

## Corporate Affairs Committee

DATE: 3<sup>rd</sup> JUNE 2009

Annual Governance Statement 2008/2009

Paul Slocombe - Director Of Resources

### PURPOSE OF REPORT

1. To seek members approval of the Annual Governance Statement 2008/2009.

### BACKGROUND

2. As part of the annual accounts process the Council has been required to review its system of internal controls and to publish a statement of that review known as the Statement on Internal Control (SIC). In 2007 CIPFA published a [Framework for Delivering Corporate Governance in Local Government](#) to assist Councils to review their governance arrangements and to highlight any gaps. The framework adapted the six core principles of good governance for the local government sector and recommends that all councils should comply with them.
3. The six principles that underpin the governance arrangements of the Council are:
  - Focusing on the purpose of the authority, outcomes for the community and creating and implementing a vision for the local area;
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - Promoting values for the authority 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;
  - Engaging with local people and other stakeholders to ensure robust public accountability;

4. In January 2004 the members of Middlesbrough Council approved “The Code of Corporate Governance”. The code was reviewed and updated to incorporate the Corporate Governance framework in 2008.

5. The Accounts and Audit Regulations require:

“The statement to be approved at a meeting of the authority or delegated committee. Whilst there is no statutory timetable for this approval, the statement must be published with the financial statements.” There is a statutory deadline for the production of the draft Statement of Accounts by 30<sup>th</sup> June each year. The full Annual Governance Statement is attached to this report – Appendix A.

### **Ensuring Compliance with Council Decisions, Rules and Regulations:**

6. Under the new framework the Council is required to undertake regular, at least annual, reviews of their governance arrangements to ensure continuing compliance with best practice. The Council established a Corporate Governance Team comprising: The Head of Legal Services, Deputy Director of Resources, Head of Corporate Performance, Internal Audit Manager, Insurance Officer, Risk Management Officer and Corporate Development Officer. The Governance Team is responsible for managing the process by which the annual review of corporate governance is conducted.

7. The Annual Governance Statement was compiled following a review by the governance team of the effectiveness of the Council’s systems of internal control and governance arrangements. This also involved the most senior officers within Services, as well as officers with specific responsibilities for Internal Audit, Risk Management and the professional conduct of officers and members.

8. The statement relates to the governance arrangements as applied during the 2008/2009 financial year. However, significant events or developments that occur after this year may also be included.

### **Partnerships**

9. The Statement of Recommended Practices (SORP) 2006 which local authorities are required to adhere to in the compilation of their accounts extended the scope of the annual governance review to cover relationships with organisations where the control/involvement by the Council is significant. Organisations identified under these arrangements include:

- i. CADCAM
- ii. Hustler Playing Fields Trust

10. Both organisations have also completed a service assurance statement for 2008/09, and none of them have identified any issues, which need to be separately reported in the Annual Governance Statement.

11. As in the previous year the Council’s partnership arrangements were reviewed using the partnership matrix provided in the framework guidance, to identify which

are key to its operation, and which minor. The criteria used to review the partnerships are summarised as follows:

1. Partnership costs: does the Council directly contribute money to the partnership, contributes resources (officer time / work done), or is money directed through the Council's accounts?
  2. Relationship to the Corporate Priorities: is the partnership's success critical to the achievement of a corporate priority or business plan?
  3. Are there consequences of failures (financial / reputation / liability / political) for the Council within this Partnership?
  4. Does the partnership make decisions on behalf of or which are binding on the Council?
  5. Statutory or Regulatory Context: is the Council required to set up the partnership by law or is the Council required to set up the partnership in order to receive additional funding / meet a requirement of the assessment regime / statutory guidance?
  6. Risk: does the partnership contribute to the management of risks identified on corporate or departmental risk registers?
  7. Risk: is there a formal risk assessment written document in respect of the partnership?
  8. Written Agreement: Is there a written agreement with the Partnership specifying monitoring arrangements/success measures/exit strategy and ownership of risks?
  9. Assurance: do we have a written assurance/ governance statement from our partner?
  10. Audit: can our Auditors have "open book" access to our partners' records?
  11. Governance: do we have a robust and transparent audit trail to justify our selection of our partner?
12. The key partnerships for Middlesbrough Council were identified as:

#### Contractual

- Mouchel – Service Middlesbrough
- Housing Partnerships, e.g. Fabrik

#### Strategic

- Local Strategic Partnership (LSP)
- Children's Trust
- Tees Valley Unlimited (TVU)
- Safer Middlesbrough Partnership
- Joint Emergency Planning Unit

#### Partnerships delivering major projects

- Stockton/Middlesbrough Initiative
- Middlehaven Regeneration Project

## Delivery Partners

- Bus Partnership & Tees Valley Bus Network
- Groundwork South Tees
- Middlesbrough Environmental City
- Tees Community Equipment Service
- Healthy Towns Initiative
- West Middlesbrough Neighbourhood Trust (WMNT)

13. Middlesbrough Partnership was reviewed during 2008/2009 to ensure that the partnership was fit for purpose and able to respond to the implications arising from the Local Government White Paper Strong and Prosperous Communities. The review incorporated the guidance within the Audit Commission report Governing Partnerships – bridging the accountability gap (October 2005). This outlines the aspects of good partnership governance that should be present within the Partnership. The review was concluded in Autumn 2008 and led to a number of changes in the structure of the Partnership, and the way it performs its functions, to ensure that partnership is able to respond to the strategic agenda.

## Members and External Bodies

14. An initial review has been undertaken of representation on outside bodies using the Members register. The responses received as part of the review were assessed using a similar matrix to the one used to evaluate the Council's strategic partnerships. The criteria used to review the external bodies are:
1. Statutory - Is the Council required by law to be represented?
  2. Written Agreement - Does the external bodies constitution require Council representation AND was the Council party to the agreement on the Constitution?
  3. Relationship to the Corporate Priorities - Is the bodies success critical to the achievement of Corporate Priorities?
  4. Support - Does the Council directly contribute money/resources?
  5. Statutory or Regulatory Context - Are decisions taken that are binding on the Council?
  6. Risk - Are there consequences for the Council of failures by the body?
  7. Risk - Does the body contribute to the management of the Council's risks?
  8. Statutory or Regulatory Context - Does the representative have voting rights?
15. A schedule of findings from the review are shown in Appendix B.
- Representation on some of the bodies had already ceased but were still included on the Register. These are shown as withdrawn or ceased existence in the schedule.
  - Some of the bodies are in the process of change and representation will be reviewed when those changes have taken effect. This is particularly the case in the Higher Education establishments.

- Recommendations have been made on whether to continue, withdraw, review with a view to continue or to review are based on the matrix criteria scores and without any preconceived conclusion
  - More information is required for a number of the bodies recommended as review
16. Officers will continue the review using the outside bodies matrix during 2009/2010 and the results will be reported to the Corporate Affairs Committee for a decision.

## **Other Developments**

17. The Council implemented a number of other developments designed to ensure improvements in risk management, performance, financial management and governance, as set out below:
- Continuation of the programme of training for Service staff.
  - Review of the Risk Management strategy – October 2008
  - Revision of the Risk Management Manual – October 2008
  - Management via a computerised Risk Management system including the benefits of data entered once and used many times
  - Addition of Risk Management Awareness training to the Corporate Annual Training Programme (This is available to all staff across the Council.)
  - Development and review of Business Continuity Plans and Flu Pandemic Plans across the authority
  - The Council achieved the Investors in People Award on a corporate basis for the first time in October 2008
  - A Business Case Development / whole of Life Costing Course training course for relevant managers was initiated in March 2009.
  - Value Money policy and processes approved to support services in carrying out reviews and delivering savings
  - Strengthening of Local Strategic Partnership performance management framework to monitor and review improvement targets set out in the Local Area Agreement through partnership accountability, collaboration and challenge.
  - Review of quarterly Performance Clinic process and strengthening of report structure and content to better demonstrate achievement of priority outcomes and to identify and address potential areas of under performance.
  - Continued training for the members of the Audit Committee
  - Added Data Quality to the remit of the Audit Committee.
18. The Standards Committee also continued to contribute to the improvement of the control environment within the Council by considering the following key items:
- Review of the Interest/Register of Gifts and Hospitality
  - Review of Gifts and Hospitality Policy
  - Review of Member/Officer Protocol
  - Implementation of an Information Protocol in relation to requests for information by elected Members.
  - Considered and approved the Member Development Strategy 2008/2009

- Considered and agreed the proposals for publicising the new arrangements for receiving complaints against councillors and co-opted members
- Monitoring of Corporate Complaints and Ombudsman complaints

### **Significant Internal Control Issues**

19. Members are asked in particular to note the 'Significant Internal Control Issues', which had been raised in the 2007/2008 statement and the actions taken during 2008/2009 to address them.
- Town Centre Heritage Initiatives - Historic Lottery Fund. Internal Audit identified significant issues in the process and procedures being followed in these regeneration schemes.
  - Partnership Assurance Arrangements - Whilst all significant partnerships have robust governance arrangements there are some smaller, older partnerships, which need to be improved.
20. Also within the 'Significant Internal Control Issues' section the following areas of concern which arose during 2008/2009 have been highlighted along with the action plans in place to address them:
- The Working Neighbourhoods Fund – Reduction in the controls in respect the commissioning and monitoring of schemes with outside bodies.
  - Weaknesses in the monitoring on Supporting People grant - Inadequate record keeping putting the council at risk of potential grant clawback.
  - Submission of Grant Bids - There is evidence of weaknesses in authorisation and approval procedures within services.

### **FINANCIAL CONSIDERATIONS**

21. None.

### **RECOMMENDATIONS**

22. It is recommended that Members:
- a) Consider the Annual Governance Statement 2008/2009.
  - b) Approve the criteria for the continuing External Bodies review set out in paragraph 14.
  - c) Note in particular the reported internal control issues' section within the statement and summarised in paragraph 20.

### **REASONS**

23. The recommendations are supported by the requirement to comply with Regulation 4(2) of the Accounts and Audit Regulations 2003, which requires English authorities to "conduct a review at least once a year of the effectiveness of its systems of internal control." An Annual Governance Statement must now be included within the Statement of Accounts 2007/2008.

## **BACKGROUND PAPERS**

- Accounts and Audit Regulations 2003
- Delivering Good Governance in Local Government Framework and guidance
- Service Assurance Statements 2009
- Closure of accounts working papers 2008 2009

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