

ANNUAL CORPORATE GOVERNANCE STATEMENT 2009/10

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

In discharging this overall responsibility, Rushmoor Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Rushmoor Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code is on our website at www.rushmoor.gov.uk or can be obtained from the Head of Democratic Services. This statement explains how Rushmoor 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 corporate governance statement.

The purpose of the governance framework

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

The governance framework has been in place at Rushmoor Borough Council for the year ended 31 March 2010 and up to the date of the approval of the annual report and statement of accounts.

The Governance framework

Organisational

The Council has adopted a constitution based around executive arrangements with a Cabinet and Leader.

The Cabinet comprises the Leader, and six portfolio holders. The Leader provides the overall political management for the Council in terms of co-ordination of the Council's policies services and budgets. In addition to leading the development of the policy framework, the Leader has specific responsibilities such as corporate planning, budget preparation, community planning and economic development /regeneration.

The six portfolio holders have responsibility for specific service areas, namely:

- Leisure and Youth
- Concessions and Community Support
- Corporate services
- Environment
- Safety and Regulation
- Health and Housing

The Cabinet oversees all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under the Constitution.

The Council has adopted a scheme of delegation to Officers and Committees. A Code of Corporate Governance forms part of the Constitution.

The Council has five Policy and Review panels to carry out the overview and scrutiny functions, and the Panels use work plans to organise their work for the coming year.

The Council has a Standards and Audit Committee, which is chaired by an Independent Member. The committee promotes and maintains high standards of conduct by councillors and co-opted members, including the monitoring of the operation of the Code of Conduct. This Committee has now taken on the role of oversight of the Audit and risk management functions, in accordance with CIPFA

Guidance, and the Committee's terms of reference include these responsibilities. It receives regular reports on internal audit and risk management matters.

Compliance with law

The Council's Monitoring Officer advises the Cabinet, the Directors Management Board and Heads of Service of new legislation and case law, and compliance with the Contract Standing Orders. In particular, the Monitoring Officer is responsible for the legality of significant financial transactions. Compliance with operational policies rests with the Heads of Service.

The Director of Resources is the nominated s151 officer. The principal responsibilities include:

- The administration of the financial affairs of the Council
- The provision of advice on financial probity
- Treasury Management Policy, including its annual review and update
- Development of the Medium term financial Strategy, and budget and policy framework
- Compliance with the Accounts and Audit Regulations 2003
- Compliance with the CIPFA Statement on the role of the Chief Finance Officer in Financial Administration in Local Government.

Operational

The Strategic Objectives, set out each year by the Cabinet, form the basis of the Council's business planning process.

The Council has a Corporate Plan which focuses on the delivery of the strategic objectives and key priorities. These targets are then measured and details are published. Monitoring is regularly carried out by Directors, DMB and Cabinet. The Panels are also able to scrutinise performance that is covered by their particular remit.

Performance against business plans forms part of a comprehensive performance management system. The Council went through the Comprehensive Performance Assessment in 2004 and was assessed as 'good'. Actions resulting from this have been incorporated into the strategic and service objectives. Previous Use of Resources assessments confirmed that the Council has in place a robust governance and performance management framework. The last full assessment of the Use of Resources and Value for Money that took place and confirmed the Council's rating of 3 (out of 4) with a number of improvements achieved.

During the year 2009/10, the Council has continued to embed its risk management processes and project management into its performance management processes. The Council maintains a Register of Corporate Risks as well as individual Service Risks. Risk is then monitored by the officer Risk Management Group either through the registers, or the business plans or business cases in the event of new projects, such as joint working . Risk Management is championed by the Portfolio Holder for Corporate services, and an overview taken by the Standards and Audit Committee.

The risk management process has led to a project to address Business Continuity and the corporate approach to this has been agreed at Cabinet and is being applied at operational level. The Business Continuity Plan has now been developed and desk top testing exercise carried out by the Business Recovery Team. The Disaster Recovery Contract is in place and will be tested later this year. As a result of the risk management process, a secure and resilient data centre was installed during 2009/10. This will protect the Council's IT functions and may also potentially reduce costs by obviating the need for a disaster recovery contract.

The Council has completed risk assessments as a result of climate change which might impact on the Council during this century. A separate risk register has been prepared with links to the corporate risk register and service registers. The Climate Change Strategy and Action Plan include measures to mitigate against and adapt to the risks.

DMB and Heads of Service are responsible for economical, effective and efficient use of resources as required by the duty of Best Value.

The Council has responded to the worsening economic outlook and responded to the uncertainty in the financial sector by tightening the lending criteria used in the Treasury Management Strategy in February 2008 by using ratings from all three rating agencies. Further restrictions were then placed on lending during 2008 so that only those institutions meeting AA or AA+ credit ratings or above are considered for investment. In addition, since October 2008 only shorter-term deposits have been placed in recent months and then solely with AAA rated money market funds or the governments Debt Management Office facility. Further proposed revisions to the lending policy were approved in February 2009 that added additional credit rating criteria which any individual institution had to meet or exceed before the Council would consider investing with them. Additional revisions have been considered and implemented following the publication by CIPFA of its revised guidance and code of practice on treasury management. These were set out in the Treasury Management Policy in February 2010.

The worsening economic outlook has led to an expansion and development of the Council's Service Transformation Programme, which commenced in March 2008, with a focus on schemes that will deliver significant reductions in net revenue expenditure and that can be delivered quickly.

The Council's current sound financial position, combined with the Medium Term Financial Strategy (which will be further reviewed in July 2010), and the implementation of the Service Transformation Programme, means that the Council is well placed to deal with the increasing uncertainty in the UK and global economy. The outturn position for 2009/10 provides evidence of the substantial success being achieved.

In the light of the predicted substantial reductions in public spending which are expected from 2010/ 2011, following the General Election, the Council has embarked on a more fundamental review of its spending. This issue was referred to in the 2009/10 budget process and has also involved initial briefings for Informal Cabinet and senior management on the possible scenarios. Given the more fundamental nature of those potential changes, the Wider Leadership Team, comprising of the Chief Executive, Directors and Heads of Service, have been involved in developing a response which involves a thorough review looking at purpose, priorities and objectives with a view to developing plans to meet the reductions in public spending anticipated.

Associated with this is the setting up of a Budget task and finish group to provide scrutiny and further develop member involvement in the budget process. The group completed the first phase of its work: it developed and piloted a methodology for effective scrutiny of services/functions including the resources used in delivery. A further programme of reviews using this technique is planned for 2010/11.

The Council also has a number of other policies and plans which support the general operation of governance throughout the Council, including:

- Medium Term Financial Strategy
- Treasury Management Policy and Practices
- Treasury Management Annual Investment Strategy
- Risk Management Framework
- Asset Management Plan
- Internal Annual Audit Plan and the strategic audit risk assessment
- Acceptable Use of IT Policy
- Whistleblowing Policy
- Anti-fraud and Corruption Strategy
- Forward Plan
- Diversity and Equality Policy and Disability Equality Scheme
- Member Development Policy Statement.

Review of effectiveness

Rushmoor 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 is informed by the work of the officer

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

The officer group has reviewed the effectiveness of the systems of internal control by monitoring in a number of ways and reported to the Standards and Audit Committee:

- Reporting of Performance to DMB and Cabinet
- Reporting of performance through Service Business Plans
- The bi-annual report of the Audit Manager
- Corporate review of risk management
- Corporate review of performance management systems
- Monitoring by the s151 Officer and the Monitoring Officer of reports prepared for Cabinet and Council
- Monitoring of budgets and regular reporting to DMB and the Cabinet.
- Service Transformation Programme management by Programme Board
- Maintenance of bank reconciliation and financial systems.

In addition, the Council receives external review, which assists in providing independent scrutiny, and which guides the Council's development of its internal processes. External scrutiny comes from the following sources, although this does not strictly form part of the internal control environment.

Examples are:

- 1 Assessments by the Audit Commission
- 2 The Annual Audit and Inspection Letter from the Audit Commission
- 3 Chartermark accreditation
- 4 Lexcel accreditation
- 5 Inspection by the Office of Surveillance Commissioners

Findings of the Review

- The Council is rated as 'good and improving'. The CPA included an assessment of financial standing, systems of internal financial control, standards of financial conduct, financial statements and legality of significant financial transactions. Under CAA, an updated assessment of the Use of Resources and Value for Money judgements has also taken place and the Council has achieved an overall rating of 3.
- The Annual Audit and Inspection Letter from the Audit Commission was duly reported to Cabinet.

Although no significant issues were identified in the previous year, a number of actions were planned.

Financial Position

Regular monitoring of the financial position will continue during 2009/10, along with a review of the Medium Term Financial Strategy and the delivery of reductions in net revenue expenditure from the Service Transformation Programme.

Diversity and equality

A Training programme for officers and members was run during 2009/10. A review of statutory policies and work on equality impact assessments was also completed during this period. An officer group has been established to help the organisation meet its requirements and plan improvements in this area. An Equal Pay Audit was completed in 2007 as part of the Council's review of pay and rewards. It was agreed that audits would be completed every two years. This has been conducted and has shown that any gaps are not indicative of pay discrimination. A further audit is planned for 2011.

Service Transformation

This has contributed to the Council's improved financial position at the end of 2009/10 and is forecast to meet the savings figure included in the current year's budget.

Data security

A Data quality policy has been agreed and the issue is now considered as part of the internal audit process. Advice has been given to all Heads of Service and training for staff is being developed. A secure data centre was developed and completed in October 2009. The Council has achieved approval under the Government Connect Scheme.

Service delivery model/joint and shared services

The Council is developing a strategy for service delivery to enable a structured informal approach to be taken to future service delivery.

Employee Code of Conduct

The Council awaits further developments from CLG regarding the revised code and will implement it as soon as possible. However Government Policy on this and other code of conduct issues is likely to change, and this will be kept under further review.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Standards and Audit Committee

and Cabinet, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

- IFRS: work has commenced on ensuring the Council can meet the requirements of IFRS and work is planned on this at an operational level and in briefing members.
- Icelandic investment with Glitnir: the Council has joined with other local authorities in efforts to recover outstanding amounts. This is the subject of litigation and will be kept under review.
- Financial situation: as with the previous year, the Council's financial position will be the subject of close monitoring.
- Code of Conduct and Standards issues: the Monitoring officer and the Standards and Audit Committee will monitor developments, although the statutory framework will remain in place for some time yet.
- BACS transmission system: this new system is to be introduced and its planning and implementation are significant. This project is being led by the Head of IT.

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 that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review

Signed.....

Leader of the Council

Signed.....

Chief Executive

Dated.....