

SEDGEFIELD BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2008/2009

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, facilitating the effective exercise of its functions, and 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 of 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 its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of 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 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 the 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.

The Governance Framework has been in place at the Council for the year ended 31st March 2009 and this Governance Statement has been prepared immediately prior to the demise of Sedgefield Borough Council from 1st April 2009 as a result of the establishment of the new Durham County Council as a unitary authority.

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:-

- Regular establishment and review of the Council's priority areas, including both strategic and major operational activities.
- Comprehensive performance management processes to ensure targets are established and monitored on major activity areas.
- 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.
- Ongoing development of risk management arrangements, to ensure both strategic and operational areas across the Council are addressed.
- Comprehensive budgeting processes supported by effective budgetary control information systems.
- Management review of operational performance efficiency.

- 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.
- Project management principles applied to ensure project delivery compliant with expectations.
- Well developed and communicated codes of conduct for Members and Officers, supported by processes for declarations of interest.
- 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.
- Responsibility for compliance with relevant laws, regulations and policies placed with senior managers, with Legal Section support as necessary.
- Comprehensive public complaints processes maintained.
- Well developed public consultation and communications strategies to ensure participation and accountability.
- Appropriate governance arrangements developed to cover major Council partnerships in existence around the Borough.

Review of Effectiveness

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

Arrangements are in place to maintain and review the effectiveness of the Governance Framework. 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 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. A final report on the work of Internal Audit during 2008/09 was considered by the Audit Committee on 23rd March 2009.

Significant Governance Issues 2008/09

Transition Plan

The 2007/08 Governance Statement highlighted the major initiatives identified in the Council's Transition Plan and the importance of appropriate governance arrangements on the initiatives. The position on these is as follows:-

Housing Partnering Arrangements:

The partnering with Mears Ltd., for housing construction services, has operated since February 2008, and appropriate management and monitoring of performance has been developed during 2008/09.

Large Scale Voluntary Transfer (LSVT) of the Council's Housing Stock:

Following a positive result in the July 2008 LSVT ballot of tenants, intensive actions were undertaken, aimed at ensuring that Sedgefield Borough Homes (SBH) was established from 30th March 2009. Project Teams for both the Council and SBH were established, supported by appropriate professional advisers. The Tenants Services Authority will be responsible for ensuring that the management, performance and governance of SBH are satisfactorily developed and maintained. From 1st April 2009, Durham County Council will be responsible for the monitoring of the Transfer Agreement to ensure that SBH meets its delivery promises made to tenants.

Coalfields Housing Renewal:

The renewal of the Borough's former coalfield areas is progressing well. The Council has worked with neighbouring local authorities regarding English Partnerships funding, and a Joint Venture Collaboration agreement is almost in place.

This work will be incorporated within a wider New Growth Points programme across South and East Durham.

New Training Service and Centre for the Borough:

The transfer to Bishop Auckland College was completed in November 2008. A new governance structure has been agreed for monitoring progress against the main project vision and objectives. A Construction and Skills Sub-Committee will be established as part of the overall College Corporation. The nomination will be 4 / 4 split between SBC (then the Durham County Council as the successor authority) and Bishop Auckland College.

Redevelopment of Newton Aycliffe Town Centre:

The regeneration of Newton Aycliffe town centre is progressing well.

Round-table discussions between the town centre owners, Durham County Council, Sedgefield Borough Council, County Durham PCT and District Valuers continue to agree a series of property transactions to facilitate next phase of redevelopment.

Arts Resource Centre:

Design work on the Arts Resource Centre within Spennymoor Leisure Centre has progressed well and physical works on site are expected to commence during March 2009.

Contractual arrangements with the Council's fitness suite partner Competition Line are integral to the development at Spennymoor, as well as to the further development of the fitness suites within Shildon and Ferryhill Leisure Centres. The proposals are to be considered shortly by Durham County Council.

The major financial implications on the partnership arrangements with Competition Line will require ongoing corporate governance review by the new authority

Other Governance Issues

Local Government Reorganisation in County Durham:

The Council's initial approach to strategic risk has been revised to better accommodate the requirements of the re-organisation of Local Government in County Durham from April 2009. Many of the most important issues affecting the Council will have been highlighted by the various Workstreams established under LGR. All Workstreams are required to operate using sound risk management practice to address identified risks.

Major Financial Systems:

The Council's major financial systems have operated satisfactorily during the year and commitment to operate within a sound internal control environment, with fully reconciled

systems, has been maintained. It is understood that these important systems will continue to operate within the new authority for some time, before being replaced. It is essential, therefore, that the well developed and long-standing financial controls associated with these systems are maintained by the new authority.

The Council is working with the new authority to ensure risks in relation to financial systems, feeder systems, reconciliations, data, security of assets and accounts close down arrangements have been appropriately managed during the transition process.

ICT Security Policy:

A number of the documents that would form the overall ICT Security policy have been approved and introduced by the Head of ICT but there are still a number of other documents to complete.

This is an important issue for the new County Council to address and has been flagged up in the appropriate workstream for further consideration in a County wide context.

Treasury Management:

Following recent turmoil in financial markets, and potential investment losses faced by many public authorities (but not Sedgfield), the Council has reviewed its treasury management investment principles to provide an enhanced level of protection of assets.

Overall Governance Conclusion

We are satisfied that the Council has maintained and operated within a governance framework appropriate to the provision of services, throughout the financial year.

Signed on behalf of Sedgfield Borough Council:

Councillor Mrs. Agnes Armstrong (Leader of the Council)

Brian Allen, C.P.F.A. (Chief Executive)