

Annual Governance Statement 2009 - 2010

Scope of responsibility

1. 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.
2. 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, and the management of risk.
3. 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.
4. Download a copy of the [Local Code of Corporate Governance](#) (pdf) or a copy can be obtained from the Municipal Offices, Promenade, Cheltenham Gloucestershire GL50 9SA
5. 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 and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

The purpose of the Governance Framework

6. 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.
7. 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 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.

8. The governance framework, which was revised and approved by the Audit Committee on the January 2010 and approved by Council March 2010, has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

9. Code of governance approved by Council 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:

Principle 1 - 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.

10. The council had a three year business plan (2007 -10) which was 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. During 2009/10 work was undertaken to develop the council's corporate strategy for 2010 -15 which clearly articulates how the council will deliver better outcomes for the community either directly or in partnership with.
11. The business plan/corporate strategy 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.
12. 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. 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.
13. The council has a well established web site with many services online, including a "report it" tool. 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. During 2009/10 the council commenced consultation with a range of stakeholders as to how it could enhance neighbourhood working in Cheltenham.

14. The council undertakes a corporate 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. During 2009/10 the council commenced a review of the way in which customers access council services and a strategy will be considered by members in 2010/11
15. The leader and chief executive of the council sit on the Cheltenham Strategic Partnership (CSP) which supports the delivery of the sustainable community strategy. Cabinet members sit on the six thematic partnerships which support the CSP in the delivery of the vision and each partnership has a 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. During 2009/10 the Improvement and Development Agency undertook a peer review of the CSP and identified a number of actions which were taken forward.
16. 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.

Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.

17. 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.
18. 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.
19. 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.

20. The council's Audit 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.
21. 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).
22. The council has an internal audit function which reports to the council's audit committee. During 2009/10 the council agreed to the establishment of an audit partnership with Cotswold District Council, with a shared audit management post. The new arrangements have resulted in a more resilient audit service and the ability to create trainee posts which may assist with succession planning.
23. 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.
24. There is a corporate governance group chaired by the Chief Executive which ensures corporate governance arrangements are addressed. The council has a treasury management panel with cross party support from members that oversees the council's treasury management strategy and an asset management working group that oversees the way in which the council manages its property assets.
25. The council has an intranet site where policies are easily accessible to employees and members and will run update/briefing seminars as appropriate.

Principle 3 - Promoting the values of the Council and demonstrating the values of good governance through behaviour.

26. The code of corporate governance was reviewed during 2007/8 and a new code adopted by council in March 2008. This code was updated during 2009/10. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements.
27. 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.

28. Members of the standard committee periodically attend meetings of the council so that they can see how members behave in meetings. The chief executive through his employee blog will also promote good governance messages for employees.
29. The council has a complaints process and quarterly reports analysing the nature and type of complaint are considered by the senior leadership team.
30. The council has a competency framework for its employees who are assessed through the annual appraisal process and these competencies reflect the core values of the council which underpin good governance arrangements.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

31. The council has adopted the leader and cabinet style executive decision making arrangements. The leader can delegate their executive functions to members of the cabinet or to officers and this is set out in the council's constitution. All meetings of cabinet are held in public, agendas are published in advance and the minutes of the meetings are available on the council's web site or for public view in libraries and the council offices. Decisions made by the cabinet must be in accordance with the policy framework which is approved by council.
32. Similar arrangements are in place for other council committees with published agendas and minutes. For all meetings of the council the public are able to ask questions (with advance notice).
33. There are three overview and scrutiny committees which hold the cabinet to account and have (subject to criteria) the ability to call in decisions of the cabinet.
34. 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. The senior leadership team has collective ownership in ensuring that the business plan is monitored and delivered.
35. 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 Senior Leadership Team to track progress and periodically overview and scrutiny committees receive reports on progress.
36. 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.

37. 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 has 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.
38. During 2009/10 the Council received a public interest report from its auditors in relation to the decision making process on a legal case. The report was considered by the council and a number of recommendations in relation to the way in which the council's decision making and risk management process were identified and an action plan was developed to address the issues raised.
39. 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.
40. Processes are in place governing the procedures for the regulation of investigatory powers act (RIPA) with clearly named officers.
41. The Office of Surveillance Commissioners carried out an inspection of the council's procedures for complying with the requirements of RIPA during April 2010. The report made a number of recommendations which will be addressed at the Economy and Business Improvement Overview & Scrutiny Committee in July 2010.
42. 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.
43. 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.
44. 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.

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

45. There is a People and Organisational Development Strategy that sets out the council's longer term aspirations for member and officer development, together with an annual action plan. 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. All members have personal learning accounts on the council's Learning Gateway, to log training needs and record training undertaken.
46. During the course of the year the council's external auditors identified the need to review the way in which the council delivers training to its members and this has resulted in a greater input from the human resources division, better usage of the council's learning gateway system and proposals for supporting new members following the election (e.g. "buddying" new members with officers to help them orientate themselves into the council).
47. Officer training needs are identified through the appraisal process, and the Senior Leadership Team and service managers have recently completed a senior leadership development programme, and are trialling use of the "balanced scorecard". The council has adopted a coaching relationship for strategic directors, assistant directors, and service managers within the organisation.
48. The council has adopted a programme and project management approach to its key change programmes and has released capacity for programme and project support. This approach has enabled the better use of officer capacity to focus on the key delivery issues.

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

49. 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.
50. The council has a complaints and comments system for members 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.
51. The council publishes a leaflet with its council tax demands which summarises performance and at the end of each financial year also publishes an annual report.
52. During 2010/11 the council will be introducing a more robust procedure for the way in which it deals with petitions it receives from members of the public which may include a debate at council or the

matter being considered by one of the overview and scrutiny committees.

Delivery through third parties

53. The council delivers its housing management responsibilities through Cheltenham Borough Homes (CBH) an arms length management organisation and 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 CBH also has an audit committee.
54. A resources committee oversees CBH finances, manages 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.
55. 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 which monitors the company's performance and is responsible for 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 attends the monthly airport programme board meetings.

Review of effectiveness

56. 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 audit partnership manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This year it also draws on the public interest report that it received from KPMG.
57. 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

58. The council approves the code of corporate governance and it has established a corporate governance officer group which oversees 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 and the assessed performance against them.

59. The corporate governance group 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 service plan. 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 partnership manager and the policy officer governance who identify governance and control issues to be included in the action plan for the forthcoming year, and reflect these in the annual governance statement. The statement is then considered by the senior leadership team, the leader, the cabinet member corporate services and the corporate governance group.

60. CIPFA issued a statement on the role of the Chief Financial Officer (CFO) In Local Government in March 2010. This statement expands on existing governance arrangements and puts in place new requirements for the CFO's statement and recommends that these be included within the Local Code of Corporate Governance. The Corporate Governance Group will be reviewing the local code and will report to Audit Committee on an amended version incorporating these recommendations later in the year.

61. The draft annual governance statement is presented to the audit committee which reviews 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.

62. 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 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.

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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
<p>The council received a public interest report during 2009/10 from its external auditors KPMG. The report highlighted a number of recommendations to improve the council's decision process including risk management and programme and project management.</p> <p>KPMG public interest report</p>	<p>To implement the action plan which was produced in response to the report and approved by Council on 22 March 2010</p>	<p>CEO</p>
	<p>The audit committee to monitor the implementation of the action plan on a quarterly basis.</p>	<p>Chief Executive Officer</p>
<p>Processes need to be put in place to ensure compliance with all the requirements of the documents listed in appendix A of the code of corporate governance and that staff are aware of the documents and have had training on their application as appropriate</p> <p>Governance assurance</p>	<p>Assistant directors to raise via their divisional management teams and through service planning actions</p>	<p>All ADs</p>
	<p>Discussions to be held with HR&OD as to how the Learning Gateway can be used to support the process of awareness</p>	<p>Assistant CEO</p>
<p>The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team.</p> <p>Audit Assurance report</p>	<p>The shared service with TBC HR is no longer proceeding. The payroll resilience issue is now being addressed through temporary recruitment of expertises as required. In addition the GO5 partnership project will address resilience issues in the longer term.</p>	<p>AD HR</p>
<p>Processes need to be improved to ensure that all policies are reviewed and assessed in line with the equalities impact assessment process.</p> <p>Governance assurance</p>	<p>The new report template will include a reference to equality impacts of any recommendations and decisions.</p> <p>The new service planning template includes a section on equalities.</p>	<p>All ADs</p>

Control issue and source April 2009-10	Action	Lead officer
<p>The Use of Resource assessment identified the need to review member training to ensure that it is delivering outcomes Use of resources assessment</p>	<p>Human Resources now have the service lead for member training and are encouraging all members to use the learning gateway. The member induction programme for new councillors has included a "buddying" system so that new members are supported in their first six months. Service managers and ADs are being encouraged to liaise with the learning and development team when arranging seminars to ensure that outcomes are clear.</p>	AD HR&OD
<p>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</p>	<p>A draft corporate debt recovery policy with clear targets and performance monitoring arrangements has been produced and will be considered by council in July</p>	AD CAST
<p>The use of resources assessment identified the need to develop a more proactive approach to contract monitoring</p>	<p>There were recruitment difficulties with the appointment of an officer, but an appointment has been made and they will during the course of 2010/11 develop effective contract monitoring mechanisms</p>	AD CAST

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

.....Councillor Steve Jordan.....and

Chief Executive.....Andrew North.....

on behalf of Cheltenham Borough Council