BURY METROPOLITAN BOROUGH COUNCIL

Governance Statement 2007/08

1. SCOPE OF RESPONSIBILITY

Bury MBC 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 Authority 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 the above.

In discharging this overall responsibility, the authority is also 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.

The Authority has approved an adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website at www.bury.gov.uk/link to follow or can be obtained from;

> Head of Strategic Finance
> Town Hall
> Knowsley Street
> Bury MBC
> BL9 0SP

This statement explains how Bury MBC 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 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 the Council's 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 Bury MBC for the year ended 31 March 2008, and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

The Authority has adopted a revised "Local Code of Corporate Governance" and recognises that effective governance is achieved through the following core principles:

(i)   Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

(ii)   Members and officers working together to achieve a common purpose with clearly defined functions and roles.

(iii)   Promoting the values of the authority and demonstrating the values of good governance through behaviour.

(iv)   Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

(v)   Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.

(vi)   Engaging with local people and other stakeholders to ensure robust local public accountability.

The table overleaf demonstrates how these core principles have been upheld during the year 2007/08.

Core Principle	Supporting Principles	Specific Actions
Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area	Exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	The Council has made a clear statement of the authority's purpose and vision and uses this as basis for corporate and service planning and shaping the Community Strategy and Local Area Agreement The Council reviews on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements The Council publishes an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance The Council has decided how the quality of service for users is to be measured and makes sure that the information needed to review service quality effectively and regularly is available. The authority ensures that this information is reflected in the Bury Plan, the Financial Strategy and other resourcing plans in order to ensure improvement The Council has determined how value for money is to be measured and makes sure that the information needed to review value for money and performance effectively is available. The authority also ensures that the results are reflected in the Bury Plan, in service plans and in reviewing the work of the authority There are effective arrangements to deal with failure in service delivery When working in partnership there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision is: • supported by clear and measurable objectives with targets and indicators • the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.
Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard. Ensuring relationships between the authority and the public are clear so that each know what to expect of the other.	The Council has set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's members individually and the authority's approach towards putting this into practice There is a clear statement of the respective roles and responsibilities of other Members, Members generally and of senior officers The Council has developed protocols to ensure effective communication between Members and officers in their respective roles Established protocols ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained There are clear terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel The Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated When working in partnership the Council has adopted a Partnership Code of Practice ensuring: • that there is clarity about the legal status of the partnership • that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability

Core Principle	Supporting Principles	Specific Actions
		• that representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions Effective mechanisms exist to monitor service delivery, e.g. Star Chambers A scheme of delegated and reserved powers exists within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation; this is monitored and updated when required Effective management arrangements are in place at the top of the organisation The Chief Executive is responsible and accountable to the authority for all aspects of operational management The Director of Finance and E Government is responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control The Monitoring Officer / Director of Legal and Democratic Services is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.
Promoting the values of the authority and demonstrating the values of good governance through behaviour	Ensuring council Members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance Ensuring that organisational values are put into practice and are effective.	The Council has developed, and maintains shared values including leadership values both for the organisation and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the authority The Authority's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority Established Codes of Conduct define expected standards of personal behaviour An effective Standards Committee acts as the main means to raise awareness and takes the lead in ensuring high standards of conduct are firmly embedded within the local culture Arrangements are in place to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders; appropriate processes ensure that they continue to operate in practice Procedures and operations are designed in conformity with appropriate ethical standards, and continuing compliance is monitored. When pursuing the vision of a partnership, values are agreed, against which decision making and actions can be judged. Such values are 'alive' and demonstrated by partners' behaviour both individually and collectively.
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Exercising leadership by being rigorous and transparent about how decisions are taken and listening to and acting upon the outcome of constructive scrutiny Having good quality information, advice and	The Council has an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

Core Principle	Supporting Principles	Specific Actions
	support to ensure that services are delivered effectively and are what the community wants/needs Making sure that an effective risk management system is in place Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.	Arrangements are in place so that conflicts of interest on behalf of Members and officers are avoided and processes ensure that they continue to operate in practice Arrangements are in place for whistle blowing, to which all staff and all those contracting the authority have access Effective transparent and accessible arrangements are in place for dealing with complaints An effective Audit Committee is in place, which is independent of the Executive and the scrutiny function An effective Standards Committee lies at the heart of decision making and raises awareness on standards issues Those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications Effective arrangements are in place for determining the remuneration of senior staff Professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications Risk management is embedded into the culture of the authority, with Members and managers at all levels recognising that risk management is part of their job Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principles of administrative law – rationality, legality and natural justice form part of procedures and decision making When working in partnership, protocols exist for working together which include a shared understanding of respective roles and responsibilities of each organisation When working in partnership, there are robust procedures for scrutinising decisions and behaviour and decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership When working in partnership, partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners ensure that: • the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made • risk is managed at a corporate and operational level.
Developing the capacity and capability of Members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively	Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	The Authority assesses the skills required by Members and officers and makes a commitment to develop these to enable roles to be carried out effectively The Authority ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority Induction programmes are tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis

Core Principle	Supporting Principles	Specific Actions
	Encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.	Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

Arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might for example aim to address any training or development needs

Arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority

Career structures for Members and officers encourage participation and development

When working in partnership, partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level.

Partnerships;

- identify the capacity and capability requirements of the partnership

- conduct an audit of the availability of the capacity and capability of the partnership and partners

- develop effective plans for addressing any gaps. |
| Engaging with local people and other stakeholders to ensure robust local public accountability | Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships

Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery

Making best use of resources by taking an active and planned approach to meet responsibility to staff. | It is clear to all staff and the community, to whom they are accountable and for what

Staff consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required

Clear channels of communication exist with all sections of the community and other stakeholders and monitoring arrangements are in place to ensure that they operate effectively

Arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and there are explicit processes for dealing with these competing demands

There is a clear policy on the types of issues for consultation and service users including a feedback mechanism for those consulted

A performance plan is published annually giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period

Effective systems are in place to protect the rights of staff. Policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place

There are clear policies on how staff and their representatives are consulted and involved in decision making

An annual report is produced on scrutiny function activity

The authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so |

Core Principle	Supporting Principles	Specific Actions
		When working in partnership, engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes.

Existing mechanisms and groups are used where appropriate. In the work cycle of the partnership it is clear what has happened to any feedback and what has changed as a result. |

4.   RISK MANAGEMENT

The Council has adopted a corporate risk management policy, and operates a fully integrated risk management system across the organisation. A web-based risk management toolkit is available to all levels of staff, enabling the production of risk registers at various levels throughout the organisation which are reviewed on a quarterly basis.

Significant business risks that may impact upon the Council's priorities have been identified and mapped, and appropriate control measures are in place.

During 2007/08, the Council continued to build upon its approach to the management of risk within partnership working arrangements as follows;

- Further development of a Partnership Code of Practice

- Identification of the Council's significant Partnerships

- Development of a Partnership risk register (Bury MBC view) in respect of significant Partnerships

- Population of a "Team Bury" risk register using the Council's Partnership Risk Assessment Model.

In 2007/08 the Council undertook over 200 Business Impact Assessments covering all service areas to assess criticality of services and to establish a baseline for business continuity arrangements.

A revised Corporate Business Continuity Plan was adopted in December 2007, and passed as "fit for purpose" by inspectors in the Councils Corporate Assessment.

An action point for 2008/09 is to further raise the awareness of Elected Members in respect of Risk Management.

5.   REVIEW OF EFFECTIVENESS

Bury MBC has responsibility for conducting, at least annually, a review of the effectiveness 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 governance environment, the Head of Internal Audit's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.

The process of maintaining and reviewing the effectiveness of the governance framework includes the following measures and actions:

- The Council has adopted a Planning and Performance Framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes: monthly

scrutiny of all budgets; bi-annual monitoring of Service Plans; quarterly monitoring of Best Value Performance Indicators/Local Area Agreement (BVPIs/LAA); and bi-annual monitoring of the Bury Plan. Internal Audit reviews the effectiveness of the data collection processes that underpin the internal and external reporting of BVPIs. Each summer the lead Members and officers hold a Strategic Forward Planning Event, in order to review performance and re-define corporate objectives, priorities and ambitions.

- The Executive carries out functions which are not the responsibility of any other part of the authority. Several members of the Executive are assigned portfolio areas, and are assisted by non Executive Members as necessary. This allows the Executive to monitor the activities of the authority. Executive Members each have a specific Role Description setting out the responsibilities of their portfolio.

- There is a well established Overview and Scrutiny function which has been revised and updated in the light of experience. Scrutiny Commissions review the work of the Council throughout the year and also report annually to Council.

- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own departments, using a detailed checklist. They have provided a signed assurance statement and identified any weaknesses or reservations for inclusion in an improvement programme.

- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required. The Monitoring Officer is also responsible for monitoring the Local Code of Corporate Governance.

- The Director of Finance and E Government prepares quarterly Risk Management reports reviewing activities and progress, and has reviewed the Local Code of Corporate Governance.

- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.

- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit and by the Audit Commission. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Internal Audit submits to them an Annual Report and Opinion, and the external auditor (KPMG) submits an Audit and Inspection Annual Letter.

- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2006. It operates under the APB (Auditing Practices Board) Guidelines and CIPFA Code of Practice for Internal Audit in Local Government, as approved by the Audit Committee.

- In 2007, the Internal Audit Section again subscribed to the CIPFA Internal Audit Benchmarking Club. An assessment of the service concluded that it achieved upper quartile compliance of

92% (previously 85%) with the "CIPFA Code of Practice for Internal Audit in Local Government (2006)". An action plan has been developed to achieve 100% compliance in the future.

- The Council's external auditors (KPMG) review the activities of the Council and approve the annual accounts. Conclusions and significant issues arising are reported in their Report to those charged with governance.

The Audit Committee has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

6. EFFICIENCY / VALUE FOR MONEY

The Council prides itself on delivering quality services at an affordable price, and is recognised as being efficient.

The Audit Commission has published VFM profiles for the Council; these confirm the Council is operating efficiently, with most major service costs in the lower quartile, and the Council second lowest cost overall in its comparator group;
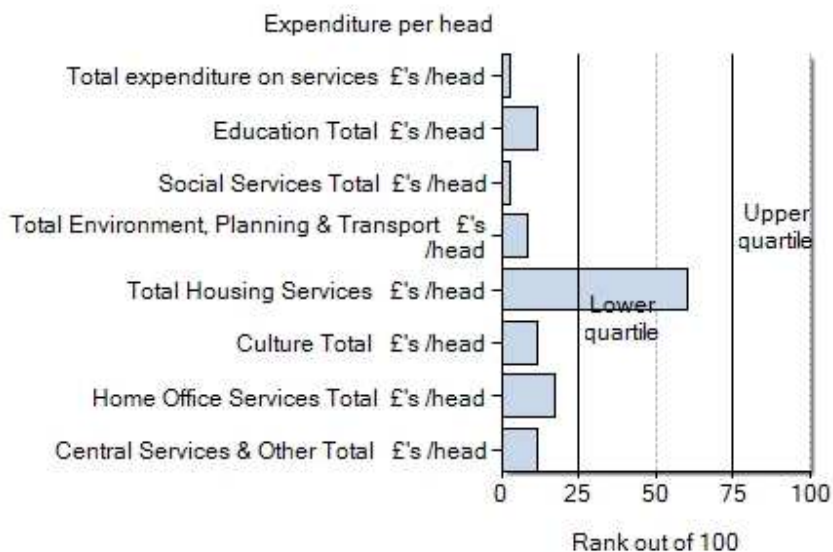
The Authority has continued to deliver its Efficiency Strategy (adopted 2006);

- There is a well established programme of "Service Assessments" which examine the efficiency and effectiveness of services.

- Similarly, a programme of Best Value reviews in is place targeting those services with high cost / poor performance issues.

In the Council's Corporate Assessment, inspectors confirmed;

"The Council has a strong focus on Value for Money. There is a strategic approach to efficiency, supported by a programme of service reviews which has delivered financial savings and service improvements, and ensured that further resources are targeted at priorities."

Pressures do remain in respect of Housing Management Costs and these are being examined by the Resource and Performance Scrutiny Commission.

7. USE OF RESOURCES AUDITOR JUDGEMENT

In November 2007, the Council received its "Use of Resources" Auditor Judgement.

The assessment evaluates how well local authorities manage and use their financial resources, and focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services.

The assessment concluded that Bury scored an overall 3 out of 4; *"consistently above minimum requirements – performing well".* The Authority gained higher scores in 7 out of the 11 "Key Lines of Enquiry"; the most improved Council across Greater Manchester. Individual scores are detailed below, compared with the previous years;

Key Line of Enquiry	2005 Score	2006 Score	2007 Score
Financial Reporting	1	3	3
Financial Management	2	3	3
Financial Standing	2	2	3
Internal Control	2	2	3
Value for Money	3	3	3

An action plan has been developed to address specific recommendations raised, and to outline the necessary action to secure a maximum "level 4" at the next assessment.

8. GROUP ACTIVITIES

The Council's only Group activities relate to the ALMO, Six Town Housing.

From an internal control perspective;

- Six Town Housing utilise the Council's corporate systems and are safeguarded by the controls therein.
- Six Town Housing finance staff are included in all council wide finance working groups / meetings
- There are regular monitoring meetings between the Chief Executive Six Town Housing and the Council's s151 officer
- Six Town Housing have their own appointed external auditor

- Equally, Six Town Housing are subject to examination by the Council's own Internal Audit team.
- Six Town Housing have adopted the Council's Risk Management toolkit in 2007/08.

An assurance statement has been received from the Chief Executive of Six Town Housing confirming that effective Governance arrangements are in place.

9.   SIGNIFICANT INTERNAL CONTROL ISSUES

The Effectiveness statement set out in section 5 above demonstrates that the Control Environment described in section 4 is operating effectively. Further evidence to support this conclusion comes from:

The Annual Report and Opinion by the Head of Internal Audit stated;

 "The effectiveness and security of local authority systems and controls are underpinned by the overall control framework. At Bury this is considered to be sound".

The 2006/07 Annual Audit and Inspection Letter gave;

"an unqualified opinion on your (the Authority's) accounts and a conclusion on VFM arrangements to say that these arrangements are adequate"

The letter (ISA 260) highlighted a number of improvement points for the Council, prioritised Red / Amber / Green;

Issue	Detail	Status
Fixed Asset revaluations	90% of fixed assets (by value) have been revalued. The Authority needs to ensure that all assets are revalued as part of a 5 year rolling programme	Red
Council Tax and NNDR write-off procedures	Procedures should be in place to ensure timely review and approval of proposed write-offs.	Amber
Reconciliations	All reconciliations were complete by year- end, however should be completed on a more timely basis and be signed of by an independent reviewer	Amber
Sundry Bad Debt Provisions	The Authority did not provide any justification for the level of the bad debt provision.	Amber
Journals	The Authority should employ segregation of duties for the journal system and ensure vouchers and supporting documentation are complete prior to input.	Red
Setting up new suppliers	New supplier request forms should be reviewed by and authorized by an authorized signatory.	Amber
Council Tax and NNDR exception reporting	The Authority should have clear procedures in place for the review of exception reports.	Amber

Physical verification of assets	The Authority should ensure the accuracy of the fixed asset register by sampling and confirming existence of assets by physical verification.	Amber

A full management response and action plan was issued in response to these points, and has been implemented during 2007/08.

The Council experienced losses in respect of debt factoring during 2007/08 as part of a national fraud affecting several Local Authorities. This is currently subject to a police investigation, and procedures have been revised to prevent future occurrences.

10.   LOOKING AHEAD - 2008/09

Looking forward to 2008/09, the Council is proactively responding to a number of challenges;

- The 2007/08 revenue outturn position is encouraging with a net revenue underspend of £685,000 (subject to confirmation), resulting in a strong position in terms of "financial standing" with balances in excess of £5m. This is above the Council's risk assessed minimum level of balances.

- The Council continues to face challenges in managing the Adult Services budget as client numbers, longevity, demands and expectations increase.

- The Council has made significant progress in addressing the requirement for a Local Pay Agreement during 2007/08. The Council wide Job Evaluation exercise is complete and results are being moderated. Pay modelling is at an advanced stage, considering a number of pay structures available to the Council. A robust project plan is in place, and progress is monitored fortnightly by Management Board.

- In recent years, the Council has experienced slippage in its Capital Programme. Whilst individual schemes are delivered within budget, often the timescales extend beyond those originally planned. This causes difficulty in financial planning and assessing the Council's borrowing requirements, and was flagged as an issue in the recent "CPA" inspection. A more robust control mechanism is being developed through the Capital Programme Management Group, and reporting mechanisms are being updated to apply the same degree of rigour that exists with Revenue Budgets.

This statement, and progress on the actions set out above is reviewed and monitored by the Management Board and the Audit Committee on a regular basis.

Signed:

Chief Executive
23rd May 2008

Council Leader
23rd May 2008