

TEESDALE DISTRICT COUNCIL

Report To: **COUNCIL MEETING**
16 June 2008

From: **Chief Governance Officer**

Subject: **ANNUAL GOVERNANCE STATEMENT 2007/08**

1.0 SUMMARY

- 1.1 This report presents the Council's first Annual Governance Statement, a new requirement on local authorities from 2007/08, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.
- 1.2 The statement and accompanying documentation were considered by the Audit and Governance Committee on 2 June and the views of this committee have been incorporated into the statement and highlighted in this covering report.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- 2.1.1 the Annual Governance Statement for 2007/08 be approved;**
- 2.1.2 the statement be updated until such time as the audited accounts for 2007/08 are submitted to Council for formal approval;**
- 2.1.3 the Audit and Governance Committee monitors progress of the significant issues highlighted in the statement and prepares the Annual Governance Statement for 2008/09 for approval by Council in March 2009.**

3.0 LINK TO CORPORATE KEY PRIORITIES/AMBITIONS

- 3.1 **Priority:** Effective corporate governance arrangements support the delivery of all of the Council's corporate priorities.
- 3.2 **Ambition:** To be a local authority which operates on the basis of sound decision making supported by effective and transparent processes.
- 3.3 **Outcome:** Improved performance, better local services and stronger community leadership.

4.0 BACKGROUND

- 4.1 Prior to the financial year 2007/08, local authorities were required to prepare a Statement on Internal Control (SIC) as part of the annual Statement of Accounts. In accordance with the Accounts and Audit (Amendment) (Regulations) 2006, there is now a requirement to review the Council's Local Code of Corporate Governance and to prepare an Annual Governance Statement (AGS). The AGS, like the SIC, is required to be formally approved by Council and signed by the Council's most senior member and officer (Leader and Chief Executive).
- 4.2 In 2007, CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers) published a framework document and guidance note for 'Delivering Good Governance in Local Government'. The framework, which has been given statutory effect under the 2006 Regulations, defines proper practices for the form and content of a governance statement which meets the requirement to prepare and publish a statement on internal control.
- 4.3 The framework identifies six core principles, each with a set of supporting principles, around which, it is suggested, authorities' local codes should be structured. One of the purposes of the Annual Governance Statement is to report publicly on the extent to which the Council complies with its local code. The AGS should be structured in such a way, therefore, that it follows the format used for the local code and details the level of compliance with the core principles in demonstrating the extent to which the Council is delivering the governance principles.
- 4.4 The core principles, originally developed in 2004 by the Independent Commission on Good Governance in Public Services in the report 'The Good Governance Standard for Public Services' and subsequently adapted by CIPFA/SOLACE for local government purposes, are as follows:
1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

5. Developing the capacity and capability of members and officers to be effective;

6. Engaging with local people and other stakeholders to ensure robust public accountability.

4.5 A revised Local Code of Corporate Governance has been drawn up in accordance with the corporate governance framework guidance developed by CIPFA/SOLACE and this was submitted to and approved (subject to a minor amendment) by the Audit and Governance Committee on 2 June 2008.

5.0 ANNUAL GOVERNANCE STATEMENT

5.1 In September 2007, the Audit and Governance Committee considered the new corporate governance framework and the requirement to produce a Local Code of Corporate Governance in the revised format and an Annual Governance Statement.

5.2 The principal purpose of the Annual Governance Statement is to provide assurance that the organisation's governance framework is adequate and effective. The AGS is a public report which is intended to demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored, and any planned actions in the coming period.

5.3 The Annual Governance Statement needs to include the following information:

- An acknowledgement of responsibility for ensuring that there is a sound system of governance;
- An indication of the level of assurance that the systems and processes that comprise the governance arrangements can provide;
- A brief description of the governance framework;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
- An outline of actions taken or proposed to deal with any significant governance issues.

5.4 The AGS needs to cover all significant corporate systems, processes and controls, spanning the whole range of the Council's activities. In the development of the AGS, the Council will need to gain assurance from a number of sources (as was the case with the previous requirement to prepare the Statement on Internal Control). The key assurances are both internally and externally prepared documents.

5.5 The Annual Governance Statement 2007/08 is attached. The following assurance documents were submitted to, and considered by, Audit and Governance Committee on 2 June:

- Corporate Internal Control Statement (prepared by the Corporate Management Team);
- Service Managers' Internal Control Questionnaires (prepared by service managers);
- Review of the Effectiveness of the System of Internal Audit 2007/08 (prepared by Chief Finance Officer);
- Internal Audit Report: The Overall System of Internal Control (submitted to Audit and Governance Committee, 24 April 2008);
- Audit Commission: Annual Audit and Inspection Letter March 2008 (submitted to Council, 23 April 2008);
- Audit Commission: Annual Governance Report 2006/07 (submitted to Council, 28 September 2007).

These documents were circulated to all members with the committee agenda so are not reproduced here.

5.6 The Audit and Governance Committee approved the statement, subject to the inclusion of further detail relating to the role and development of the committee (paragraph 4.4) and a summary of progress against the significant issues identified in the 2006/07 Statement on Internal Control (schedule on pages 15/16). The committee has also requested officers to review the Corporate Internal Control Statement and report to the September meeting of the committee with an update on action taken or to be taken to provide further assurance or evidence where this may be outstanding or desirable.

6.0 **STATUTORY CONSIDERATIONS**

6.1 Financial Implications: None

6.2 Risk:

Risk	Category	Implications
Council does not ensure that effective and transparent governance arrangements are in place, and an Annual Governance Statement prepared which is compliant with the Accounts and Audit Regulations.	Reputation Financial Legal	Adverse criticism, increased inspection time and likely poor performance assessment from Audit Commission and Government. Low level of public esteem.

6.3 Equality and Diversity: Good governance arrangements are necessary to ensure that the Council complies with statutory equality and diversity requirements.

6.4 Human Resources: None significant

- 6.5 Community Safety: None directly, although the statement at 6.3 above may also be appropriate here.
- 6.6 Legal Issues: Compliance with the new Corporate Governance Framework is a legal requirement.

Background papers:

Delivering Good Governance in Local Authorities: Framework and Guidance Note (CIPFA/SOLACE: 2007).

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