REPORT TO:	Business Efficiency Board
DATE:	30 June 2010
REPORTING OFFICER:	Strategic Director – Resources
SUBJECT:	Annual Governance Statement 2009/10
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 2009/10 Annual Governance Statement; and

(b) Present the Council's Annual Governance Statement for review and approval.

2.0 RECOMMENDATION:

The Board is recommended to:

(1) review and approve the Council's Annual Governance Statement, and

(2) endorse the updating of the Council's Local Code of Corporate Governance to reflect the developments in the Council's governance arrangements that are described in this report.

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

3.1 The Accounts and Audit (Amendment) Regulations 2006 require each council 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 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (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 – Resources. 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 2008/9 AGS was published, there have been a number of developments that have further strengthened the Council's overall governance framework:

- The Business Efficiency Board became responsible for monitoring and reviewing the Council's approach to countering fraud and corruption.

In 2009/10, the Board received its first annual report on the Council's anti-fraud and corruption arrangements. It also requested that the risk of fraud be added to the Council's corporate risk register.

- A programme of fraud awareness training has been delivered to a substantial number of employees and members, and further workshops are planned for the autumn.

- The Executive Board has approved a guidance document on information governance that has been made available to employees through the Intranet. The guidance covers issues such as e-mail and internet security, user access controls, home working and procedures for reporting security breaches.

- Annual reports have been presented to the Business Efficiency Board summarising declarations of interests and offers of gifts and hospitality made to members and employees.

- The Council has adopted CIPFA's new Treasury Management Code of Practice, which has been fully revised to take into account the revision of the Prudential Code and the lessons learnt from the Icelandic Banks crisis.

- In 2009/10, the Council became compliant with v3.2 of the Code of Connection. However, more stringent security standards have been imposed on councils as part of the Code of Connection v4.1, which must be met to maintain the electronic connection to the Government Connect Secure Extranet. The Council is therefore continuing to make the necessary changes and investment in its ICT infrastructure to become fully compliant with the Code. This will ensure that the continued efficient delivery of important services, such as the processing of Housing Benefit applications, is maintained.

- In 2009/10, CIPFA produced a statement on the role of the Chief Financial Officer (CFO) in Local Government. The statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Council's arrangements have been reviewed against this guidance and are considered satisfactory.

- There have been a number of developments in the Council's overview and scrutiny arrangements, which include:

  - Performance reporting to the Council's Policy & Performance Boards (PPBs) has focused more on higher level, outcome-based indicators that are important for the Council and public alike;
  - Scrutiny of key partnerships has been strengthened and minutes of Specialist Strategic Partnerships (SSPs) meetings are now

included on the agenda of the next available meeting of the PPB whose remit covers the same strategic priority;

- Joint working with overview and scrutiny at St Helens MBC is developing since the Primary Care Trust covers both local authority areas. 2009/10 saw a successful joint scrutiny review of burns care proposals in the north of England undertaken by St Helens, Knowsley and Halton Councils.

Annual Governance Statement 2009/10

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 2009/10 review of the Council's governance framework has concluded that there are no significant weaknesses in the Council's governance arrangements. However, the Council is planning to further strengthen its governance arrangements to ensure that:

- The Council's governance and internal control framework is maintained during a period of downsizing resulting from budgetary pressures and funding constraints;

- The Council's IT disaster recovery arrangements are resilient to ensure business continuity is maintained in the event of service failure;

- The Council complies with the requirement to adopt new Executive Arrangements by 31 December 2010, in accordance with the Local Government and Public Involvement in Health Act 2007.

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 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.
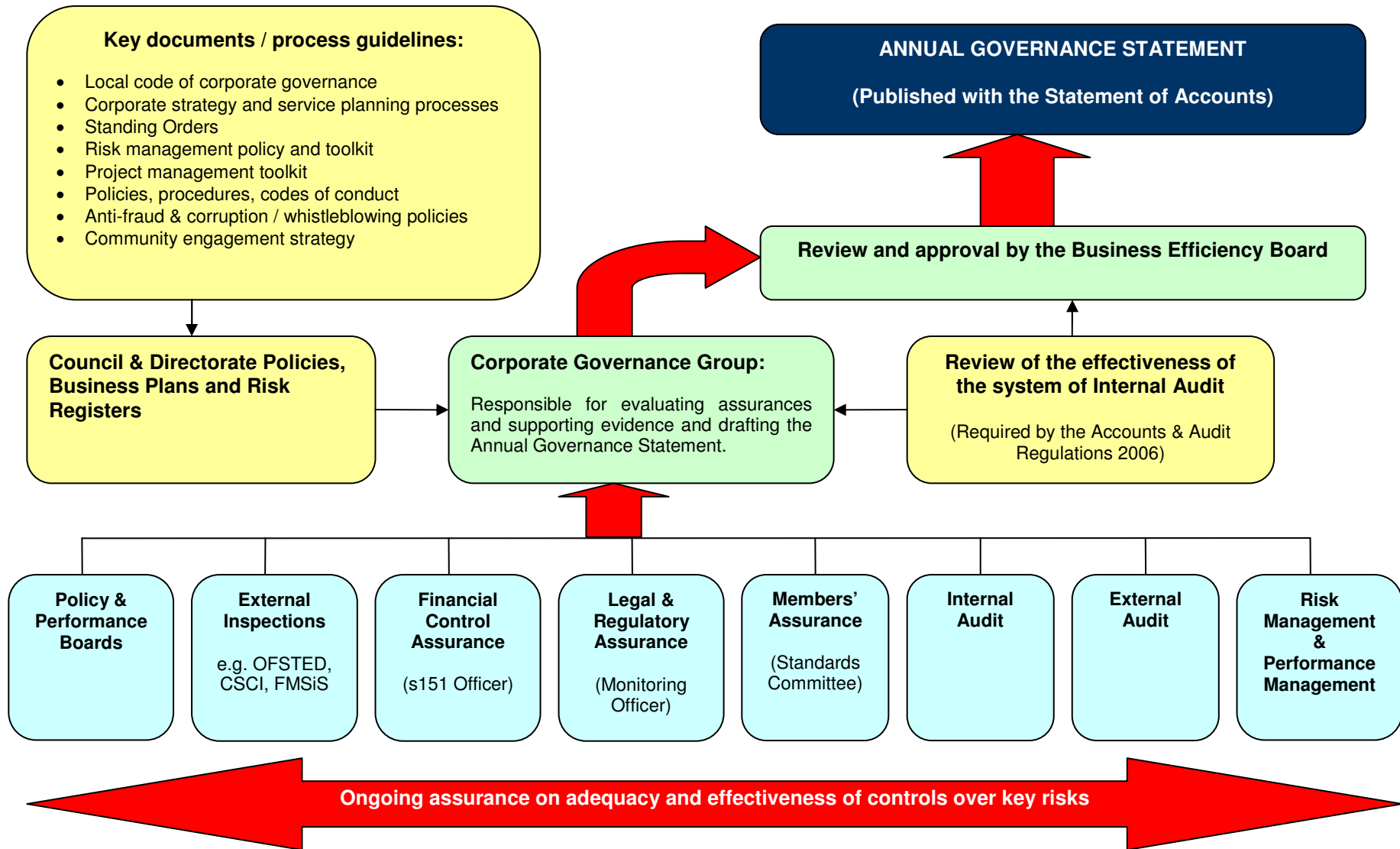
7.0 EQUALITY AND DIVERSITY ISSUES

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)	Kingsway House, 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

Key documents / process guidelines:

- Local code of corporate governance
- Corporate strategy and service planning processes
- Standing Orders
- Risk management policy and toolkit
- Project management toolkit
- Policies, procedures, codes of conduct
- Anti-fraud & corruption / whistleblowing policies
- Community engagement strategy

ANNUAL GOVERNANCE STATEMENT

(Published with the Statement of Accounts)

Council & Directorate Policies, Business Plans and Risk Registers

Corporate Governance Group:

Responsible for evaluating assurances and supporting evidence and drafting the Annual Governance Statement.

Review and approval by the Business Efficiency Board

Review of the effectiveness of the system of Internal Audit

(Required by the Accounts & Audit Regulations 2006)

| **Policy & Performance Boards** | **External Inspections**

 e.g. OFSTED, CSCI, FMSiS | **Financial Control Assurance**

 (s151 Officer) | **Legal & Regulatory Assurance**

 (Monitoring Officer) | **Members' Assurance**

 (Standards Committee) | **Internal Audit** | **External Audit** | **Risk Management & Performance Management** |

Ongoing assurance on adequacy and effectiveness of controls over key risks

ANNUAL GOVERNANCE STATEMENT

for the year ended 31 March 2010

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, 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 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government*. 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 2010 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 – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government.

h) The Monitoring Officer (Operational Director – Legal and Democratic Services) carries overall responsibility for legal and regulatory compliance.

i) The Strategic Director – Children and Young People is designated as the Council's Director of Children's Services.

j) The Strategic Director – Health and Community is designated as the Council's Director of Adult Services.

k) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.

l) 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 member 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. Agendas and minutes of all 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) 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 fourth time in 2010.

b) The Council has developed a People Strategy to assist the organisation in addressing leadership, skills development, recruitment and retention, and pay issues in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.

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 Executive Board has adopted a new approach to locality working which is to be rolled out over the next twelve months.

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 Area Assessment (CAA) framework;

- The Annual Governance Report issued by the Audit Commission, which reports on issues arising from the audit of the Council's financial statements and the results of the work undertaken to assess how well the Council uses and manages its resources to deliver value for money and better and sustainable outcomes for local people;

- 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 is taking action 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.

Rob Polhill
Leader of the Council

Date:

David Parr
Chief Executive

Date:

Governance & Control Framework - Action Plan

	Issue	Action being taken
1.	Maintenance of the Council's governance and internal control framework in a period of significant budgetary pressures and funding constraints.	To assist the delivery of the Council's Efficiency Programme an Efficiency Programme Board was established in 2009 that includes the Chief Executive, the four Strategic Directors, three elected members and representatives from other relevant functional areas of the business. Risk management within the Programme is overseen by the Efficiency Programme Office and reported to the Efficiency Programme Board at each monthly meeting as part of a regular 'Programme Highlight Report'. Individual workstreams have risk registers which are regularly reviewed at Workstream Board meetings. There is an overarching risk register for the whole programme, which consists of Programme Level risks along with risks from subsidiary workstreams that may pose a threat to the achievement of a critical milestone. The Council's Internal Audit work plan for 2010/11 takes account of the reorganisation resulting from the Efficiency Programme. The delivery of this work plan will help to provide assurance that robust internal controls are being maintained and will also prompt corrective action where any strengthening of controls is required.
2.	Further development of robust IT disaster recovery arrangements	The Council is continuing to develop its IT disaster recovery arrangements by increasing resilience to ensure that business continuity is maintained in the event of service failure. An arrangement is being developed with another local authority whereby elements of the Council's ICT infrastructure will be replicated with the initial aim of increasing overall resilience. Once the communication link has been established and proven, further work will explore how the link can be used more effectively for remote service delivery.
3.	Section 64 and Schedule 4 of the Local Government and Public Involvement in Health Act 2007 came into force in December 2007. This legislation amends the provisions of the Local Government Act 2000, and compels local authorities to adopt one of two new governance models – either a 'new style' Leader and Cabinet Executive or a Mayor and Cabinet Executive.	The Council will make a formal resolution on the model it is to adopt by 31 December 2010, following a consultation process.