, changes in the way that information is provided to Members, the development of task and finish reviews and improved training.

Taunton Deane Borough Council introduced the concept of strategic risk management in March 2003 by the adoption of a Risk Management Strategy, and Risk Management Implementation Plan. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives.

The Council has in place a Risk Management Strategy which has been updated and enhanced during 2006 setting out clear lines of responsibility for risk management across the Council.

Although at a corporate level good progress has been made in implementing risk management with a comprehensive strategic risk register now in place as well as individual registers covering all major corporate projects risk management is still not truly embedded within the Council at a service level.

Members of the Council's Corporate Governance Committee have undergone training in Risk Management during the year and received update reports outlining the current Risk Management arrangements and any future actions.

The Internal Audit function provides management with reports commenting on the effectiveness of risk management arrangements when undertaking individual operational audits.

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, embedded in the Council's Constitution 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. In addition, a breakthrough project, to enable all Members to have the skills to be the very best they can be has been underway throughout the year.

In addition, the Council is in the process of developing the skills of its members and is using the Member Development Charter in order to do this. This will 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 takes account of council taxpayers concerns at the level of council tax, feedback from consultation and the needs and aspirations of local people.

The purpose of consultation is to inform the decisions taken by the Council, to help make the best decisions based on the views of the community and the wider information available to the Council. The Council consults using a variety of methods, which include public meetings, forums, surveys, and focus groups.

Within the Council a Consultation and Research Officer is responsible for the development of a forward plan of consultation. This is to help ensure that consultation is consistent, of a high quality and in order to, where possible, avoid members of the public suffering from "consultation overload"; by being invited to take part in a number of different consultation exercises around the same time.

The Council has recently started to include a full page spread with the Somerset County Gazette which allows it to communicate the Council's vision and priorities. The paper is widely read and ensures that the Council can effectively reach large parts of the community on a regular basis.

In addition, the Council has supported the launch of 3 Community Partnerships across the Deane over the last year. These are multi-agency forums to enable and facilitate more effective community engagement at a local level.

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 and by comments made by the external auditors and other review agencies and inspectorates.

The review for the 2007/08 statement was carried out by a working group made up of Strategic Directors, the Council's Group Auditor and Scrutiny and Performance Manager. The review was informed by:

Comments of Internal Audit – Internal Audit 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 auditors – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter, Use of Resources Assessment (which includes a value for money judgement) and data quality report.

Comments of other review agencies and inspectorates.

The results of the review were reported to the Council's Corporate Management Team prior to approval by the Corporate Governance Committee in June 2008 (where the accounts are presented for approval). The Overview and Scrutiny Board will consider the full Annual Governance action plan at their July 2008 meeting.

The Council's Corporate Governance Committee approved a Code of Governance for the Council and a process for assessing the effectiveness of the governance framework on an annual basis in March 2008.

The results of the review have been shared with representatives of the Council's Corporate Governance Committee in June 2008 for them to consider. The Council has been informed on the implications of the result of this review and a plan has created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

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 reasonable. There were however a few areas where it was not working well in practice, these included payroll (issues over the authorisation of expenditure) and Housing Rents (teething problems in the implementation of the new system). The Internal auditors were pleased to find that managers have already taken action to deal with these issues or are dealing with them currently.

The audit did not find any major control issues, but identified a number of actions need to be carried out during 2008/09 to strengthen the control framework. These include:

Corporate Governance

- To ensure that the Code of Corporate Governance is publicised internally and externally and regularly monitored to ensure that the Council is complying with it.

Partnership Working

- To continue the work that the Council has started through its task and finish groups in reviewing the corporate governance arrangements in

relation to partnership working to ensure that the partnerships add value.

- To develop partnership standards and a checklist for partnership working to ensure that there are clear governance arrangements and accountabilities in place when working with partners.
- To closely monitor the impact of the some large projects which will have a significant impact in 2008/09 including Pioneer Somerset and Southwest One. 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.

Scrutiny

- To continue to develop the council's Scrutiny function and produce an annual report on the Scrutiny function.

Staffing & Customers

- To ensure that staff are regularly updated on major projects / initiatives that will affect the Council such as Southwest One and Pioneer Somerset.

Health and Safety / Risk Management

- To review the Risk Management Process to ensure it is fit for purpose, streamlined and effective.
- To take Health & Safety forward, highlighting priority issues needing addressing to raise Health & Safety, knowledge and performance within the Council.
- To develop effective business continuity plans at a service level and corporately across the Council.

Financial Systems Issues

- To review the operation of the internal controls governing the processing of Payroll data.

Performance / Financial Management

- To develop the Council's Asset Management arrangements.
- To fully review the Constitution and Financial Regulations during 2008/09.

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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