

Annual Governance Statement 2009-10

1. Scope of responsibility

Norwich City 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. Norwich City 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, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

In October 2008 Norwich City Council approved and adopted an updated code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 20a of the council's constitution which is on the council's website at www.norwich.gov.uk.

This statement explains how Norwich City Council has complied with the principles of 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 a statement on internal control.

2. 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 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.

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 the risks to the achievement of Norwich City 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 Norwich City Council for the year ended 31 March 2010 and up to the date of the approval of the statement of accounts.

3. The governance framework

The council's code of governance recognises that effective governance is achieved through the following core principles:

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

- Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users:

The council has a clear vision of what it is trying to achieve, as set out in the Corporate Plan 2010-12, which replaces the previous Corporate Plan 2008-10. The plan is available on the council's website at www.norwich.gov.uk.

The City of Norwich Partnership brings together a range of key public, private and voluntary organisations to decide on an overall vision and priorities for the city.

The Sustainable Community Strategy, which sets out long-term plans to improve the quality of life for local people, will be delivered and monitored by the City of Norwich Partnership. The strategy sets out the vision, themes and strategic objectives that meet the priorities of the people in Norwich.

- Reviewing the council's vision and its implications for the authority's governance arrangements:

The previous Corporate Plan was agreed in June 2008, with an expiry date of June 2010. Since the plan was drawn up there have been significant changes in the economic climate, and the funding prospects for the public sector have grown tighter.

This meant that it was appropriate to review and refresh the Corporate Plan, and to develop a new one for the 2010-12 period. The new plan was drawn up within the context of a likely reduction in resources, and the need for the council to provide support to local people who are experiencing difficulty as a consequence of the recession.

The new Corporate Plan has been drawn up in parallel to the development of the budget proposals for the 2010-11 financial year. This has been a deliberate step to ensure that there is a direct correlation between the resources the council has available, and the priorities that the resources will be targeted into. This focus on strong prioritisation will become increasingly important as resources are expected to become even tighter in the future.

The draft Corporate Plan went through a number of member discussions:

- In September 2009 the Executive considered a range of initial draft proposals for possible savings and efficiencies for the 2010/11 financial year
 - In December 2009 the Executive considered and agreed a range of initial proposals for aims and priorities for the 2010-12 period
 - These were then debated and agreed at full council on 26 January 2010. At this meeting, the Leader of the Council also announced some initial proposals for possible priorities for the 2010-12 period.
 - A first draft of the Corporate Plan, including the draft priorities, was considered at Scrutiny Committee on 8 February 2010, and at Executive on 10 February 2010
 - Following these discussions the priorities were built into the final budget proposals, and considered as part of the budget debate at full council on 24 February 2010
 - The Scrutiny Committee has also given further consideration to the draft plan at its meeting on 11 March 2010.
 - The final version of the Corporate Plan was approved by Executive on 24 March and Council 30 March.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources:

Performance management in the council continues to be improved with a more focussed corporate plan setting out priorities and supported by a strategic management framework. The new plan has sharpened the number of promises and commitments and the service and team planning process designed to more explicitly reflect these priorities. The corporate plan will be underpinned by a range of Strategic Priority Plans (SPP's) which will set out how the top priorities will be delivered, and by a range of Operational Delivery Plans (ODP's) which will set out practical steps and performance measures for all teams. Portfolio Holders have been brought much more into the service planning process, and are now required to "sign off" SPP's with the relevant service managers.

The council has recently purchased an electronic performance management system which will support the performance management regime by holding high level indicators, risks and actions used to deliver the revised corporate plan and supporting plans for 2010-12. Each service will have a high level dashboard charting progress against their service plan priorities. This will be used to

strengthen our performance reporting processes to the Executive, Scrutiny, Corporate Management team and all managers.

The council's budget policy and processes are designed to identify efficiencies and savings. During 2009/10 the council carried out a major transformation programme, under the auspices of the Corporate Improvement and Efficiency Board (CIEB) which included independent advisors from the Audit Commission and the Government Office, which has resulted in savings of nearly £6m without adverse service impact. Consequently performance against National Indicator 179 is continuing to achieve target.

A specific improvement board, also including independent advisors, was also created to manage the housing improvement plan. As part of this plan a value for money strategy for neighbourhood housing has been devised, and was presented to executive on 24 March 2010. An independent peer review was also carried out in February 2010 to gauge progress on the housing improvement programme, which concluded that *"the council has made significant progress in the first year of its improvement programme for housing, and this was recognised by tenants, staff and other stakeholders"*.

The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of the HouseMark major housing organisations forum which meets quarterly to discuss housing issues and shape good practice.

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:

The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer. There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:

In 2007 the council adopted the new model code of conduct for local authority members, which includes the ten general principles of standards in public life.

There is a separate code of conduct for staff (updated in October 2009) which is supported by HR policies and procedures. New staff are given a copy of the code of conduct and other key policies, and there are regular reminders to staff regarding compliance with the policies. Staff are required to confirm that they have read the code of conduct and other key policies.

- Reviewing and updating standing orders, financial regulations, the scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

The head of legal and democratic services (as the council's monitoring officer) is responsible for regularly reviewing and keeping up to date the council's constitution in conjunction with the corporate governance group. Proposals for changes are discussed by members at the constitution working party, before being approved by executive and council if necessary.

Standing orders and financial regulations and were last updated by full Council in March 2008, and the scheme of delegations by full Council in March 2010.

- Ensuring the council's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010).

CIPFA recommends the inclusion of a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA 'Statement on The Role of the Chief Financial Officer in Local Government (2010)' and, where they do not, explain why and how they deliver the same impact. The wording will be reported to audit committee on 22 June 2010 and will be included in the signed annual governance statement.

- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:

The council has had an audit committee since 2007, with terms of reference covering internal and external audit, risk management, accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference are in line with the guidance and can be found in article 17 of the council's constitution.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

The monitoring officer is responsible for advising whether decisions of the executive are in accordance with the budget and policy framework.

In relation to an executive function, the monitoring officer and head of finance (as chief finance officer) have responsibility for ensuring that all proposals, decisions and actions incurring expenditure are lawful.

Policies, which should be subject to regular review, are available on the council intranet.

Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. Officer responsibilities and actions are controlled through individual departmental authorisations under the scheme of delegations.

- Whistleblowing and for receiving and investigating complaints from the public.

The council has a whistleblowing policy which is accessible via the intranet and council website. A summary report on allegations and findings is presented to Audit Committee annually. For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud, e.g. housing benefit fraud, insurance fraud.

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

Members: The council has been awarded the EERA Members Development Charter which recognises the council's good practice in its approach to members' development/training.

The Members Development Focus Group which has previously agreed members' training and development plans has, as a result of the Charter work, been replaced by the Councillors Development Group. This has more councillors and the role has been strengthened to set the strategic and policy direction for all aspects of councillor development which will include:-

- promoting the development of members
- developing, monitoring and evaluating the councillors training and development programme
- supporting and encouraging councillors in maintaining the Charter for Member Development, including personal development planning.

Managers have had the opportunity to participate in modular 'manager development' programmes which have been designed to build on existing skills and abilities. These have now been reviewed and future management training will be aligned to the management competencies which the council has developed. There is an annual staff appraisal system through which learning and development needs for all staff are identified. Individual management development needs are assessed as part of the process.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

A programme of consultation and engagement has been developed with staff, tenants and stakeholders to support the objectives of the housing improvement plan. This has included a broader consultation panel of 1000 tenants and 200 leaseholders which has been recruited to form a tenants' panel – 'TalkBack'.

The Tenants' CityWide Board works with the council, tenants and leaseholders to develop tenant participation in the council's housing services.

The amended Tenant Involvement Framework was agreed by CityWide Board in December 2009.

Work is currently progressing with developing the leaseholders compact. An updated leaseholder compact has been drafted and considered by a leaseholder focus group. Following the election of a new Norwich Leaseholders Association committee on 27 May 2010 the compact will be discussed and agreed with the new committee.

All consultations are co-ordinated by the council's consultation group, which is chaired by a head of service. Information on current and closed consultations, including reports and minutes, is available on the council's website.

In 2007 executive approved a customer contact strategy to manage, improve and develop customer services. It includes details of how we will involve our customers in our service delivery.

The council has also developed a community engagement strategy and a communications strategy 2007-10, which will be refreshed in 2010.

- Incorporating good governance arrangements in respect of partnerships and reflecting these in the council's overall governance arrangements:

The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.

All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.

The governance arrangements for key partnerships are kept under review and the results are reported to executive, together with an assessment of the effectiveness of the council's involvement in partnerships.

- Risk management:

Key corporate risks that may impact on the council's priorities have been identified and included in the corporate risk register, which is kept under review and updated as necessary by corporate management team and the audit committee. During 2009-10 the council improved its risk management arrangements in relation to strategic, service, partnership and project risks, and provided further training to members and managers.

Corporate and service risk registers assign risks to owners, and include mitigation actions and responsibility for these.

Service risks are included in service plans and are reviewed annually as part of the service and financial planning process.

The council is currently implementing a performance management system which includes risk management, which will enable corporate and service risks to be

recorded and monitored by management. All corporate risks have been loaded into the system.

4. Review of effectiveness

Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of internal audit and the audit manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The council has undertaken a review of its governance framework in accordance with best practice advice as published by CIFPA/SOLACE in meeting the requirements of the Accounts and Audit Regulations 2006.

The following have roles in maintaining and reviewing the effectiveness of the governance framework:

The authority and the executive

The executive approves the medium term financial strategy which provides the financial structure for annual service planning and budget setting.

Quarterly performance monitoring reports are presented to scrutiny committee and executive – executive also receive budget monitoring reports.

Performance monitoring reports are comprehensive, covering achievement against the council's short-term priority actions and projects detailed in the corporate plan 2008-10; performance measures; performance of CityCare and Steria contracts; and Audit Commission inspection recommendations.

In April 2009 executive agreed to refresh the aiming for excellence programme, establish a corporate improvement and efficiency board to oversee and drive the corporate transformation programme, and set up a housing improvement board in response to the Audit Commission inspection of landlord services.

The council's constitution working party recommends any changes to the constitution to executive and council. During 2009-10 the following were revised and can be found on the council's website: officer's code of conduct; scheme of delegations; and new protocols for the chief finance officer and monitoring officer.

The scrutiny committee

The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions, the right to review council policies, and to consider service plans. An annual report on the work of scrutiny committee in 2009-10 will be presented to scrutiny in July 2010 and then to full council at a later date (the 2008-09 report went to council in July 2009).

The audit committee

The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, internal control arrangements including the annual governance statement, anti-fraud and corruption arrangements, corporate governance, and accounts.

The committee receives reports on corporate risks, the work of internal audit, including the audit manager's annual report, and external audit reports and letters. It also reviews the evidence which supports the preparation of the annual governance statement and approves the statement.

The standards committee and monitoring officer

The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct. Members receive regular reports, including an annual report on the governance areas that are the responsibility of the council's monitoring officer.

The chair of the standards committee presents an annual report to council – the report for 2009-10 went to council in March 2010.

The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the head of legal, regulatory and democratic services.

Chief finance officer

The chief finance officer is a statutory appointment, and the current responsibilities of this role rest with the head of finance. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.

Internal audit

Internal audit is an in-house assurance function that provides an independent and objective opinion to the council on the control environment. The objectives of internal audit have been set out in terms of reference which have been approved by the audit committee. If additional resources or technical expertise is required the internal audit function can be supplemented by external suppliers.

The audit manager's annual report to the audit committee includes an opinion on the overall adequacy and effectiveness of the council's control environment.

Corporate governance group

This is an internal officer group chaired by the deputy chief executive which is responsible for reviewing all aspects of the council's governance arrangements. Membership of the group includes the council's monitoring officer, head of finance, and head of procurement and service improvement. The group met three times in 2009-10.

Other explicit review/assurance mechanisms

External audit provides a further source of assurance by reviewing and reporting upon the council's internal control processes and any other matters relevant to their statutory functions and codes of practice. Examples are the Audit Commission's findings and recommendations relating to audit, inspections and use of resources assessment.

Additionally, the Housing Quality Network and IDeA have assisted the council with its review of landlord services.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at www.norwich.gov.uk):

Audit Commission annual audit and inspection letter 2008/09

Each year the Audit Commission publishes an annual audit letter which provides an overall summary of their assessment of the council and areas where the council needs to improve its performance.

The letter, which was reported to audit committee on 21 January 2010, shows that the council has made progress in a number of areas, notably achieving unqualified accounts, but improvement is still needed in the financial statements preparation process. On the use of resources assessment the Commission assessed the 'managing its people resources' theme as inadequate.

The Audit Commission recommended that the City Council should:

- address the recommendations made in the action plan of the November 2009 Annual Governance Report;
- address the issues necessary to improve the council's use of resources assessment and the value for money conclusion; and

- take the necessary corporate action to secure the required savings and/or cut spending.

The council's response to the recommendations was included in an action plan as an appendix to the Audit Commission's Annual Audit Letter and was approved by audit committee at its meeting on 21 January 2010.

Audit Commission annual governance report 2008/09

The report was considered at audit committee on 24 September 2009. The report acknowledged that there had been improvements, leading to an unqualified opinion on the financial statements. However, a number of material and non-material misstatements were found during the audit, requiring adjustment by management.

Weaknesses were identified in the design or operation of internal controls that might have resulted in material error in the financial statements.

With regard to value for money, the report concluded that the council had made some progress in its use of resources, but that weaknesses remained in three areas. Therefore the value for money opinion was qualified because the council did not meet the minimum value for money criteria for the following: financial reporting; risk management and internal control; and workforce planning.

A detailed action plan to address all the recommendations in the report has been agreed, and is attached to this statement as appendix 1.

Audit Commission certification of claims and returns – annual report 2008/09

The council receives significant amounts of funding from various grant-paying departments. The council needs to demonstrate that it has met the conditions attached to these grants. The Audit Commission's certification work found the following control weaknesses: a lack of robust review process for some claims to ensure that they are prepared in accordance with terms and condition; no internal audit review of claims; and weaknesses in supporting working papers. The report and agreed action plan was reported to audit committee on 8 June 2010.

Internal audit

Internal audit is expected to work to the Code of Practice for Internal Audit in Local Government in the UK 2006. A triennial review of internal audit by the Audit Commission found weaknesses in compliance with the code. An action plan to address the weaknesses has been drafted and is currently with the head of finance for consideration. It is attached to this statement as appendix 2.

Financial regulations and standing orders

The council's financial regulations and standing orders were updated in 2008. Although still fit for purpose they are overdue for a review. The review process started in 2009-10, but will not be completed until 2010-11.

Progress on the action plan from the previous governance statement

Actions taken to address the significant issues from the 2008/09 governance statement are either complete or ongoing. Further detail is attached to this statement as appendix 3. The following issue requires further progress:

- Some elements of business continuity planning are not embedded across the council. Significant progress has been made, and the temporary emergency planning officer continues to work on developing the council's resilience. A plan exists for relocating core systems, including customer contact, and this is regularly tested in conjunction with Steria. Business continuity is a standing item on the agenda of the data security forum. The council has an up to date flu pandemic plan which was invoked during the recent global outbreak.

6. Statement by Leader of the Council and Chief Executive

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 and operation as part of our next annual review.

Signed:

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Leader of the Council

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Chief Executive

Date:

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