

## Annual Governance Statement 2010 - 2011

### 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. You can 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(3) and (4) of The Accounts and Audit (England) Regulations 2011 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 in January 2010 and approved by Council March 2010. It has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

9. The code of governance identifies 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 agreed in March 2010 a 5 year Corporate Strategy (2010 -15) that included an action plan for the 2010-11 which clearly articulates how the council will deliver better outcomes for the community either directly or in partnership. This 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. The action plan also took on board advice and comment from the Improvement and Development Agency following a peer review.
11. The Corporate Strategy is updated on an annual basis to reflect new priorities and any issues which have arisen since it was approved to provide a clear work programme based on priorities for the council. This document is approved by council. Monitoring reports are considered by the senior leadership team and 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 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, efficiency savings and new or improved income, the council has described within its Medium Term Financial Strategy how it will broadly achieve the budget gap target while keeping council tax at a reasonable level. Each year the council looks to areas where it can make its efficiency savings, budget cuts or additional income, which will not impact on its ability to deliver in priority areas.
13. The budget monitoring during 2010-11 predicted a £2.4m budget shortfall for 2011-12 because of expected central government cutbacks and reduced income. To address this shortfall a series of 21 consultation events and citizen panels were undertaken at a number of venues across the borough. These events involved staff, elected members, members of the public and community groups to decide which services could be protected, reduced or stopped. The results were used by officers and elected members to help formulate a prioritised budget.
14. The council has a well established web site with many services online, including a "report it" tool which was used 591 times during the year to tell us about issues of concern. We also took steps to improve the interactive nature of the website by developing systems that allow improved access to council services and information.
15. The council makes significant use of the local media including face book, twitter and You Tube in order to get across key messages and to receive feedback,

staff and members are also made aware of issues that have been discussed in the media through monthly briefings.

16. The council has been working with the police and county council on a neighbourhood-based approach to helping local residents tackle and resolve local problems. There are 14 neighbourhoods in Cheltenham with coordination groups that meet every 3 months to agree local priorities, councillors and officers take part in the group meetings to help co-ordinate agreed courses of action.
17. The Government cancelled the Place survey in the October 2010 as part of its agenda to decentralise government controls. The council continues to undertake service specific user surveys as well as using customer feedback from its corporate complaints and comments system to improve service quality. It also makes use of other sources of information and needs analysis from national, regional and county organisations to formulate its own priorities.
18. 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 Leadership Gloucestershire. The CSP has an agreed work plan which is published on its website that identifies its priorities and the progress being made.
19. The Cheltenham Strategic Partnership and its thematic partnerships have agreed governance arrangements, including terms of reference, membership and identification of partnership risk. Partnership structures are currently being reviewed and new governance arrangements will be brought forward.
20. Members of Executive Board 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.**

21. 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 (5 year Corporate Strategy and budget) as set by the council.
22. 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 dealt with employee related matters until it was discontinued on the 15<sup>th</sup> February 2011. 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.

23. Having considered the KPMG Public Interest Report relating to the Council's decision-making process for the Council's High Court Action against its former Managing Director, the Council approved an Action Plan to respond to the recommendations in the report. The Action Plan has been monitored on a quarterly basis by the Audit Committee. A number of requirements of the Action Plan led to amendments to the Council's Constitution which, following consideration of a report by a Working Group of Members (Constitution Working Group), were approved by the Council in December 2010. One of the changes to the Constitution is that the Staff and Support Services Committee was discontinued with effect from the 15<sup>th</sup> February 2011. A comprehensive review of the Constitution is underway and is due to be completed in October 2011.
24. 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. A review of the Risk Management Policy took place in March 2011 to ensure that it reflected the changes brought about by the Senior Officer restructure, the recommendations within the Public Interest Report and amendments to the Corporate Risk Register template. The Audit Committee also receive routine information papers on the work of the Corporate Governance Group which monitors Significant Issues arising from the Annual Governance Statement.
25. The Council has a Chief Executive who is the Head of Paid Service as defined within the Local Government and Housing Act 1989. The Chief Executive co-ordinates the Council's activities, including its management structure, the number of staff employed and their salary grades.
26. The council has also appointed a monitoring officer (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), these are both statutory appointments.
27. The Senior Leadership Team provides guidance and advice to Members on policy options and implications. All reports identify options, the financial, legal and HR implications, any risks associated with the matter, as well as how it addresses priorities within the Corporate Strategy.
28. 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.
29. The council has external inspection and audit undertaken by KPMG the external auditors appointed by the Audit Commission and their annual management letter is presented to Members.
30. In September 2010 KPMG published its report to those charged with governance (ISA 260) where they confirmed that the wording of the 2009/10 Annual Governance Statement accords with their understanding. They also concluded that the council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

31. The Corporate Governance Group chaired by the Chief Executive reviews the effectiveness of the council's internal controls and reports the results to the Audit Committee. 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.
32. The council's policies are easily accessible to employees and Members on the intranet and runs update/briefing seminars as appropriate.

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

33. In 2004 the council adopted a series of nine values that underpin everything it does these are promoted to staff and Members on the intranet.
34. The code of corporate governance was reviewed during 2009 and a revised code adopted by council in January 2010. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements.
35. 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 interests is maintained. The council's monitoring officer and standards committee are responsible for ensuring that reported breaches of the code are investigated appropriately.
36. The Chief Executive and other members of the Senior Leadership Team routinely promote good governance messages to employees and Members through the employee blog and Twitter.
37. Members of staff are encouraged to shadow the Chief Executive to promote their understanding of the wider aspects of the council's work. They are then given the opportunity to be a guest on the Chief Executive's blog to provide their views on the experience to other staff.
38. The council has a complaints process and quarterly reports analysing the nature and type of complaint are considered by the senior leadership team.
39. There is 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.**

40. In December 2010 the Council considered its obligation to adopt new executive arrangements; either a new style strong leader and cabinet model or a directly elected Mayor and cabinet model. Following a period of public consultation and a debate at full Council it was decided that a new style strong leader and cabinet model be adopted to take effect from May 2012. As the council already operates executive style arrangements the main differences with the new

model are that the leader is appointed for a 4 year term (but may be removed earlier by Council) and the leader must appoint a deputy leader.

41. 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.
42. 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).
43. 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.
44. In March 2010 the Council agreed a 5 year Corporate Strategy (2010-2015) alongside an action plan for 2010-11. The senior leadership team has collective ownership in ensuring that the Corporate Strategy and it's supporting actions are monitored and delivered.
45. The council has a performance monitoring system which provides up to date information as to how the council is performing against a number of performance measures and milestones including those set out in the corporate strategy and action plan. The use of this system was reviewed in 2010 and new more informative quarterly reports were presented to the Senior Leadership Team and overview and scrutiny committees.
46. The council also prioritises expenditure based on need and provides scrutiny and Cabinet with quarterly budget monitoring reports. The council has an appraisal process where all employees are set objectives for the coming year which meet the business plan priorities.
47. 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 played an important role in reviewing the council's constitution ensuring that changes are considered in greater detail ahead of their consideration by council. The council has a risk management policy which was revised and approved by the audit committee in March 2011 and clearly identifies roles and responsibilities for both Members and staff.
48. The senior leadership team is responsible for the management of Corporate risks. The corporate risk register which includes the risk, mitigating actions and responsible officers is updated and reported to them on a monthly basis. These risks are also reported to Economy and Business Improvement overview and scrutiny committee and the Cabinet. Divisional risks are the responsibility of Directors and individual service managers. Any divisional risk that has corporate implications and scores 16 or over is escalated to the senior leadership team for consideration.
49. 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 including a number of recommendations; an action

plan was developed to address the issues raised. Progress reports on implementing the recommendations reported to Audit Committee throughout the year and published on the council's website.

50. The council has a whistle blowing policy which was revised in July 2010 and an anti-fraud and anti-corruption policy. These documents are available on the council web site, and accessible to Members and employees from the intranet site.
51. 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 were addressed at the Economy and Business Improvement Overview & Scrutiny Committee in July 2010. Following the report processes were revised and all staff with the potential for becoming involved in surveillance or its management attended professional training. These powers were not used during 2010-11.
52. The council has an Information Management Group that routinely reviewed information management and data protection procedures and processes. Internal auditors reviewed the Corporate Governance arrangements following the 2009/10 assurance check which led to a number of further improvements to the process and reporting protocols.
53. 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.
54. The council manages its budgets through cost centre managers who are responsible for the day to day management of their income and expenditure in line with financial rules. The council reports how it intends to balance its budget when the council approves the budget proposals each February and reports progress in the quarterly Budget Monitoring Reports to Cabinet.

#### **Principle 5 - Developing the capacity and capability of Members and officers to be effective.**

55. 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.
56. 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). A new on-line risk management training module for Members and staff has been developed which is available through the learning gateway.
57. 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.

58. 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 resources to focus on the key delivery issues.
59. Following the May 2010 elections certain Members were appointed to represent the council on outside bodies i.e. companies, charities and unincorporated associations. The council's constitution includes guidance to officers and Members who take an active part in these organisations. This guidance was reviewed and updated to reflect best practice and changes to the CBC Code of Members' Conduct. The Guidance includes a checklist of issues that should be considered in the event of being nominated to an outside body.

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

60. 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.
61. 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.
62. 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.
63. In July 2010 the council agreed and published guidance and procedures for the way in which it deals with petitions 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.
64. The government introduced a legal requirement for reporting remuneration of senior employees to increase transparency and accountability in local government. They also made a commitment for all local authorities to publish data on its spending on goods and services over £500. The council published senior officer remuneration as part of its annual accounts and as of the 31<sup>st</sup> October in line with government guidelines. There are plans to include and publish information on contracts and tenders in the next 12 months which will be linked to the expenditure data.

### **Delivery through third parties**



65. 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, the Internal Audit Partnership 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.
66. 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. CBH completes an annual assurance certificate to confirm compliance with the agreed governance arrangements.
67. 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 Director of Resources or designated representative receives regular management accounts for the airport, and either he or the strategic director attends the monthly airport programme board meetings. The company secretary completes an annual assurance certificate to confirm compliance with the agreed governance arrangements.

## Review of effectiveness

68. Cheltenham Borough Council has responsibility under the local Government Act 2011 for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control and the arrangements for the management of risk. 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.
69. 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

70. The council approved the code of corporate governance and it has established a Corporate Governance Group which oversees the review of the effectiveness of the code of corporate governance and internal control. All directors have to complete an annual statement of assurance which outlines the key control areas to which the division should comply.

71. The Corporate Governance Group reviews the statements to identify common themes which need to be reflected in any action plan. Individual 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 Director of Resources, audit partnership manager and the policy officer governance who identify governance and control issues to be included in the annual governance significant issues action plan for the forthcoming year.

72. The audit committee approves 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.

73. Although internal control procedures are the responsibility of officers, major service issues, budgets and risks 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.

### Significant governance issues

The Senior Leadership Team and the Audit Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

<b>Control issue and source April 2009-10</b>	<b>Action</b>	<b>Lead officer</b>
The new management structure, partnership working and recommendations from the PIR necessitate a revision of the Constitution and Financial Rules	Review ongoing to be reported to Council during 2011	Monitoring officer  Director of Finance

<b>Control issue and source April 2009-10</b>	<b>Action</b>	<b>Lead officer</b>
Planned constitutional and Financial rule changes and the restructuring of the Senior Leadership Team necessitate a review of the Annual Assurance process to ensure that it remains effective	Provide a report to SLT by September 2011 the proposals for the annual assurance review for 2011-12	Director Resources
The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. <i>Audit Assurance report carried forward from 2010-11 SIAP</i>	Payroll resilience is being addressed through temporary recruitment of expertises as required. In addition the GO partnership project will address resilience issues in the longer term.	Director People OD and Change
The Business Continuity Group identified the need for a robust test of back-up ICT systems	Upgrade back up systems and install new equipment to migrate the key business systems. A series of assurance tests are planned to take place between July and September 2011	Graham Lewis Strategic Director
CBC needs to comply with the general equality duty to meet new obligations being placed on all public sector organisations under the Equality Act 2010 and ensure that current processes are embedded within the organisation	Review and refresh the Equality and Diversity processes and the Project Initiation Document template	Director of Commissioning
Some routine audits have identified examples of non adherence to the financial rule requiring monthly reconciliations of systems to the main finance system.	In consultation with GO partners, review the financial rules to determine a whether a more appropriate level and frequency of reconciliation should be considered. Review processes undertaken by service managers and within the future GO shared services.  Target September 2011.	Director Resources

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: On behalf of Cheltenham Borough Council

Leader of Council

Chief Executive

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Councillor Steve Jordan

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Andrew North