

# ANNUAL GOVERNANCE STATEMENT

For the Year ended 31 March 2012

## 1. BACKGROUND AND SCOPE OF RESPONSIBILITY

- 1.1 Swale 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in services, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Members and senior officers are responsible for putting in place proper arrangements for the governance of Swale Borough Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 To this end, in February 2008 Swale Borough Council approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how Swale Borough Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of the Annual Governance Statement.
- 1.5 Swale Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and management of risk.
- 1.6 This is a corporate document owned by all senior officers and Members of the Council.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 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.
- 2.2 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.

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The system of internal control is based on an ongoing process 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.

- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the Annual Statement of Accounts.

### 3. THE GOVERNANCE FRAMEWORK

#### Introduction

- 3.1 This section of the statement will set out the key issues for the Council in the year relating to the overall governance arrangements. Its focus is on changes in the year rather than restating the core governance arrangements of the Council.
- 3.2 In May 2011 for the first time the Council held all out elections which returned 32 Conservatives, 13 Labour, 1 Liberal Democrat and 1 Independent. The Conservatives then formed the governing administration working under the "Strong" Leader model

#### Vision and Corporate Priorities

- 3.3 During the latter part of 2011/12 members and Officers have been working on an update to the Corporate Plan. The Plan was agreed by Cabinet in April and Council in May. The Council's three main priorities are:
- Embracing Localism – "demonstrating how we (the Council) will embrace the localism agenda whilst empowering individuals and communities to take more responsibility for their own futures".
  - Open for Business – "working with the private sector and other public service partners to create the conditions for growth and to promote a positive image for the Borough".
  - Healthy Environment – "nurturing the place which is Swale in its broadest sense, both a physical place and as a community".
- 3.4 The Corporate Plan is very much an evolution of the previous plan and places Localism at the heart of what the Council does and how it does it moving forward.

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### Management Processes

- 3.5 There have been no changes to the senior management structure of the Council in the year. The weekly meeting of the Strategic Management Team is still at the heart of the management process of the Council- links to the broader Head of Service tier have been strengthened by a monthly joint SMT/Heads of Service meeting.
- 3.6 The structure of a monthly team brief and quarterly Third Tier Manager and Staff Briefings has also been maintained. Towards the end of the year a new staff engagement forum, the Staff Panel, was established with representatives of staff meeting with the Chief Executive on a regular basis.
- 3.7 A Pay Policy Statement has been published.

### Performance Management

- 3.8 For 2011-12 the Council had in place a comprehensive performance management system and process. This monitored achievement of Performance Indicators from the Corporate Plan and projects from the Unit Service Plans. Monthly reports were then made to Strategic Management Team.
- 3.9 The outturn position for 2011/12 was:
- twenty-four indicators (83%) were meeting target (Green);
  - five indicators (17%) were within 5% of meeting target (Amber); and
  - there were no Red indicators to report.
- 3.10 The performance management outcomes are good and the new processes have been well received by members across the board.

### Financial Management

- 3.11 The Council's Head of Finance is nominated as the Council's Chief Financial Officer. He reports to the Corporate Services Director and is a member of the Strategic Management Team. The Council's arrangements substantially meet the requirement of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Council has continued to cover this role through a part time secondment from Kent County Council.
- 3.12 The Council budgeted for £1.5m of savings in 2011-12. The outturn position for 2011-12 is an underspend of [£1.25m, 7.1%]. This is a highly satisfactory outcome and reflects a number of factors:

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- The impact of decisions taken early in the financial year on the Council's largest contracts which produced a part year effect saving of around £300,000.
- Advance decisions taken to restrict spend in the face of another very large savings target for 2012/13. So during the course of the year there was a substantial underspend on staff salaries as the Council's headcount reduced from 302 FTE to 276 FTE an 8% reduction.
- Under spends on specific grant funded items.

It is highly unlikely that the Council will achieve this level of under spend again in light of the further tightening of the financial position. The under spend will be used to fund Council priorities and top up specific reserve funds.

- 3.13 For 2012/13 the Cabinet was determined that budget decisions would be taken much earlier and that a genuine medium term approach would be taken. To achieve these objectives and to deliver a further £1.5m of savings a very different approach was taken to the budget process. Members led an exercise where all Heads of Service were required to identify 20% savings options and these were then prioritised by members to achieve a balanced budget position. This approach also meant that members and senior officers had a much better understanding of what was being funded through the base budget. In support of member priorities it was once again possible to make a substantial top up to the Regeneration Fund and to establish a Localism Fund. There is also now a clear 4 year financial view of the Council's finances.
- 3.14 The Chief Accountant and the Accounting Team faced a huge challenge in preparing the first set of IFRS compliant accounts with a reduced level of external resource. They responded magnificently to this challenge and the 2010/11 accounts were much improved District Auditor has stated that "The Council coped well with the first year of IFRS implementation and the financial statements were prepared to a sound standard". They also stated that "The Council has a robust financial governance framework, and there are sound arrangements for financial control".

### Partnerships

- 3.15 The 3 MKIP District Council Chief Executives' commissioned a review of MKIP by the Audit Commission which reported in February 2011. From this the Leaders and Chief Executives determined to take a more streamlined approach to moving potential partnership working forward. The main focus has been IT and in April 2012 the 3 Councils agreed a joint IT service.

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- 3.16 The Locality Board has continued to oversee and shape local delivery of the public services across the Borough for greater effectiveness and efficiency. The main focus has been youth services and Libraries in Swale.

### Procurement

- 3.17 Huge steps forward had been taken in 2010/11 to improve procurement practice in the Council. The District Auditor commented that “excellent progress” had been made.
- 3.18 In 2011/12 this has been built upon but with the focus on the major Council contracts- Waste, Street Cleansing and Grounds Maintenance with a total value of £5.5m. In June cabinet agreed a set of contract variations which produced a saving of £360,000, the biggest single contributor to savings in the 2012/13 budget.
- 3.19 The Council also embarked upon a joint waste contract re-let with KCC, Maidstone Borough Council and Ashford Borough Council.

### Internal Audit

- 3.20 The Internal Audit service continues to be provided through a 4 way shared service with Maidstone Borough Council, Tunbridge Wells Borough Council and Ashford Borough Council..
- 3.21 A total of 26 audit projects have been completed during the year despite some resourcing issues.
- 3.22 Of the 26 audits the results were:

Control Assurance	2011/12	2010/11
High	1	2
Substantial	17	11
Limited	4	6
Minimal	0	1
Not given	4	4
Total	26	24

82% of reports had a positive assurance assessment identifying control assurance as “substantial” or “high” an improvement on 2010/11. Of the 4 reviews with a Limited level of assurance, 2 have now moved to substantial, 1 to High and the follow up on IT Disaster Recovery is due

to take place. The level of internal audit in terms of quality and coverage has a highly positive impact on the Council.

#### **4. REVIEW OF EFFECTIVENESS**

##### **Introduction**

- 4.1 The 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, and also by comments made by the work of internal and external audit.

##### **Peer Challenge**

- 4.2 In late 2011 the Council commissioned the Local Government Association to undertake a peer challenge of the Council with the objectives of:

- help to reflect on the council's recent improvement journey;
- consider the council's current trajectory, rate of change and readiness for the future;
- consider the council's future strategic direction and response to the Localism agenda;
- help inform thinking on the new corporate plan; and
- through all of the above, consider the core peer challenge questions relating to priority setting, leadership and governance, organisational capacity and financial planning.

This was a voluntary process to help the Council assess the progress made and identify areas for further development and was led by a Leader and Chief Executive from other District Councils. The LGA's letter on the review is available on the Council's website but their main conclusions were:

"It is clear to us that Swale Borough Council is in a very different, and much better, place now compared to two or three years ago. There is seen to have been rapid improvement in a range of areas. The political and managerial leadership of the council is widely held in high regard, the planning and management of the council's finances is much better and there is improved performance on issues important to local people. There is also a positive organisational culture within the council. The council has secured its improvement through having a clear focus and an ability to be bold and flexible.

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The council's leadership shows impressive ambition for the borough, reflected in the desire to address the significant issues of deprivation and inequality that exist within Swale, drive forward regeneration and improve the quality of life for people generally. There are clear, and very exciting, opportunities to make a real impact in the borough. In order to capitalise on these opportunities it is important to articulate and promote what Swale has to offer to businesses and tourists. It is also important that the council and its partners become better at communicating successes."

### **Standards**

- 4.3 Work is underway on a new standards regime in accordance with the Localism Act 2011.

### **Scrutiny Committees**

- 4.3 A "call-in" procedure allows Scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. Both Scrutiny Committees have a well developed forward looking work programme.

### **Audit Committee**

- 4.4 The Audit Committee receives regular updates from the Head of Audit Partnership on the assurance which can be placed against various systems and processes reviewed during the year, along with an annual assessment at the year end. The Committee keeps a check on those areas that have not achieved a satisfactory level of assurance.

### **Internal Audit**

- 4.5 Based on internal work undertaken throughout the year, current risk assessments, and assurance statements provided by Heads of Service, the Head of Audit Partnership assesses the overall level of internal controls in place to inform his Annual Internal Audit report. The Annual Internal Audit report provides evidence to support the Annual Governance Statement. Going forward under MKIP, the Internal Audit Service will be measuring itself against best practice.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 On the basis of this Annual Governance Statement compiled and reviewed by the Council's Strategic Management Team, we are satisfied that the Corporate Governance arrangements for the Council are adequate and are operating effectively.
- 5.2 Overall 2011/12 saw a consolidation based upon the changes made to the management and governance of the Council in the previous two

