

REPORT TO: Business Efficiency Board
DATE: 12 August 2009
REPORTING OFFICER: Strategic Director – Corporate & Policy
SUBJECT: Annual Governance Statement 2008/9
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to:
- (a) Outline the approach taken to produce the Council's 2008/9 Annual Governance Statement; and
 - (b) Present the Council's Annual Governance Statement for review and approval.

2.0 RECOMMENDATION:

The Board is recommended to review and approve the Council's Annual Governance Statement.

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

- 3.1 The Accounts and Audit (Amendment) Regulations 2006 require Councils to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control each year with the authority's financial statements.
- 3.2 CIPFA and SOLACE have advised that it is proper practice to publish this statement as an Annual Governance Statement (AGS) in a prescribed format. The AGS should be signed by the Council's Leader and Chief Executive.
- 3.3 The AGS must be reviewed and approved at a meeting of the Council or a delegated committee prior to publication with the financial statements. At Halton, this responsibility is assigned to the Business Efficiency Board.
- 3.4 The best practice framework provides guidance on what the AGS should contain. This includes:

- An acknowledgement of responsibility for ensuring that the Council has established a sound system of governance (incorporating the system of internal control);
- An indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
- A brief description of the key elements of the governance framework;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various members/officers in this process.
- An outline of the actions taken, or proposed, to deal with any significant governance issues, including an agreed action plan.

Approach taken to produce the Annual Governance Statement

- 3.5 The production of the AGS has been co-ordinated through a Corporate Governance Group led by the Strategic Director – Corporate & Policy. This group has been responsible for evaluating the sources of assurance and identifying any areas where the Council's governance arrangements could be strengthened. A flowchart summarising the process followed in preparing the AGS is shown in Appendix 1.
- 3.6 The AGS has been drafted in accordance with the guidance in the CIPFA / SOLACE framework document.
- 3.7 To demonstrate ownership of the AGS at corporate level, it is to be signed on behalf of the authority by the Chief Executive and Leader of the Council.
- 3.8 Following approval, the AGS will be included within the authority's published Statement of Accounts and be available on the Council's website.

Developments in the Council's Governance Framework

- 3.9 Since the 2007/8 AGS was published, there have been a number of developments that have further strengthened the Council's overall governance framework:
- The Council has formally adopted a local code of corporate governance. This provides a public statement setting out how the Council will demonstrate its commitment to the highest standards of governance.
 - The role of the Business Efficiency Board has been expanded to include responsibility for risk management and the Council's approach

to countering fraud and corruption. This ensures that the terms of reference for the Board are consistent with CIPFA guidance on Audit Committees.

- A programme of fraud awareness training is being rolled out to all employees and members.
- The Council's Information Governance Group is reviewing how the Council administers the legal, security, regulatory and standards framework for information management.
- The first annual report of the Standards Committee has been produced, which summarises its work from 2008/9.
- Annual reports have been produced summarising declarations of interests and offers of gifts and hospitality received by members and employees.
- The Council has an overview and scrutiny (O&S) development plan that continues to evolve in response to changes in the O&S environment. Developments in 2008/9 included the introduction of question and answer sessions to hold Executive Board portfolio holders and Strategic Directors to account.
- The Council's asset management plan was updated in 2008 and formally approved by the Council in January 2009 this now provides the framework for the corporate management and reporting of the Councils' assets.

Annual Governance Statement 2008/9

- 3.10 The AGS is intended to identify any areas where the Council's governance arrangements are not in line with best practice or are not working effectively, together with action plans for improvement.
- 3.11 The 2008/9 review of the Council's governance framework has concluded that there are no significant weaknesses in the Council's governance arrangements. However, the following areas have been identified where action is proposed to further strengthen the overall arrangements:
- The Council is implementing a major Efficiency Programme to enable it to meet the significant budgetary pressures it faces in the coming years. The programme aims to reduce costs to the Council while maintaining and improving the quality of services provided to the community. Maintenance of the Council's governance and control framework in a period of significant change will be essential to the success of the programme.

- In 2009/10, the Council is aiming to become compliant with the Code of Connection (CoCo), which defines the minimum standards and processes that an authority must comply with before being able to connect to Government Connect Secure Extranet. If the Council fails to meet these standards it will lose the ability to transact electronically with organisations such as the DWP and other public bodies. This would have a significant impact on the delivery of important services such as the processing of Housing Benefit applications.
- The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.
- Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.
- In respect of the use of natural resources the Council is continuing on a programme to reduce energy consumption across its estate in line with the targets set in our carbon management plan. A number of projects have been implemented in 2008/09 and many more are planned in 2009/10.
- The asset management plan together with the asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect any changes in the Council's asset base. The asset management working group will also continue to meet on an ongoing regular basis in order to ensure that a corporate approach to asset management becomes embedded within the authority.
- In 2009/10 the Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.

- 3.12 A copy of the draft AGS is attached at Appendix 2. A summary of the further action that is being taken to strengthen the Council's control and governance arrangements is included at the end of the document.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 The Accounts and Audit (Amendment) Regulations 2006 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. Proper practice is defined by the CIPFA/SOLACE Framework as an Annual Governance Statement.

- 4.2 There are no direct financial implications arising from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to effectively implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 Employment, Learning and Skills in Halton

See 5.1 above.

5.3 A Healthy Halton

See 5.1 above.

5.4 A Safer Halton

See 5.1 above.

5.5 Halton's Urban Renewal

See 5.1 above.

6.0 RISK ANALYSIS

- 6.1 The Council is legally required to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control in its statement of accounts in accordance with the requirements of the Accounts and Audit (Amendments) Regulations 2006. The annual governance review process aims to ensure that an accurate statement can be produced in line with these

requirements. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

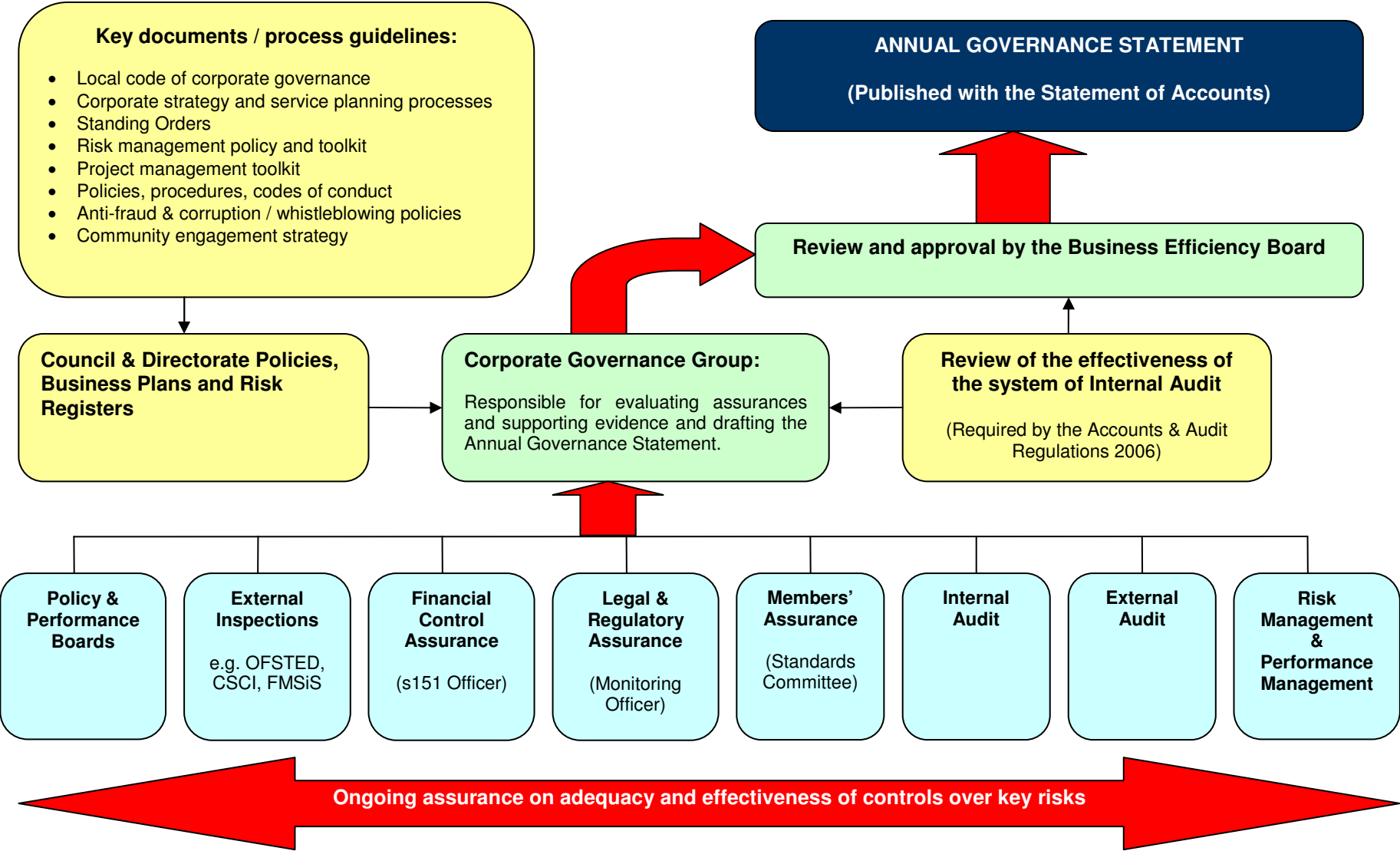
7.0 EQUALITY AND DIVERSITY ISSUES

7.1 There are no direct equality and diversity issues arising from this report.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	6 th Floor, Municipal Building, Kingsway, Widnes	Mervyn Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (Amendment) (England) Regulations 2006 (Statutory Instrument 2006 No. 564).		

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



ANNUAL GOVERNANCE STATEMENT

for the year ended 31 March 2009

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton 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.
- 1.3 In discharging this overall responsibility, Halton 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.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. In 2008/9, the local code was submitted to the Business Efficiency Board and Standards Committee for referral to full Council for endorsement, adoption and incorporation into the Council's constitution. A copy of the code is on our website at halton.gov.uk.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It 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.

2. The Purpose of the Governance Framework

- 2.1 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 authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 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 Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy 'Making it happen in Halton 2006-2011' and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
- A Healthy Halton
 - Halton's Urban Renewal
 - Children & Young People in Halton
 - Employment Learning and Skills in Halton
 - A Safer Halton

- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans. The Local Area Agreement (LAA) is also structured around the same five priorities.
- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan and in the Local Area Agreement. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.
- e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

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

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services"). They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the

effectiveness of the governance arrangements, risk management framework and internal control environment.

- f) The Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Financial Services, as the s151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council.
- h) The Monitoring Officer (Operational Director – Legal, Organisational Development & Human Resources) carries overall responsibility for legal and regulatory compliance.
- i) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- j) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of conduct and support members' observation of their Code of Conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
 - Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding disciplinary of staff involved in such incidents.

- d) A corporate complaints procedure exists to receive and respond to any complaints received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- Registers of interests;
 - Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - Registers of gifts and hospitality;
 - Equal opportunities policy.

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Minutes of all Council meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements.
- d) Each of the five specialist strategic partnerships (SSPs) has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) A project management toolkit has been developed with help from the NW Employers Organisation, and over 200 employees have been trained in its use.
- f) The Business Efficiency Board reviews the Internal Audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

- a) Management of Human Resources has always been a priority for the Council. It first received accreditation as an Investor in People in 1997, with it being renewed for the third time in 2006.
- b) The Council has a Workforce Development Plan which helps ensure that we have the right workforce with the right skills. The plan is being reviewed and will be rolled forward as part of a new People Strategy.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council was awarded the NW Charter for Elected Member Development Exemplar Level status in May 2007.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) Every employee has an annual Employee Development Review (EDR) to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

3.6 Engagement with local people and other stakeholders to ensure robust public accountability

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, the Youth Forum, Older Person's engagement network.
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.

- d) The Neighbourhood Management Partnership has developed strong resident engagement through board membership and other means, such as the staging of events.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework was approved in May 2009 to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) Six monthly reporting has been introduced to report on progress against the Local Area Agreement.
- h) The Council's publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- i) Council agendas, minutes and performance information are published on the Council's website.

4. Review of Effectiveness

- 4.1 Halton Borough 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 responsibility for the development and maintenance of the governance environment, the work of the Internal Audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
 - The work of the Business Efficiency Board as the Council's Audit Committee;
 - The work of the Standards Committee;
 - The role of the Policy and Performance Boards in holding the Executive to account;

- The operation of the Council's risk management and performance management frameworks;
- The work of internal audit and the Chief Internal Auditor's annual report;
- The Comprehensive Performance Assessment (CPA) framework;
- The Annual Audit and Inspection Letter, which provides an overall summary of the Audit Commission's assessment of the Council;
- The external auditor's opinion report on the Council's financial statements;
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Corporate Governance Group;
- The anti-fraud and corruption and whistleblowing framework;
- The results of external inspections and the FMSiS (Financial Management Standard in Schools) assessments.

4.3 The Business Efficiency Board has been advised on the implications of the results of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

The Business Efficiency Board has considered the evidence provided with regards to the production of the Annual Governance Statement.

No significant issues affecting the Council's governance framework have been identified. However, Halton Borough Council is constantly looking to develop its governance framework and has identified a number of areas where actions are needed to further strengthen the existing arrangements. The issues, and the actions proposed to address them, are summarised at the end of this document.

6. Leader and Chief Executive Statement of Assurance

We propose over the coming year to take steps to enhance our governance arrangements. We are satisfied that these actions proposed will address the need for improvements which were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Tony McDermott
Leader of the Council

Date:

David Parr
Chief Executive

Date:

Governance & Control Framework - Action Plan

	Issue	Further action planned
1.	Implementation of the Efficiency Programme	<p>The Efficiency Programme has been established with the Council's efficiency partner KPMG. It covers all the Council's services and the programme aims to reduce costs whilst maintaining or improving services to the community; work more flexibly whilst maintaining the Council's excellent performance rating; minimise the impact of any changes on front line services and improve management and support processes whilst providing opportunities for skills and capability development.</p> <p>There are a number of workstreams currently underway covering management structures, transactional support services, non-transactional support services, customer relations and ICT, property, and the pilot service delivery option covering green spaces. The approach is to develop a detailed analysis of the current position then move forward to develop and implement in this year a transition to a more efficient and effective service. A Programme Board has been established to oversee the programme and a Programme Office is in place to co-ordinate and support the delivery of the current programme and to develop further service delivery options in the future.</p>
2.	Compliance with the Code of Connection	<p>The aim of the Code of Connection is to ensure the Council operates a secure network that enables the delivery of GCSX secure email and the transfer of data relating to both employees and clients between all local authorities and Government departments. The Council has already put in place many of the background technologies required to meet the deadline of 30 June 2009. In addition, a corporate ICT Strategy Board has been established with one of its main tasks being to govern and enable compliance with any further requirements expected by April 2010 and beyond.</p>
3.	Development of robust IT disaster recovery arrangements	<p>The Council is continuing to develop its IT disaster recovery arrangements and aims to jointly deliver a disaster recovery service with another unitary authority of a similar size to Halton located over 200 miles away. Costing and feasibility assessments are currently under development with an aim of connecting both corporate networks and delivering a disaster recovery and shared services opportunity solution by 2010.</p>
4.	Review of Treasury Management policy and strategy	<p>Following the collapse of the Icelandic banks, local authority treasury management has come under the spotlight. CIPFA intends to revise both the Treasury Management Code and Guidance Notes in light of the lessons to be learnt. Although the Council had not invested any funds in Icelandic banks, it will review its treasury management policy and strategy once the guidance is published.</p>

	Issue	Further action planned
5.	Developing the Council's approach to ensure the effective use of natural resources	<p>The Council has continued to implement the programme of works outlined in our carbon management plan over the past year. Many more projects are planned for 2009/10, all of which will help to reduce the Council's CO2 emissions.</p> <p>In 2009/10, the Council is planning to move to AMR (automatic meter reading) technology in order to obtain accurate data across the whole property estate and to facilitate improvements in energy management.</p> <p>An Environment Sub-Group has been set up under the Urban Renewal Specialist Strategic Partnership. The group is multi-agency and will respond to the environmental agenda and associated risks within the Council and the wider area</p> <p>A Natural Assets Strategy and Biodiversity action plan have been developed which outline how the Council will protect manage and enhance the natural assets within the area.</p> <p>The Council has signed up to the Envirolink Northwest 'Buy Recycled Code' indicating its commitment to improve in the area the sustainable procurement.</p>
6.	Strengthening the Council's asset management arrangements to help deliver strategic priorities and service needs	<p>The asset management plan and asset register will be reviewed on a regular basis to ensure that they are updated as necessary to reflect changes that occur within the Council's asset base. The asset management working group will continue to ensure that a corporate approach to asset management becomes embedded within the Council.</p>
7.	Developing the Council's overview and scrutiny arrangements	<p>The Council will take steps to ensure that its processes and arrangements adequately reflect the provisions of the Local Government and Public Involvement in Health Act 2007, the Police and Justice Act 2006 and other relevant legislation that may come into force, as they affect overview and scrutiny. This will involve revisiting, and where necessary revising, relevant aspects of the existing processes and arrangements, and developing new ones where this is indicated by the official guidance that will become available during the year. Since the 2007 Act, officers have been giving early consideration to how the duties under the Act will need to change the Constitution but until detailed guidance and regulations are in place, and the relevant scrutiny provisions are in force, this cannot be taken any further.</p>