

AGENDA ITEM

Corporate Affairs Committee

DATE: 2nd JUNE 2010

Annual Governance Statement 2009/2010

Paul Slocombe - Director Of Resources

PURPOSE OF REPORT

1. To seek members approval of the Annual Governance Statement 2009/2010.

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 Annual Governance Statement (AGS). The 2007 CIPFA publication a [Framework for Delivering Corporate Governance in Local Government](#) is used by 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. The Middlesbrough 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 30th 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 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 has a Corporate Governance Team comprising: The Director of Legal & Democratic Services, Deputy Director of Resources, Assistant Chief Executive, Internal Audit Manager, Insurance Manager, Risk Management Officer and Senior Corporate Performance 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 specifically to the governance arrangements as applied during the 2009/2010 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
- iii. Tees Valley Joint Strategy Unit (JSU)

10. Both organisations have also completed a service assurance statement for 2009/2010, and none of them have identified any issues, which need to be separately reported in the Annual Governance Statement. CADCAM was wound up in February 2010 and the assurance statement is for the period April 2009 to February 2010.

11. As in previous years 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
- Youth Justice Board (YJB)
- 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 & Tees Valley Metro
- Groundwork South Tees
- Middlesbrough Environmental City
- Tees Community Equipment Service
- Healthy Towns Initiative
- West Middlesbrough Neighbourhood Trust (WMNT)
- Members and External Bodies

13. An initial review was undertaken in 2008/2009 of representation on outside bodies using the Members register of Interests. 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?
 9. Are there were any barriers to the effectiveness of partnerships and outside bodies.
14. Officers continued the review during 2009/2010 using the outside bodies matrix. Recommendations were 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. The results were reported to the Corporate Affairs Committee in February 2010.
15. A schedule of findings from the finished review is shown in Appendix B.

Other Developments

16. 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.
 - Monitoring of progress against priorities and inform CAA process

- Involved key "duty to regard" partners in accountability sessions to ensure further accountability to LAA targets
 - Review of the Risk Management strategy (January 2010)
 - Development and review of Business Continuity Plans and Flu Pandemic Plans across the authority
 - Revision of the Risk Management toolkit (January 2010)
 - Review of effectiveness of the Audit Committee
17. 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 Members IT Strategy.
 - Review of Criminal Records Bureau checks for Members.
 - Review of local protocols for sharing Monitoring Officers and legal advice across the Tees valley.
 - Approved the distribution of "A Brief Guide to the Members' Code of Conduct" leaflet to all Council members.
 - Reviewed the Gifts and Hospitality policy.
 - Monitoring of Corporate Complaints and Ombudsman complaints
18. During 2009/2010 the Audit Committee undertook a formal review of its effectiveness as recommended in the guidance provided by the Chartered Institute of Public Finance Accountants – CIPFA "A toolkit for local authority audit committees". The Committee recommended the following improvements:
- The name of the Committee is changed to the Audit and Governance Committee;
 - Membership of the Audit and Governance Committee to be seven elected Members;
 - One or two independent (i.e. non-elected) members, with no voting rights, to be included in the membership of the Audit and Governance Committee.
 - Elected members of the Audit and Governance Committee will only be non-Executive Members;
 - Appointments to the Audit and Governance Committee will be of four years duration, or until the next Council elections, renewable on an annual basis;
 - The remit and terms of reference of the Audit and Governance Committee will include corporate governance, risk management, diversity, business continuity planning, and ensuring that effective systems are in place to underpin the broader systems and processes of the Council;
 - Meetings of the Audit and Governance Committee will take place 6 times a year;
 - The Audit and Governance Committee will in future receive a variety of reports and other evidence, undertake investigations, and produce a report to Council, Corporate Affairs Committee or to the Executive, as appropriate;
 - The role profile for the Chair of the Audit and Governance Committee is included in the Council Constitution;
 - An annual forward work plan will be produced to ensure that all directorates are subject to consideration by the Audit and Governance Committee;

- Guides for Members and Officers supporting the Audit and Governance Committee, in relation to the main areas of work, will be produced.

Significant Internal Control Issues

19. Members are asked in particular to note the 'Significant Internal Control Issues', which had been raised in the 2008/2009 statement and the actions taken during 2009/2010 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 claw back.
 - Submission of Grant Bids - There is evidence of weaknesses in authorisation and approval procedures within services.
20. Also within the 'Significant Internal Control Issues' section the following areas of concern which arose during 2009/2010 have been highlighted along with the action plans in place to address them:
 - The Purchase of Swan Boats and coin operated Toy Tractors. There were significant gaps in the appraisal and approval processes for these items of capital equipment.
 - Procurement of building work at selected Middlesbrough Schools - Internal Audit identified significant issues in the process and procedures being followed in a number of schools.
 - Management of Tied Accommodation - Internal Audit has identified weaknesses in the management of "Tied" accommodation linked to employment across the Council.

Summary Of Effectiveness

21. An overall assessment of the six core principles underpinning the governance arrangements of the Council was undertaken and the results are as follows:

	Score %	Comments
Core Principle 1: Focussing on the Council's purpose and on outcomes for its citizens and creating and implementing a vision for the area.	97	No evidence of impact of review of vision on governance arrangements.
Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.	97	No formal protocol for ensuring Mayor and Chief Executive establish their respective roles early in relationship.
Core Principle 3: Promoting high standards of conduct and behaviour across the Council.	88	Not clear that conduct between partners and Council is defined. No evidence that procedures and operations are designed to conform with ethical standards and that they are monitored as such. No evidence that values set in partnership for decision making and actions can be demonstrated both individually and collectively.
Core Principle 4: Making transparent decisions, which are subject to scrutiny and risk management.	95	Audit Committee review of effectiveness recommendations need to be embedded. No evidence that improvements are being made as a result of dealing with complaints.
Core Principle 5: Developing the capacity of members and officers to be effective.	97	Workforce development requires further improvement.
Core Principle 6: Engaging with local people and stakeholders	88	No evidence of assessment of institutional stakeholder relationships. Not clear that explicit processes established to deal with specific requirements of different sections of Community. No specific evidence to show that Council is open and accessible other than constitution

1 to 50%	51 to 90%	91 to 100%
Weak –Need to improve	Fit for Purpose	Excellent

FINANCIAL CONSIDERATIONS

22. None.

RECOMMENDATIONS

23. It is recommended that Members:

- a) Approve the Annual Governance Statement 2009/2010.
- b) Note the reported internal control issues' section within the statement and summarised in paragraph **.

REASONS

24. 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 be included within the Statement of Accounts 2009/2010.

BACKGROUND PAPERS

- Accounts and Audit Regulations 2003
- Delivering Good Governance in Local Government Framework and guidance
- Service Assurance Statements 2009/2010
- Closure of accounts working papers 2009/2010

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