

ANNUAL GOVERNANCE STATEMENT – 2010/11

1. Scope of responsibility

Erewash Borough Council (the 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Council is responsible for making proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has developed a framework for ensuring good governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government. In order to formalise this process a Local Code of Governance is currently being considered for approval and adoption and a schedule of evidence supporting the principles is being maintained. The arrangements are embedded in the Council's Constitution, policies and procedures. This statement explains how Erewash Borough Council has complied with these principles and meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to conducting a review of the effectiveness of the system of internal control and the approval of the annual governance statement.

2. The purpose of the governance framework

The Council's governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and the 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 designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Erewash Borough Council for the year ended 31 March 2011 and up to the date of the approval of this Statement.

3. The governance environment

The CIPFA/SOLACE governance framework sets out clearly the fundamental principles of corporate governance. The key elements of the systems and processes that comprise the Council's governance environment are therefore best considered in that context and in particular how they contribute to meeting the six core principles adapted for application to local authorities within the CIPFA/SOLACE governance framework.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the local community and creating and implementing a vision for the local area

- The Council recognises that to achieve its aims there needs to be engagement and joint working with a range of partners across various sectors. The Council is an active member of the Derbyshire Partnership Forum where county-wide priorities are identified and agreed which take into account national, regional and local requirements. These help us to shape our local priorities working again in partnership with the Erewash Local Strategic Partnership (LSP). Senior representatives and decision makers, as well as lead Councillors, regularly meet to deliver shared community improvement outcomes as outlined in the Sustainable Community Strategy.
- In June 2010 a refresh to the Corporate Plan was approved by the Council, a full review of the Corporate Plan will be considered following the 2011 borough election. The extension of the life of the plan by one year has enabled objectives to become more outcome focussed and facilitate better monitoring. The plan which outlines the priorities and ambitions for Erewash has also been updated with stronger links to the recently approved Sustainable Communities Strategy 2009/14, which is the overarching plan for the local public sector organisations and outlines actions necessary to achieve real improvements within our community.
- The Corporate Plan identifies five key aims which are translated into objectives and specific actions, achievement of which is supported by the Council's performance management framework. The actions and targets indicate the Council's ambitions and planned improvements, and are underpinned by the strategic directorate service plans which set out the high level plans to achieve key targets over a three year period. These service plans are updated each year to incorporate emerging policies and priorities. Outcomes are linked to local and national performance indicators to provide quarterly performance and budget monitoring reports to the Council Executive and the Corporate Management Team (CMT) against the annual target set for achievement and any budgetary allocation and risk. Key indicators and

achievements are also monitored through the monthly Senior Management Team Meetings.

- The Council also maintains a Medium Term Financial Forecast (MTFF), which is regularly reviewed and updated alongside the Corporate Plan priorities, and was last approved by Council Executive in February 2011; this showed that the Council has sustainable revenue finances with significant revenue reserves over the medium term.
- In common with many councils capital resources remain at a premium and plans are being developed to ensure adequate financing will be available in the future to meet the Council's Corporate Plan objectives.
- At an operational level more detailed service plans covering each service area over the same time period are also produced. The framework incorporates improvement targets and regular review and monitoring procedures. This also applies at an individual level with officers having targets set through the Employee Personal Development Review (EPDR) process.
- Reports are also presented to the Scrutiny Committee where examination of underperformance and any other issues of concern can be undertaken, thereby supporting the work of the Council Executive and the Council as a whole.
- The Council's commitment to achieving outcomes and value for money is shown through continued engagement with organisations such as the Association of Public Service Excellence (APSE) and CIPFA benchmarking clubs to establish service costs, evaluate performance and identify best practice.
- The Council regularly produces a range of information to communicate the Council's activities and achievements, its financial position and performance.
- The Council consults widely and communicates with its residents via a variety of media and a Corporate Comments, Compliments and Complaints system is well established.
- Compliance with CIPFA's Prudential Code on Capital Finance is monitored via quarterly reports to Members.

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

- The Council has adopted a Constitution which sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of

these processes are required by law, whilst the Council determines others for itself.

- The Council is responsible for overall policy and sets out the control environment in the Constitution, Corporate Plan, Budget, Medium Term Financial Forecast (MTFF), Financial Regulations and other strategies.
- The Council adopted a Constitution based around the 'Executive/Scrutiny' model following the Local Government Act 2000 and the Executive has responsibility for determining most of the decisions in implementing the Council's aims and strategic objectives, subject to review by the scrutiny function. Meetings are open to the public, except where personal or confidential matters are being disclosed, and all agendas and minutes are published on the Council's website.
- As part of the review of governance arrangements, the Council recently considered and rejected the proposal to change to an elected Mayor and Cabinet. They adopted the new Leader and Cabinet model whereby Full Council appoints a Leader for a four year period and a Cabinet (the Executive) annually.
- The Council's Constitution sets out the functions and distinct roles of the Council's Committees and Officer and Member codes of conduct.
- The Scheme of Delegation, codified within the Constitution, sets out those decisions which can be taken by Lead Members and senior officers of the Council, and is approved each year at the Annual Council meeting.
- The Leader and Deputy Leader have specific responsibilities and along with the appointed portfolio holders have responsibility for defined service areas. The number of portfolio holders was reduced from five to four during 2011/12.
- The Constitution also sets out the responsibility of Members and senior managers, including the three statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer. The statutory officers hold regular meetings to discuss governance issues and major risks to the Council and any one or a combination of the statutory officers, will report to the Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. There is a reporting protocol with a requirement for risk, equalities, personnel, legal and financial review which, allied to the examination by CMT, supports the statutory officers in the fulfillment of their duties.
- The Chief Executive and his Deputy meet with the Leader and Deputy Leader to consider relevant issues, these meetings being supplemented by joint

monthly meetings of the Executive and CMT.

- The CMT meets on a fortnightly basis to consider management issues, existing and draft strategy and other internal control matters, including risk, performance, financial management and value for money.
- The Constitution has been kept under constant review by Members through the General Purposes Committee.

Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's Monitoring Officer advises Members and Chief Officers of developments in legislation and is responsible for the legality of significant financial transactions. Compliance with operational policies rests with the Heads of Service.
- The Standards Committee which derives its core powers and duties from section 54 of the Local Government Act 2000 is key to promoting the values of sound ethical governance and has been proactive in following its terms of reference and in introducing various codes and protocols under the direction of an independent Chairman.
- The Council has adopted a number of codes and protocols that govern both Member and officer activities. These include:

Members Code of Conduct
Member Employee Protocol
Employees Code of Conduct
- Officer and Member registers of declarations of interest and gifts and hospitality are held by the Head of Democratic Services and periodically reviewed by the Monitoring Officer and the Chief Executive. Member declarations of interest are also published on the Council's website.
- The Monitoring Officer has been proactive in training all Members, Parish Clerks and Councillors, officers and Independent Members on the Code of Conduct and conduct generally.
- The Council's Anti Fraud, Theft and Corruption Strategy and Confidential Reporting ("Whistleblowing") Policy has been promoted actively to all staff during 2010/11 and a revised document, with a wider scope to engage external stakeholders, has been approved by Council during 2010/11.
- The Ombudsman letter is received annually and shows there has been a drop in the number of complaints received about the Council. The letter indicated that the Council's complaints procedures were satisfactory and no matters of concern had arisen.

- The Council maintains an Internal Audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK', there is also an Audit Committee to whom they regularly report on internal audit and risk matters.
- Independent reviews by internal audit, external audit and various inspectorates, i.e. the Benefits Inspection have provided further assurance on compliance with the various codes during 2010/11.

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

- The Council publishes a forward plan which contains details of key decisions to be made by the Executive. This increases transparency and enables scrutiny through the call in arrangements.
- The Council has several committees which carry out regulatory or scrutiny functions such as the Planning Committee, Licensing Committee, and the Scrutiny Committee.
- Detailed information is provided to inform and involve Executive Members and the Senior Management Team in formulating priorities and taking decisions, particularly regarding financial resources within the budget process. Regular timely budget monitoring information is discussed with spending managers monthly and reported to Members quarterly.
- An effective internal audit service is maintained and the effectiveness is reviewed as part of the annual assessment of governance arrangements.
- The Council has a Corporate Risk Management Strategy through which risks are identified through the service planning process and report writing protocols with each service Directorate monitoring and developing their own operational risk registers. The Corporate Risk Management Group have continued to meet throughout the year to promote the framework, review progress on the management of existing risks and identify and evaluate new risks. There is the facility for the portfolio holder to attend meetings of the Corporate Risk Management Group.
- The work of the Corporate Risk Management Group facilitates the development of the Strategic Risk Register by the CMT and Council. Organisational risks regarding key partnerships are also monitored.
- The Council Executive was responsible for monitoring the effective development and operation of the risk management function throughout 2010/11 and received monitoring reports.

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

- Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Employee Performance and Development Reviews and delivered through the corporate or individual service training budgets on a prioritised basis.
- A Member Training Programme is in place covering all statutory and other training needs. This is agreed each civic year in consultation with Members after which it is scheduled and delivered. Members also proactively seek courses relating to their individual portfolios and to address individual development needs.
- A documented induction process for employees and Members is in place. A new e.Learning package for employees was launched in April 2011.
- The Council has in place a Human Resources Strategy and a Workforce Development Plan to help match people resources to business needs, predict the changing needs for employee skills and competences and specify how those needs will be met.
- The Council has continued to roll out the electronic document and records management system during 2010/11 to facilitate better management of stored information and help compliance with Data Protection, Freedom of Information and related legislation. The Council has in place a Document Retention and Disposal Policy which provides the framework to govern decisions on whether a particular document should be retained and, if so, for what period.
- Improved purchasing and commissioning arrangements have helped to secure efficiencies thereby improving financial capacity.
- Further improvements in efficiency are being explored via the Council's membership of the Derbyshire Transformational Partnership which is focusing on partnership working.

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

- The Communications Strategy sets out objectives and plans for reinforcing the Council's corporate identity and internal and external communications. The Council uses a number of media to communicate key messages to members of the public including its website and the "EBC Today Community Magazine". Internally the intranet site "ERNIE" and the magazine "Inside Erewash" are complemented by an extensive communication network.

- A core briefing is issued monthly by CMT to all staff and there are clear lines of internal communication with a well developed hierarchy of team meetings to ensure employees have an up to date knowledge of relevant functions.
- The Council has ensured that stakeholders, partners and local people have confidence in the organisation's partnerships. Members of the community are encouraged to engage with the Council through various means including Community Forums, a Citizens Panel and the Comments, Compliments and Complaints system. Extensive consultation takes place with services users (e.g. landlord forums) whilst partnership meetings and open days help to develop Council policy. Consultation methods include electronic surveys, face to face surveys and public meetings.
- The Council employs a full time Consultation Officer to oversee the consultation projects being completed by the council. All consultation activity across the council is recorded within a 'consultation calendar' by the Consultation Officer. A monthly update of all consultation activity across the council is also provided by the Consultation Officer and made available to all via the Erewash Borough Council website. The results of previous consultation programmes are also made available via the council's website.

4. Review of effectiveness

Erewash 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 the effectiveness has been undertaken by the Annual Governance Statement Officer Group. The review has been informed by the risk and performance management systems, the work of Internal Audit, senior management, who have responsibility for the development and maintenance of the internal control environment, and the comments and guidance provided by external audit and other review agencies in their reports.

The governance arrangements in general accord with good practice although it is acknowledged that areas for improvement exist. Progress has been made in addressing issues identified within the system of internal control, in particular actions to address the governance issues identified on the 2009/10 Annual Governance Statement, i.e.:

- Local Code of Corporate Governance - this is being developed as part of the 2010/11 governance review and following consideration by Audit and Standards Committees awaits formal adoption by Council. A schedule of evidence supporting the authority's compliance with the code is also available.
- Efficiency reviews - each Head of Service was tasked with reviewing their service in advance of the 2011/12 budget being set.

- Partnership Working - the Council has a number of Key partnership arrangements with other public bodies and private organisations to deliver services and this is likely to continue in future. The Council has ensured that governance arrangements are in place for key partnerships including the review and update to the Local Strategic Partnership Terms of Reference at its meeting on the 25th January 2011, the development of a risk register with the LSP during 2010/11 with regular updates, and the development of a register of key partner SLA's with further plans to produce a partnership risk register during 2011/12.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

General Purposes Committee

The General Purposes Committee has continued to provide an ongoing review of the Constitution.

Standards Committee

The Committee's work programme has ensured a high profile for the ethical agenda and the effectiveness is evidenced by the volume of complaints.

Scrutiny Committee

The Scrutiny Committee has powers to call in decisions and review any aspect of Council work. During 2010/11 an Overview and Scrutiny Board, with two Scrutiny Committees, was in place. In May 2011 these were consolidated into a single Committee.

Audit Committee

The Audit Committee is now well established and its role includes monitoring and reviewing work undertaken by Internal Audit and, increasingly, providing challenge to service management. Quarterly monitoring reports are submitted detailing all significant internal control issues raised with service managers and Members are kept informed on progress made in addressing control issues. The injection of an external view is now provided by the Independent Member on this Committee.

Corporate Management Team

The Corporate Management Team meets on a fortnightly basis and, on a monthly cycle meets with a wider Senior Performance Management Team. The latter meetings focus on performance considering, in particular, key performance indicators but also reviewing any outstanding actions to address internal control weaknesses.

Service Management

Directors and their managers are responsible for ensuring the effectiveness of internal control in their service area. Service planning and risk management processes help management evaluate this.

Internal Audit

Internal audit work provides continuing review of the Council's governance processes. Audits have been undertaken according to the audit plan approved by the Audit Committee which is developed from a risk based audit needs assessment model. Work has been scoped to provide an assessment of internal control, compliance with legislation, policy and procedures which address key elements of corporate governance. The Internal Audit Manager reported quarterly to the Audit Committee on the progress against the plan.

Eighty six percent of the original Internal Audit Annual Plan was completed, due primarily to work being varied to address emerging issues, however all key financial systems have been covered. The 2010/11 audits have identified an improving control environment and following review, to ensure all key actions have been implemented, the fundamental financial systems have all been assessed as satisfactory. As a result the Internal Audit Manager has been able to give a satisfactory level of assurance on the adequacy and effectiveness of the system of internal control within the Council.

Risk Management

The Council recognise that risk management is an important aspect of internal control. The Corporate Risk Management Group has met throughout the year and Operational and Strategic Risk Registers have been maintained and approved during 2010/11.

Other External Review / Assurance Mechanisms

During 2010/11 a number of reports were issued by the external auditor and have been considered, along with the actions taken to address any issues arising, in producing this statement. These include the Annual Report to those Charged with Governance (issued in September 2010), which incorporates year end final accounts issues and the Interim Audit Report (issued in April 2011).

The External Auditors issued a value for money conclusion for 2009/10 which was satisfactory apart from an issue related to workforce planning arrangements which will be reconsidered as part of the 2010/11 audit process.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Annual Governance Statement Officer Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Business continuity and emergency planning procedures are in place and exercises have been undertaken during the year.

It should be noted that at Annual Council in May 2011 the Labour Group did not appoint any Members to either the Scrutiny or Audit Committee. At the date of this statement notification of appointees from the Labour Group is still awaited and no Labour members have attended these Committees during 2011/12.

5. Significant governance issues

The review of the Council's governance arrangements has identified some governance issues and an Action Plan has been developed to address these (see table below).

No.	Governance/Control Issue	Proposed Action	Responsible Officer(s) / Date for Completion
1	Continued improvements in value for money with respect to workforce planning arrangements.	The Council will ensure that workforce planning is embedded throughout the authority.	Corporate Management Team Ongoing
2	Member development.	The council will arrange an assessment of Member training and development needs and provide suitable training opportunities.	Corporate Management Team Ongoing

The Council propose over the coming year to take steps to address the outstanding matters listed above to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation as part of our next annual review.

Signed



Councillor Chris Corbett
Leader of the Council

Dated

27 September 2011

Signed



Jeremy Jaroszek
Chief Executive

Dated

27 September 2011