

## Babergh District Council

### ANNUAL GOVERNANCE STATEMENT 2010/11

#### 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 Looking ahead, the Council is actively progressing its ambitious plans to integrate its workforces and services with Mid Suffolk District Council and has developed an initial view of a vision for both to work towards achieving this. Work is progressing between the two councils to align both authorities' future plans and, where appropriate, governance arrangements, to ensure agreed outcomes are delivered in as efficient and effective way as possible. This will involve looking at new ways of working and transforming how and what the Council does. For details of the integration work carried to date refer to paragraph 5.3
- 1.3 In discharging this overall responsibility, both Councils need 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.
- 1.4 Both Councils have updated their 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.

- 1.5 This statement assesses the Council's governance framework for the year ended 31 March 2011 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 2011 in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

- 2.1. Governance is about how Councils will ensure that they are 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 Councils monitor progress on achieving their strategic aims and priorities and enables them 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 is available to support and demonstrate the Council's governance arrangements against the core principles, as listed above.

- 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.
- 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, Internal Audit Manager (BDC) and the Chief Financial Officer (MSDC) have undertaken an assessment to determine the degree with which the Councils comply with the checklist. Overall, this shows that the Councils are already substantially complying with the requirements. One important area concerns collaborating with partners and stakeholders when planning the longer term financial strategy of the Councils. This area has been acknowledged and indeed is a fundamental part of the work being undertaken to take forward the integration strategy with Mid Suffolk District Council.
- 3.6 The governance requirements to support the principles in the Chief Financial Officer Statement have been 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 annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have a responsibility for the development and maintenance of the governance environment, the work of internal audit and comments made by the external auditors and other inspection agencies.
- 4.2 This is achieved at Babergh through various activities:
- 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 2010/11; and
  - Reports submitted by the External Auditors, other review agencies and inspectorates.

##### *Systems and processes in place*

- 4.3 Examples of Babergh's arrangements are provided below. They include those existing arrangements, which continue to be effective, and those developed or strengthened during 2010/11.

### *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. Five or more 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 flawed and should be re-considered; and
- An effective Standards Committee is maintained, which regulates and oversees the national Code of Conduct. It issues guidance to Members in key areas to facilitate the maintenance of high standards of ethical behaviour e.g. on predetermination and bias, conduct at site inspections, conduct during pre-election moratorium. It also oversees training arrangements on the Code. The Committee ensures that its approach and practices are up-to-date through the regular review of cases before the First-tier Tribunal (Local Government Standards in England). Reciprocal arrangements have been adopted so that an appeal against a decision of the Committee to dismiss a complaint will be considered by the Standards Committee of Babergh. This practice ensures a completely impartial approach to a challenge to a decision of the Committee. The Monitoring Officer maintains the Council's Constitution and promotes high standards of conduct through the provision of support to the Standards Committee and advice to Members of the Council. It should be noted that the Localism Bill contains proposals which could see the retention of a Standards Committee as optional and we are monitoring the progress of the Bill through Parliament.

### *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 part of the current BDC Management Team (and Joint Member Board since May 2011). This post 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.
- Since September 2010 Babergh has shared a Monitoring Officer with Mid Suffolk and there are now three Deputy Monitoring Officers across the two authorities. The post is responsible for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

### *Internal Audit arrangements*

- In terms of the work carried out by Internal Audit for 2010/11, the Audit Manager 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 Internal 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 an 'Ineffective' 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 Internal 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 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. 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 and financial 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.
- The Council has adopted a policy under the Regulation of Investigatory Powers Act 2000 (as amended) which requires that authorisations for directed surveillance are sanctioned by an authorised officer from a service area disconnected to the department seeking authority. This ensures impartiality in the authorisation of surveillance activity and that proposals are challenged and procedures are robust.

#### *External arrangements*

- The external auditor reports on the Council's governance, performance and accounting arrangements. The External Audit Annual Governance Report and Letter for the financial year 2009/10, issued September 2010, included an unqualified opinion on the Council's Accounts and an unqualified value for money conclusion. In addition, External Audit were able to place reliance on Internal Audit's work for the testing of the effectiveness of specific controls.

### **5. Progress on the integration work**

- 5.1 In September 2010, Babergh and Mid Suffolk District Councils voted to begin the process that could see them create a new single local authority. Resident's views were sought on the merger of the two authorities via a local poll held during May/June 2011. The result of the poll was a 'no' vote for the merger.
- 5.2 Both councils will however continue to plan and deliver ways of bringing the two workforces together as a way of achieving savings and improving capacity and resilience and support for frontline services in an era of public sector cuts. This vision will be extremely challenging and which will need to be carefully managed.
- 5.3 Following on from the merger Poll result, governance has been reassessed. The governance arrangements for integration place the emphasis on a steering role and make a clear distinction between business change benefits and outcomes that need to be realised and the underlying capabilities that will enable this. This will be facilitated via the delivery stream and business change teams, interaction between these two groups will be facilitated by a Programme Delivery Group who will report to the Joint Management Board.
- 5.4 Other work achieved to date:
  - A Joint Management Board and Joint Member Integration Board have been set up to oversee and drive forward the implementation of integration between the two Councils.

- A Joint Scrutiny Committee has been set up. Its objectives are to keep the overall Implementation Plan and Business Case under review and to keep proposals under review from a customer perspective.
- A joint Babergh-Mid Suffolk Integration Risk Register has been produced. Key officers from both authorities have been appointed to maintain, review, monitor and regularly report on actions/controls to mitigate the risks. The Joint Management Board and Joint Member Integration Board, established to oversee the implementation of integration between the two councils, receive regular reports on progress on the integration plans and risks.
- A combined internal audit service has been established from April 2011 and the Scrutiny Committees from both Councils approved a joint Internal Audit Plan for 2011/12. There was already a strong degree of alignment in the 2010/11 audit plans. Benefits of this arrangement are seen as:
  - Joined up audit and risk management policies and procedures and reduce duplication;
  - Best practice identified and shared learning between the two councils, both on audit and risk management; and
  - Approach to risk management aligned to more effectively focus on key risk areas, improving the effectiveness of both the audit and risk process.
- Work has begun to consider and put in place joint working arrangements to provide management with assurances over the adequacy of governance structures and jointly examine performance, risk and controls. Although the extent of this work is uncertain at this point in time, a number of days have been allocated to this work within the joint Audit Plan for 2011/12.
- Work is under way to produce a joint Anti-Fraud and Corruption and Whistleblowing Policy.
- Work has begun to align the process for ensuring effective performance and financial monitoring and management arrangements are in place.
- Work is under way to establish a Joint Standards Committee. The Committees have aligned their procedures for the conduct of hearings. Members of the Committee have met and agreed in principle how a Joint Committee would look.
- A framework agreement has been put in place to allow officers in prescribed service areas to undertake work for the other Council. Additional service areas are capable of being added as integration progresses.
- An Inter-Authority Agreement is being progressed between the Councils to set out the principles for integration that are to be applied e.g. budgetary allocation

- A single Legal Team has been established since September 2010. A legal agreement is in place to govern the arrangements between the Councils.
- Work has commenced on aligning protocols and procedures between the Planning services. So far, an aligned site inspection protocol is in place.

## 6. Future governance issues identified

6.1 Looking forward, as the public sector continues through a period of severe financial constraint, and the Councils develop integrated services there will be a need to ensure that an appropriate and efficient governance framework with effective systems, processes and controls remain in place to maintain the current governance standards within the organisation, commensurate with the Council's risk appetite.

6.2 The key challenges facing both Councils against a backdrop of severely reduced resources during 2011/12 are:

- The need to integrate staff and services when currently both Councils operate very differently. As well as different structures in each, there is a different culture and different systems and processes in place.
- The need to transform the way we work to achieve the desired savings and efficiencies whilst maintaining and improving performance.
- The range and complexity of partnerships needed for setting local strategies and plans, commissioning and planning services and delivering them and securing outcomes for communities.

6.3 A review of the 2010/11 governance arrangements undertaken by both authorities identified the following common issues to address. It is acknowledged that as the integration process moves forward other issues will arise that will require addressing.

Governance arrangements for MSDC and BDC:	Governance Issues, responsibility and target date for completion
<b>Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users</b>	
Ensure that partnerships are underpinned by a common version of their work that is understood and agreed by all parties	<p><b>Action Point:</b> A joint suite of Contract and Procurement documents, including partnership guidance will be updated to ensure best practice is captured</p> <p><b>Action Owners:</b> Procurement Consultant BDC – Head of Contract and Asset Management</p> <p><b>Target Date:</b>  November/December 2011</p>

	<p><b>Action Point:</b> An inter authority agreement to be prepared to address legal and financial implications for integration between MSDC and BDC.</p> <p><b>Action Owner:</b> MSDC &amp; BDC – Acting Head of Legal Services</p> <p><b>Target Date:</b> November 2011</p>
Ensuring that the authority makes best use of resources and that taxpayers and service users receive excellent value for money.	<p><b>Action Point:</b> Joint, MSDC and BDC, Medium Term Financial Strategy (MTFS), to be submitted to Members for approval</p> <p><b>Action Owner:</b> MSDC - Chief Financial Officer BDC - Director of Finance</p> <p><b>Target Date:</b> August 2012</p>
<b>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</b>	
Put in place effective arrangements to identify and deal with failure in service delivery	<p><b>Action:</b> Consider the wider use of failure demand across services and for integration</p> <p><b>Action owner:</b> MSDC &amp; BDC - All Heads of Service</p> <p><b>Target Date:</b> March 2012</p>
<b>Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other</b>	
Develop protocols to ensure effective communication between Members and Officers in their respective roles	<p><b>Action Point:</b> Explore with political leaders the appetite for Member role descriptions</p> <p><b>Action Owner</b> MSDC – Head of Organisational Development BDC – Corporate Improvement and Information Manager</p> <p><b>Target date:</b> November 2011</p>
Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	<p><b>Action Point:</b> A consultation on the communities priorities will be carried out during the 2012/13 budget to align spending with priorities</p> <p><b>Action Owner:</b> MSDC – CFO and Head of Organisational Development and Head of Performance and Audit Services BDC – Dir. Of Finance and Deputy Chief Executive</p>


	<b>Target Date:</b> September 2011
<b>Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</b>	
Put in place arrangements to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<b>Action Point:</b> Bribery Act to be included in the Anti fraud and Corruption Strategy <b>Action Owner:</b> MSDC - Head of Performance and Audit Services BDC – Audit Manager <b>Target Date:</b> July 2011
<b>Ensuring that organisational values are put into practice and are effective</b>	
Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	<b>Action Point:</b> Define values for an integrated organisation with the appropriate political leaders <b>Action owner:</b> Chief Executive with support from both organisations <b>Target date:</b> Autumn 2011

6.4 Proposals to address these challenges are currently in hand with engagement from Members, staff and managers.

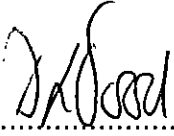
6.5 Progress against the actions detailed above will be monitored and reported regularly to Management.

**7. Chief Executive and Chairman of Strategy Committee - Statement of Assurance**

7.1 We are already addressing the key governance risks described above and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and will monitor the issues raised as part of the Council's annual review.

Signed.....  
Charlie Adan, Chief Executive

Date ..... 28/09/11 .....

Signed.......... CHAIR OF COUNCIL  
ON BEHALF OF  
Jennie Jenkins, Chairman of  
Strategy Committee

Date ..... 28/09/11 .....