Annual Governance Statement 2008/09

Scope of responsibility

Cheltenham 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. Cheltenham 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.

In discharging this overall responsibility, Cheltenham 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. It should conduct a review at least annually on the effectiveness of these arrangements.

Cheltenham 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 www.cheltenham.gov.uk or can be obtained from the policy and performance division of the council. This statement explains how Cheltenham 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 by the Accounts an 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 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.

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 Cheltenham 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.

The governance framework has been in place at Cheltenham Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

The governance framework

Code of governance approved by council in March 2008 has identified a number of principles that underpin the effective governance of the council, and these have been used when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are set out below:

Focusing on the purpose of the Council 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 three year business plan (2007 -10) which is based on the sustainable community strategy – a document which was drawn up following extensive public consultation (Cheltenham 20:20) on key issues and priorities for the town and which sets out a long term vision for Cheltenham. The business plan is updated on an annual basis to reflect any issues which have arisen since the plan was drawn up and to provide a clear work programme based on priorities for the council. This document is approved by

council. Monitoring reports are taken to meetings of the overview and scrutiny committees to ensure that the council's objectives are progressing as planned.

The cabinet agrees a medium term financial strategy which is in line with the priorities as set out in the council's business plan and identifies any new expenditure which may need to be incurred to meet new legislation or changes in service provision. In order to address year on year budget shortfalls and identify savings, the council has developed within its medium term financial strategy how it will broadly achieve the savings targets while keeping council tax at a reasonable level. The council undertakes service reviews and some of its services have been subject to independent inspection. The council has adopted a gateway process for major procurement projects. Each year the council looks to areas where it can make efficiency savings or budget cuts, which will not impact on its ability to deliver in priority areas. During 2008/9 the council took the opportunity to improve its medium term financial reporting and is taking steps to further improve the linkages between this document and its business plan for 2010 onwards.

The council has a well established web site with many services online, including a "report it" tool and during 2008/9 took steps to improve the interactive nature of the site and also to make it more user freindly.   The council makes significant use of the local media in order to get across key messages and to receive feedback, and councillors and officers are now taking part in the neighbourhood panels set up by the Police as part of their neighbourhood management initiative.   Council, cabinet and committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings. The council has an adopted equality policy which recognises the need to engage with different sections of the community and has a community engagement strategy.

The council undertakes a customer satisfaction survey on a periodic basis and uses the results to identify whether we are meeting customer needs. The council also undertakes service specific user surveys as well as using customer feedback from its corporate complaints and comments system to improve service quality.

The leader and chief executive of the council sit on the Cheltenham Strategic Partnership (CSP) which supports the delivery of the sustainable community strategy. During 2007/8 the council took the opportunity to strengthen its partnership role and cabinet members now sit on the six thematic partnerships which support the CSP in the delivery of the vision and each partnership has a dedicated part time partnership officer.   The council also supports partnership work at a county level to ensure that the vision and aspirations of Cheltenham are supported through the local area agreement, and through the work of the Gloucestershire Conference.

The Cheltenham Strategic Partnership and its thematic partnerships have reviewed their governance arrangements, which include terms of reference, membership and identification of partnership risk. The board of directors have each agreed to take a lead on one of the thematic partnerships, and along with the relevant cabinet member are able to ensure that the council's views are fully represented at partnership meetings.

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

The council's constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.   The cabinet has executive powers and make decisions within the overall policy framework (three year business plan and budget) as set by the council. The board of directors and senior management team support all councillors and provide advice to members on policy options and implications. All reports identify the financial, legal and HR implications and also any risks associated with the matter, as well as how it addresses corporate plan priorities. There are three overview and scrutiny committees which hold the cabinet to account and assist with policy formulation. The council has two committees which deal with governance, internal control and ethical arrangements, (Audit Committee and Standards Committee), as well as a Staff and Support Services Committee which deals with employee related matters. In addition there are two quasi judicial committees which deal with licensing and planning. The council's constitution is approved by council, and is subject to periodic review.

The council established an audit committee in March 2007; previously the economy and business improvement overview and scrutiny committee fulfilled these functions. The committee meets four times per year and its terms of reference are set out in the council's constitution. The council's external auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process.

The council has statutory posts of monitoring officers (to ensure decisions comply with legislation and that the council has robust procedures in place to prevent maladministration) and a section 151 officer (to ensure that the council's financial arrangements are sound). In addition there is an internal audit function which reports to the council's audit committee. The council has external inspection and audit undertaken by the KPMG the external auditors appointed by the Audit Commission and their annual management letter is presented to members. There is a corporate governance group chaired by the Chief Executive who ensure corporate governance arrangements are addressed. The council runs induction courses for new members and employees and training and awareness sessions are held when there is new legislation or policies. The council has an intranet site where policies are easily accessible to employees.

Promoting the values of the Council and demonstrating the values of good governance through behaviour.

The code of corporate governance was reviewed during 2007/8 and a new code adopted by council in March 2008. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements. All members and officers are subject to a member and officer code of conduct, and periodically training sessions are held. Both members and officers must declare interests and a register of declarations is maintained. The council's monitoring officer and standards committee are responsible for ensuring that breaches of the code are investigated appropriately.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The council publishes a leaflet with its council tax demands which summarises performance and at the end of each financial year the council publishes an annual report. During 2008/9 the council took the opportunity to update the way it presents the business plan, so that there are clear ambitions, milestones and performance measures. Each of the assistant directors is now responsible for co-ordinating a cross cutting theme of the business plan, so that there is greater strategic ownership.

The council has an electronic service planning system (ESP) which provides up to date information as to how the council is performing against the performance measures and milestones as set out in the business plan. Quarterly reports are presented to the Board of Directors to track progress and periodically the overview and scrutiny committee receive reports on progress. The business plan is used to drive the organisation, and activities and associated expenditure have to demonstrate they are meeting business plan priorities. The council also prioritises expenditure to where the council's performance requires improvement. The council has an appraisal process where all employees are set objectives for the coming year which meet the business plan priorities.

The council approves the council's standing orders, financial rules and scheme of delegation and these are periodically reviewed to ensure that they are still relevant and appropriate. The staff and support services committee have a role to play in any review of the council's constitution to ensure that changes are considered in more detail ahead of their consideration by council. The council has a risk policy which was approved by the audit committee and clearly identifies responsibilities. This policy is reviewed on an annual basis. Risk management is embedded into the organisation and reports to cabinet identify risks associated with the proposals. The corporate risk register is periodically reviewed by the economy and business overview and scrutiny committee, while divisional risks and managed and monitored through the ESP system. The council reviewed the way in which it recorded risks within the council's business plan and there is now a specific section against each ambition identifying the risks. The council's budget is also risk assessed and risks identified for all saving proposals.

The council has a whistle blowing policy and has also agreed an anti-fraud and anti-corruption policy. These documents are available on the council web site, and accessible to employees from the intranet

site. The council has a complaints and comments system for member of the public. There is a three stage complaint system which gives divisions an opportunity to resolve a complaint at the first point of contact but if a complainant is still unhappy they are entitled for the matter to be investigated on behalf of the chief executive. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council's complaint system.

Processes are in place governing the procedures for the regulation of investigatory powers act (RIPA) with clearly named officers. The council has also recently reviewed its procedures and processes for information management and data protection, and the internal auditors have identified a number of actions which will improve on the governance arrangements.

The council's budget is set annually and agreed by council. Monitoring reports are presented to cabinet and an outturn report and annual statement of accounts is approved by the council. The council operates with cost centre managers who are responsible for the day to day management of their budgets and all expenditure is incurred in line with financial rules. Each year the council produces an annual efficiency statement which demonstrates how the council makes 2.5% efficiency savings.

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

There is a member training programme, which is supported by both the human resources division and democratic services. Generic training needs for members are identified in consultation with members and group leaders. Senior officer training needs are identified through the appraisal process, and the Senior Leadership Team including Directors and the CEX has recently completed a senior leadership development programme. The CEX and strategic directors are developing a coaching relationship with other senior managers within the organisation so that they can free their time to deal with strategic and corporate projects as opposed to operational issues, and this approach is being rolled out through assistant directors to service managers.

Delivery through third parties
The council delivers its housing management responsibilities through Cheltenham Borough Homes (CBH) an arms length management organisation wholly owned company of the council. CBH has its own internal control procedures and arrangements which are subject to internal and external audit as well as independent inspection. Annually internal audit review the procedures and policies and report on the adequacy of arrangements. The company policy is overseen by a board of directors which includes tenants and it has an audit committee. A resources committee oversees CBH finances and managed HRA finances and reports to the board of directors. The board receives quarterly reports on performance. CBH has a service level agreement with the council and the management fee and level of service is agreed on an annual basis. Monthly monitoring meetings are held to discuss performance. Payroll and payments services are administered by CBC on behalf of CBH and the company shares the council's financial ledger system.

The council is a shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the companies act. There is a board of directors who monitor the company's performance and are responsible for the internal control activities. The airport has a commercial director and company secretary as well as an airport director. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and to the shareholders, and are approved at the AGM in September. The council's chief finance officer receives regular management accounts for the airport, and either he or the strategic director corporate services attends the monthly airport programme board meetings.

Review of effectiveness

Cheltenham 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework draws on evidence from:

- Internal and external audit and inspection

- Statutory officers group

- Financial controls

- Risk and performance management

- Assurance statements from each division

- Legal standards

- Code of corporate governance

The council approves the code of corporate governance and it has established a corporate governance officer group who oversee the review of the effectiveness of the code of corporate governance and internal control.   All assistant directors have to complete an annual statement of assurance which outlines the key control areas to which the division should comply. This assurance statement is discussed with the director and cabinet member. Internal audit review the statements to identify common themes which need to be reflected in any action plan. Individual Assistant Directors are expected to take forward any specific control improvements within their own workplan, and these should be monitored through the ESP system. These certificates along with evidence from other sources such as audit letters, internal audit reports, corporate controls and the code of corporate governance are reviewed by the assistant chief executive, audit and assurance manager and the policy officer governance who identify governance and control issues to be included in the action plan for the forthcoming year, and reflected in the annual governance statement. The statement is then considered by the board of directors, the leader and the corporate governance group.

The draft annual governance statement is presented to the audit committee who review the summary evidence and make a recommendation to council to approve the annual governance statement as part of the statement of accounts. The audit committee are then responsible for monitoring progress against the actions taken, or proposed, to deal with significant governance issues.

The economy and business improvement overview and scrutiny committee oversee the corporate risk register and satisfy themselves that action is being taken to mitigate against any risk, and the other two overview and scrutiny committees may get involved in key governance issues relating to their area of work eg scrutiny of partnership activity.   The standards committee and the staff and support services committee were involved in the development of the code of governance and if assurance issues are identified which fall within their remit then they will need to satisfy themselves that the issues are being actioned and addressed.

Although internal control procedures are the responsibility of officers, major service issues are discussed with the relevant cabinet member. There is also a cabinet member (currently the leader) who has responsibility within their portfolio for corporate governance, internal audit and risk. Regular briefings are held with the cabinet member so that they are aware of any issues. The council has established an audit committee which receives reports from internal audit and external audit.

The council maintains its own in house internal audit function, which has clear lines of accountability to both the S151 officer and the chief executive. They periodically report to the board of directors and to members. External audit periodically undertake a full review of the adequacy of internal audit arrangements.

Significant governance issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Control issue and source April 2009-10	Action	Lead officer
The Code of Corporate Governance was adopted in March 2008 when the guidance was first issued. The code needs to be reviewed in light of experience of operating the new code. Governance assurance	A review of the Code of Corporate Governance should be carried out to identify if there is a need to strengthen it.	Assistant CEO
	The agreed terms of reference for the Governance group (10-01-2007) should be reviewed and approved	Assistant CEO
There is concern that not all corporate policies, departmental procedures and codes of practice have identified owners and are reviewed on a routine basis Governance assurance	Key policies, procedures and codes together with their owner and review date will be identified.	Assistant CEO
	Adopt a corporate method of version control for policies and procedures that identifies, date of creation, date of review, owner, file location and if on the intranet and or internet.	All ADs
The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. Audit Assurance report	HR operations manager's response to the audit report should include a plan of action to manage resource issues as evidence that risks to key controls are being managed in the shorter term.	AD HR
More assurance is needed on community and business grant award procedures: to ensure viability of grant aided organisation or business, the control of financial risks and formal monitoring arrangements. Audit Assurance report	Procedures will be put in place to assess the risks and standard contract documents for Community Investment and Community Giving Grants for all economic regeneration and partnership grant funding activity will be used. Monitoring arrangements will be put in place. Where CBC is administering funds on behalf of other organisations appropriate monitoring and feedback arrangements will be put in place.	Assistant CEO
The council has put in place arrangements for safeguarding children but arrangements need to be strengthened in relation to management and oversight. Governance assurance	A methodology will be developed to enable managers to periodically test and review the arrangements within their division, along with reporting, action plans and feedback to senior management should arrangements not be satisfactory.	All ADs
The Use of Resources assessment has identified a need to develop targets for income collection and recovery of arrears KPMG Use of Resources Assessment 2007-08	To develop a corporate debt recovery policy with clear targets and performance monitoring arrangements	AD CAST

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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 which were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed: Leader of Council

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and Chief Executive

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on behalf of Cheltenham Borough Council