

Scope of Responsibility

Sedgefield 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. 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.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local 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 Local Code is on our website at www.sedgefield.gov.uk or can be obtained from the Head of Financial Services. This Statement explains how the Council has complied with the Code and 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.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes and culture and values by which the authority is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor progress against its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The System of Internal Control is a significant part of this framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims, objectives and policies; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. 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 Governance Framework has been in place at the Council for the year ended 31st March 2008 and up to the date of approval of the Statement of Accounts on 30th June 2008.

The Governance Framework

The Council has maintained and developed comprehensive governance processes designed to ensure the achievement of objectives, quality of service and public accountability through proper systems of internal control and management arrangements. Key areas of good governance include the setting of strategic and operational objectives, quality performance management information, risk awareness, financial regulations compliance and internal check procedures , all supported by an appropriate management structure with supervision, delegation and accountability accepted as fundamentals.

The present governance arrangements include the following, and are subject to continuous improvement by management:-

Constitution, Management Structure and Relationship Management

- A Council Constitution which includes clear decision-making processes, responsibility for functions, a scheme of delegation, financial/budgetary/procurement regulations, codes of conduct and management structure.
- Well developed and communicated codes of conduct for Members and officers, supported by processes for declarations of interest.
- Responsibility for compliance with relevant laws, regulations and policies placed with senior managers, with Legal Section support as necessary.
- Appropriate governance arrangements developed to cover major Council partnerships in existence around the Borough.

Strategic Planning

- Strategic corporate planning cycle driven by a robust evidence base developed with partners through the Local Strategic Partnership.
- Regular establishment and review of the Council's priority areas, including both strategic and major operational activities.
- Medium Term Financial Planning has been developed.
- All key decisions being made by this Council are now submitted to the County Council, and to the Audit Commission and Department for Communities and Local Government for comment, if necessary, in accordance with the provisions of section 24 of the Local Government and Public Involvement in Health Act 2007

Performance Management, Service Improvement and Efficiency

- Comprehensive performance management processes to ensure targets are established and monitored on major activity areas.
- Management review of operational performance efficiency.
- Project management principles applied to ensure project delivery compliant with expectations.
- Comprehensive public complaints processes maintained.
- Well developed public consultation and communications strategies to ensure participation and accountability.

Financial Management

- Comprehensive budgeting processes supported by effective budgetary control information systems.

- Well developed and controlled systems covering the Council's major financial activities.
- Financial performance reviews against forecasts, to ensure best use of available resources.
- Capital programme framework designed to maximise quality project delivery in accordance with the strategic visions of the Council.

Risk Management

- Ongoing development of risk management arrangements to ensure both strategic and operational areas across the Council are addressed.

Audit and Inspection

- Maintenance of an Internal Audit service responsible for reviewing all significant resource and performance areas of the Council.
- Well developed consultative arrangements with the Audit Commission, which complement their statutory role in reviewing and reporting on the Council's control framework.
- Regulatory and review responsibilities maintained by the Council's Audit Committee.

Review of Effectiveness

The Council's Constitution requires an annual review of the Governance arrangements to be undertaken and reported to Council as the "Body charged with Governance".

The review of effectiveness is informed by the work of the Heads of Service and Directors within the Council who have responsibility for the development and maintenance of the governance environment, and also by comments made by the Audit Commission in their role as the Council's external auditors, and other review agencies and inspectorates.

The Audit Committee is also involved in reviewing the effectiveness of the Council's Governance arrangements when considering the progress being made by the Internal Audit Team during the year in achieving the Annual Audit Plan objectives.

Outstanding Issues from Previous Statements

Monitoring of Energy Management

It is pleasing to note that satisfactory arrangements have been introduced during the 2007/08 financial year to address this issue because of the escalation in the Council's fuel costs and the need to ensure that consumption is reduced wherever possible.

Significant Governance Issues 2007/08

Local Government Re-Organisation in County Durham

Following the decision to create a Unitary Council in County Durham with effect from April 2009, a number of significant strategic risks have been identified in connection with the process including the **failure to maintain/improve on the quality of corporate governance** within the Council. Other risks/governance issues not separately identified within this Statement, include **a failure to reduce sickness absence levels**, the anticipated difficulties associated with **staff morale** and the **recruitment and retention of staff**, a potential **failure in the Council's ICT**

infrastructure, the possibility of **non compliance with legislation**, a **failure to develop performance management** across departments, a potential **failure of the Councils other Partnership arrangements** in terms of performance, funding or exit strategies, and a **failure to undertake a comprehensive assessment of Resource needs**.

A nominated Lead Officer has been identified to be responsible for preparing and maintaining a risk log for each of the above issues and a regular review of progress will be a key feature of the project management approach being undertaken.

It will also be important to ensure that the various Workstreams involved in the LGR process give due consideration to the governance and risk management issues of the activities they are responsible for reviewing.

Transition Plan

It will be important to ensure that appropriate governance arrangements are put into place with regard to the major initiatives identified in the Councils Transition Plan, namely:

Housing Partnering Arrangements

Measures are being developed and implemented to secure a significant and sustained improvement in the provision of Housing Construction Services to the Council following the recently introduced Partnering Agreement with Mears Limited.

Large Scale Voluntary Transfer (LSVT) of the Councils Housing Stock

The Council has agreed to ballot its tenants to achieve a LSVT of its housing stock to ensure that it can meet not only the Decent Homes Standard but the higher asset management requirements of the stock. This higher standard will be nearer to the tenants' aspirations for investment in their homes, estates and services. This investment would also provide a high quality Housing Service. A Shadow Board has been established to monitor progress towards registration with the Housing Corporation including the consideration and acceptance of various governance related issues

Coalfields Housing Renewal

The Council is working closely with English Partners to develop either a Special Purpose Vehicle or a Contractual Joint Venture to optimise the use of public assets by maximising land values, and innovate in developing joint ventures and leveraging both public and private finance to support the development of the former coalfield areas of Dean Bank, Ferryhill Station and West Chilton .

New Training Service and Centre for the Borough

Agreement has been reached in principle between the Council and Bishop Auckland College to provide a new Training Service and Centre for the Borough. It will be important to ensure that appropriate governance arrangements are put into place for this significant partnership venture which is expected to narrow the gap in quality of life experienced by the most disadvantaged groups in the Borough.

Redevelopment of Newton Aycliffe Town Centre

The Council is currently working with the Durham County Council, County Durham Primary Care Trust, Great Aycliffe Town Council and Freshwater, the private owners of much of the Centre, to bring about a comprehensive regeneration solution for this area. It will be important to ensure that appropriate governance arrangements are put into place for this significant partnership venture which is expected to enhance

the vitality of the Town Centre and support the development of a cohesive community.

Extension of the Pioneering Care Centre

The Council has approved a £1.25m (part grant-funded) extension of its Pioneering Care Centre in Newton Aycliffe and the subsequent award of a 125 lease at a peppercorn rent to the Pioneering Care Partnership, a registered charity that manages and operates from the building. This decision will safeguard the future of this valuable organisation. Robust project management arrangements are in place to ensure that this work is completed by September 2009.

Other Governance Issues

ICT Security Policy

The ICT Manager intends to develop an ICT Security Policy along with a number of supporting policies and procedures following a review of the Computer Room Installation Controls by the Audit Commission.

We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps 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 on behalf of Sedgefield Borough Council:

Councillor Mrs. Agnes Armstrong (Leader of the Council)

Brian Allen, CPFA (Chief Executive)

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