

## Annual Governance Statement 2010/11

### 1 Scope of responsibility

- 1.1 Allerdale Borough 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, and used economically, efficiently and effectively. Allerdale 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.
- 1.2 In discharging this overall responsibility, Allerdale Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and making arrangements for the management of risk.
- 1.3 Allerdale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at <http://www.allerdale.gov.uk/council-and-democracy/councillors-democracy-election/policies-and-plans.aspx> . This statement explains how Allerdale Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended) in relation to the publication of a statement on internal control. It builds on last years Annual Governance Statement; changes outlined within this statement have been made to enhance, not replace existing arrangements for governance.

### 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 Allerdale 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 Allerdale Borough Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### 3 Application of Governance Principles

3.1 The Council has reviewed its core principles set out in its Code of Governance, and has addressed the supporting principles as follows:

**Focussing on the purpose of the authority and on outcomes for the community, including citizens and service users, and creating and implementing a vision for the local area:**

The Council has:

- a. made a clear statement of the authority's purpose and vision in the four year Council Plan and will use it as a basis for corporate and service planning;
- b. defined a clear set of outcome indicators to evidence progress against the Strategic Objectives set out in the Council Plan;
- c. reviewed on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements;
- d. published an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- e. a Medium Term Financial Plan and budgets that are soundly based and are designed to deliver the Council's strategic objectives;
- f. given consideration to improvements in processes to assess how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;
- g. established a process to review all Council services focussing on the strategic objectives of the authority which were developed following consultation with citizens and service users;
- h. refreshed its partnerships directory to ensure that records are up to date and made plans to review and update the framework supporting partnerships, to provide for a common vision underpinning the work of the partnership that is understood and agreed by all partners.

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

The Council has:

- a. reviewed its Constitution to ensure that roles and responsibilities of members and officers are clarified and provided training session to Members and put in place plans to develop an ongoing training programme to ensure members and officers are aware of their roles.
- b. set out a clear statement of the respective roles and responsibilities of the Council's Executive committee and its members, and the authority's approach towards putting this into practice;
- c. set out a clear statement of the respective roles and responsibilities of the Council's other committees, members and senior officers;
- d. developed arrangements to ensure effective communication between members and officers in their respective roles;

- e. ensured that regular, recorded meetings between the Leader and Chief Executive take place and developed a protocol to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- f. set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel;
- g. ensured that its 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;
- h. when working in significant partnerships: ensured that there is clarity about the legal status of the partnership; ensured that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability; and ensured that Allerdale representatives make clear to partners the extent of their authority to bind their organisations to partner decisions;
- i. ensured that effective mechanisms exist to monitor service delivery;
- j. determined a scheme of delegated and reserved powers within the constitution and ensured that it is monitored and updated when required;
- k. ensured that effective management arrangements are in place at the top of the organisation;
- l. made the Chief Executive responsible and accountable to the authority for all aspects of operational management;
- m. made arrangements for a Section 151 Officer to be responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- n. made arrangements for a Monitoring Officer to be responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

**Promoting the values of the authority and demonstrating the values of good governance through behaviour:**

The Council has:

- a. arranged a Leadership and Culture training programme for the Council's Service Managers the principles of which can be filtered down through the Council and its staff.
- b. established a Values Working Group to review the Council's values and agree shared values, including leadership values, both for the Council and its staff, reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council.
- c. put in place plans to use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- d. developed and adopted formal codes of conduct defining standards of personal behaviour;

- e. developed and maintained an effective standards committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- f. put in place arrangements to ensure that members and staff 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;
- g. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice;

**Taking informed and transparent decisions that are subject to effective scrutiny and risk management:**

The Council has:

- a. developed and maintained an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- b. developed and maintained open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- c. put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- d. put in place arrangements for whistle blowing to which staff and members have access, and made provision for all those contracting with the authority within standard tender documentation.;
- e. put in place effective, transparent and accessible arrangements for dealing with complaints;
- f. developed and maintained an effective audit committee which is independent of the executive and scrutiny functions;
- g. developed and maintained an effective standards committee which lies at the heart of decision making and awareness raising on standards issues;
- h. ensured that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- i. developed effective arrangements for determining the remuneration of senior staff;
- j. ensured that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;
- k. ensured that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- l. actively recognised the limits of lawful activity placed on them by the ultra vires doctrine but also strived to utilise its powers to the full benefit of its communities;
- m. observed all specific legislative requirements placed upon it, as well as the requirements of general law, and in particular integrated the key principles of

administrative law – rationality, legality and natural justice, into its procedures and decision making;

- n. when working in significant partnerships, put in place protocols for working together which include a shared understanding of the respective roles and responsibilities of each organisation;
- o. when working in significant partnerships, ensured that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership;
- p. when working in significant partnerships, ensured that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality.

**Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively:**

The Council has:

- a. developed a draft workforce strategy and put in place plans for this strategy to be approved by the Council to ensure that the Council is developing the appropriate capacity and capability to deliver its objectives;
- b. ensured that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority;
- c. provided induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. A comprehensive induction programme has been implemented for new Councillors following the elections;
- d. developed skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed, in line with the member development strategy;
- e. put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;
- f. begun to develop career structures for leading members and officers to encourage participation and development;

**Engaging with local people and other stakeholders to ensure robust local public accountability:**

The Council has:

- a. made clear to itself, all staff and the community, to whom it is accountable and for what;
- b. considered those institutional stakeholders to whom it is accountable and assessed the effectiveness of the relationships and any changes required;
- c. established clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;

- d. put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements have recognised that different sections of the community have different priorities and have established explicit processes for dealing with these competing demands;
- e. published an annual report giving information on the authority's vision, strategy, plans and financial statements, as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;
- f. put in place effective systems to protect the rights of staff and ensured that policies for whistle blowing, which are accessible to staff and members, and guidance for those contracting with the authority, together with arrangements for the support of whistle blowers, are in place;
- g. developed and maintained a clear policy on how staff and their representatives are consulted and involved in decision making;
- h. developed an annual report on scrutiny function activity;
- i. ensured that the authority as a whole is open and accessible to the community, service users and its staff and ensured that it made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;
- j. when working in partnership, ensured that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes, using existing mechanisms and groups where appropriate.

3.3 To identify the principal risks to the achievement of its objectives, the Council has reviewed the systems and processes in place for the identification and management of strategic and operational risk.

3.4 To identify and evaluate the key controls to manage the principal risks, the Council has reviewed its system of internal control, including systems and procedures to mitigate principal risks.

3.5 To obtain assurance on the effectiveness of key controls, the Council has obtained assurance statements from appropriate internal and external assurance providers.

3.6 The Council has made arrangements to evaluate assurances and identify gaps in the controls and assurances.

#### **4 Review of effectiveness**

4.1 Allerdale Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the strategic management team within the authority, who have responsibility for the development and maintenance of the governance environment; the Internal Audit Manager's annual report, (Appendix 1); and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The main role in maintaining and reviewing effectiveness is through the Audit Committee, which has responsibility to provide independent assurance on the

adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process, including the operations of Internal Audit.

Other key roles are undertaken by:

### **Council**

The Council is responsible for adopting the authority's constitution, including codes of conduct, approving the policy framework and approving and monitoring the authority's overall framework of accountability and control.

### **Executive**

The Executive is responsible for discharging Executive functions in accordance with the policy framework and budget, also for approving the authority's risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

### **Scrutiny Committees**

The Scrutiny Committees are responsible for scrutinising policies and performance.

### **Standards Committee**

The Standards Committee is responsible for promoting and maintaining standards of conduct.

### **Strategic Management Team**

The Transformation programme included a restructure of the Senior Management Team. In October 2009 the Council approved the revised structure which included the Chief Executive, Deputy Chief Executive, Strategic Manager (Business), Strategic Manager (People), Strategic Manager (Places) and Strategic Manager (Resources). The purpose of the new Strategic Management Team was to deliver more cohesive links between the Council's priorities and the Senior Management Team by allocating responsibility for specific corporate priorities to an individual officer. The new structure has been embedded and has enabled more cross-cutting functionality at senior management level and created a more sustainable and flexible structure which will better meet changing circumstances

The Chief Executive has invited the Monitoring Officer and Section 151 Officer to attend, advise and participate at all Strategic Management Team meetings.

### **Service Manager Group**

The Service Manager Group will work collaboratively to deliver the Council Plan. The Service Manager Group will work to achieve continuous improvement and value for money.

### **Internal Audit**

The Strategic Manager (Resources) holds delegated responsibility from the Council for the internal audit function, which is exercised through the Internal Audit service. An effective audit of the Council's accounting records and control systems, in accordance with the Accounts and Audit Regulations 2006, is maintained through this means. The level and type of audit cover has regard to the characteristics and relative risks of the activities involved and supports the work of the external audit service.

### **External Audit**

The external audit work of the Council is undertaken by the Audit Commission, the main duties being governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. Close liaison with the external auditor offers a degree of assurance on the authority's arrangements for managing risk and its control systems, and through this means strengthens governance arrangements.

### **Asset Transfer Group**

The Council's Asset Transfer Group consists of a cross-cutting corporate group of officers which ensures that the Council adopts a holistic approach in the disposal of Council assets.

### **Governance Group**

The Council's Governance Group consists of a corporate group of officers with responsibilities that feed into the Council's control environment. The group meets throughout the year to assess the processes in place which provide the supporting information necessary to produce a Governance statement and to review progress on actions planned to address improvements in governance arrangements.

- 4.3 In drawing up the statement, advice has been obtained on any issues identified by the various contributory parties to the review of the effectiveness of the governance framework, as set out above. Any significant issues are set out below, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5. Significant governance issues and planned improvements**

- 5.1 Through the review of effectiveness of the Council's governance framework two areas for improvement have been identified.
- 5.2 It is proposed to address those matters considered to be significant to further enhance the Council's governance arrangements over the coming year. It is believed that this action will satisfy the need for improvements that were identified in the review of effectiveness and their implementation will be monitored and reviewed.
- 5.3 A number of actions were identified following the review conducted in respect of 2009/10 and progress on these was monitored throughout 2010/11. These actions were completed except for the actions in respect of Business Continuity and Partnerships which have been retained within the 2011/12 Action Plan.
- 5.4 The assurance process has also identified some awareness issues around certain Council policies and procedures, such as the Data Quality Policy. A lack of

awareness of some policies and procedures is a result of the significant personnel changes that have taken place within the Council over the past 12 months and a programme of training and awareness raising is already in place for service managers and other key service personnel to address any gaps in knowledge.

## **6. Action Plan**

- 6.1 Significant identified governance issues are outlined in the following table, along with proposed actions to be taken to address these in 2011/12.

	<b>Issue</b>	<b>Action</b>	<b>Timescale</b>	<b>Responsible Officer</b>
<b>1.</b>	<p><b>Business Continuity</b></p> <p>Business Continuity management arrangements have been updated to reflect the recent changes in systems and procedures within the Council. An Internal Audit review was completed, as per the 2009/10 annual plan, with the final report being issued in May 2010. The report included an opinion that the overall control environment was 'poor' and 22 recommendations were accepted for implementation. Although there has not been sufficient progress in respect of these actions, plans are now in place to progress this work</p>	<p>Ensure that Business Continuity and Crisis Management plans exist in all relevant service areas and are monitored, updated and tested as and when necessary.</p> <p>Ensure compliance with audit recommendations.</p>	<b>March 2012</b>	<b>Risk Management and Insurance Officer</b>
<b>2.</b>	<p><b>Partnerships</b></p> <p>Further work is required to review the Council's approach to managing partnerships and in particular managing risks in respect of partnerships</p>	<p>Undertake an internal audit review of partnerships</p>	<b>March 2012</b>	<b>Internal Audit Manager</b>

## **Conclusions**

We are satisfied that the steps outlined on the above action plan will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Leader of Allerdale Borough Council

Signed

Chief Executive

