Annual Governance Report

Scope of Responsibility

1   Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, 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 the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2   Stevenage Borough Council has approved and adopted a Local Code of Corporate Governance (17 March 2008), which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council Offices.

3   This Statement explains how the Council has complied with the code and also meets the statutory requirements 4(2) of the Accounts and Audit Regulations 2003 as amended by the publication of an Annual Governance Statement.

4   The Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The CIPFA/SOLACE guidance for implementing the framework, recommended that the local authorities Chief Financial Officer (S151 Officer) and Monitoring Officer are responsible for ensuring that the framework and subsequent statement are completed with adherence to the local code. The Strategic Management Board agreed to this recommendation and therefore the Strategic Director (Resources) and the Borough Solicitor together with a corporate governance team, have been given this responsibility.

5   In discharging this overall responsibility, Stevenage 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 which include arrangements for the management of risk.

The Purpose Of The Governance Framework

6   The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

7   The system of internal control is a significant part of the 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 policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they materialise and to manage them efficiently, effectively and economically.

8   The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

9   In respect of Stevenage Homes Ltd (SHL) controls, they often replicate similar procedures to those of the Council. However they have their own Financial Regulations and Internal

Controls, all of which are required to be approved by the Council. SHL also have an Audit Committee that ensures that risk management, internal audit reports and budgets are adequately monitored and controlled. SHL's Annual Governance Statement will be approved by the SHL Audit Committee at their meeting on 1 July 2010.

The Governance Framework

10 The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:-

Establishing And Monitoring The Achievement Of Objectives

11 In June 2008 the Council published its Corporate Plan (Making a Difference) 2008 – 2013 which sets out the Council's vision for the town, its strategic ambitions and associated priorities and its values. The Plan links with the Stevenage Community Strategy which is produced in liaison with the Council's strategic partners on SoStevenage – the Local Strategic Partnership (LSP). Each ambition has an associated programme of work with projects to deliver the priorities and these are set out in the Council's Programme of Improvement. Each Service Delivery Unit has a service plan that sets out both how these projects will be delivered and the operational work of that service. These are placed at the centre of the Council's policy and financial planning framework to inform service priorities and budget decisions. Communication and Participation strategies are in place to support the delivery of priorities and provision of services and an Equality and Diversity Strategy that helps to ensure that all groups in the community have a voice, can be heard, are consulted and can access council services in a fair and equal way. In May 2009 the Council was assessed as achieving Level 3 of the Equalities Standard for Local Government.

12 The Council set up an Economic Taskforce in early 2009 with partners to offer practical help to local residents and businesses. A number of initiatives have been launched including an income maximisation project to assist our vulnerable residents by increasing people's benefit income, reducing levels of debt and increasing people's financial awareness. This work was acknowledged with the Council winning 'Council Partner of the Year' at the first ever national Citizens Advice Bureau Awards.

13 The effectiveness of the overall arrangements to monitor performance is informed by:

-   The work of managers within the Council
-   The roles performed by the Monitoring Officer and Chief Financial Officer
-   The work of the Internal Audit Service
-   The Annual Audit and Inspection Letter
-   Reports by other review agencies and inspectorates
-   Performance Management arrangements and related regular reporting.

The 2008/09 assessment against the key line of enquiry (KLoE) in Use of resources relating to performance management and data quality achieved a score of 3 (performs well). Auditors made the following observations:

–   The Council prioritises data and reports to members so that they can measure performance against Council objectives on a real time basis.
–   Improvements in the quality of data have been realised through risk rating data on the balanced scorecard
–   To support our judgements for KLOE 2.2 we undertook detailed spot-checks of eight national indicators. We are pleased to note that we have not identified significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement.

The Facilitation Of Policy And Decision-Making

14 The Council has an approved Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The majority of the Council's functions are vested in the Executive. Those Council functions which are not vested in the Executive (mainly planning and development and licensing functions) are taken by various regulatory committees appointed by the Council. Under the Council's Constitution, the Executive meets on a monthly basis and comprises the Leader of the Council, an Opposition Member and seven other Councillors from the Majority Group who have a specific area of responsibility, as their Portfolio. The Portfolio areas are:-

- Housing
- Community, Health and Older People
- Children and Young People, Culture, Sport and Leisure
- Environment and Regeneration
- Resources
- Economy, Enterprise and Transport
- Safer and Stronger Communities

15 The Council appoints the Leader and agrees the extent of the seven individual portfolios of executive functions. Major and 'key' decisions are required to be published in advance on the Council's website as part of the Leader's four month 'Forward Plan/Rolling Programme' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework, which has been set by full Council. Any decision the Executive wishes to take outside the budgeting or policy framework must be referred to Council for approval. All matters for Member level decision are documented in a standard report format. Reports are produced on a standard template to facilitate understanding and all reports are supported by comprehensive assessment of the legal, financial and other implications of the proposed recommendations. The Strategic Director (Chief Financial Officer) briefs the Resources Portfolio-Holder on a weekly basis with regard to financial, legal and other resource issues. There is a Scrutiny Overview Committee which forms "topic groups", as necessary, to scrutinise specific issues and service performance. The Committee formally considers budget and policy framework matters before final consideration by the Executive and recommendation to Council. Each month the Committee reviews the decisions taken by the Executive and a 'call-in' procedure is in place should there be concerns regarding the process to decision making by the Executive on a particular matter and which result in a matter being reconsidered by the decision maker. The Council also has a series of regulatory Committees and in 2006 established an Audit Committee. The political management structure is detailed in the Council's Constitution which is subject to periodic review.

Compliance With Policies, Procedures, Laws And Regulations

16 The Council has structured its processes and procedures for the Executive and Scrutiny Committee/Panels plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. It also appoints officers, qualified to undertake statutory responsibilities such as contained within Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988 (Chief Financial Officer). The Monitoring Officer, who is the Borough Solicitor is the Council's senior legal advisor, responsible for reporting to the Council on any act or proposed act by the Executive, or by any Committee, or individual Member or Officer that could give rise to a contravention of the law, a code of practice or maladministration. He is also available to provide professional legal advice to Members and Officers of the Council.

17 The Council has a duty to ensure that it acts in accordance with the relevant legislation in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all Members and officers on the Council's Intranet, as well as being available to the public as part of the Constitution. The Financial Regulations and Contract Standing Orders are reviewed at least annually and any proposed amendments are put forward to Council for approval. Heads of Service and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

18 To assist in developing a corporate governance framework, key policies and procedures have been brought together to form the corporate backbone of the Council's governance and management control arrangements. Key documents in the Council's corporate backbone include:-

- The Constitution (which includes the Code of Conduct for Members, protocol on Members/Officer relations, financial regulations, budget and policy framework, contract standing orders)
- Members register of interests
- Risk management strategy and strategic/operational risk register
- Communications strategy
- Whistle blowing policy
- Corporate procurement strategy
- Performance management framework
- Business continuity policy.
- Climate change strategy (adopted April 2009)

19 During the year, the Corporate Governance Group has continued to develop the assurance framework around the corporate governance arrangements. Service Based Governance Statements have been compiled that contribute to overall assurance for the 2009/10 Annual Governance Statement.

Receiving And Investigating Complaints From The Public

20 The Council has adopted a robust complaints procedure, which is publicised to the public via the Council's website and in Council buildings. Complaints are either received directly by the service, or by the Council's Customer Service Centre, which deals with complaints corporately. Complaints about Members and allegations that a Member has breached the Code of Conduct are dealt with separately by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the statutory scheme in Part 3 Local Government Act 2000 (as amended). Details of the procedure and complaints forms are available on the Council's website and in the Customer Service Centre.

21 The Council's Customer Relationship Management system allows for greater consistency across services when dealing with and reporting on complaints. It allows for a demonstrable audit trail and how complaints are dealt with.

22 Protocols to ensure Heads of Service make appropriate adjustments to service delivery in relation to upheld complaints are in place.

Establishing Clear Channels Of Communication With All Sections Of The Community And Other Stakeholders, Ensuring Accountability And Encouraging Open Consultation

23 The Council regards communication as key to its work and essential in meeting its corporate ambition and framework of values. It supports the decision-making process and

helps to improve service quality and foster good relationships between staff, Members and stakeholders.

24 The Council's Communications Strategy, 'Investing in effective communications', focuses on:

- Promoting what we do to:
  - Meet customer expectations
  - Include all our customers
  - Demonstrate value for money

- Improving the image, profile and reputation of Stevenage

25 Our principles for effective communication promise residents, partners, the media, staff, councillors and other stakeholders to:

- Maintain a culture of communication – up, down and across the council – as a fundamental part of good leadership
- Encourage open, honest and accountable two-way dialogue
- Provide professional, accurate and timely communications
- Keep information free from jargon and easy to understand
- Make sure information is available in appropriate formats so that no one is excluded from accessing it
- Promote a consistent corporate identity

26 The Council introduced in April 2009 the Councillor Call for Action arrangements (CCfA). This is designed to resolve service failure issues at a local level, when previous attempts at resolution have been unsuccessful.

Incorporating Good Governance Arrangements In Respect Of Partnerships And Reflecting These In The Council's Overall Governance Arrangements

27 Partnerships are a key component for service provision. The Council is improving governance arrangements of key partnerships. The Local Strategic Partnership includes a governance statement in its guide to So Stevenage that sets out risk and performance management arrangements.

28 Following the 2007/08 corporate governance review and the increasing focus on partnership working in the new Comprehensive Area Assessment (CAA), a Partnerships Toolkit was developed in 2008 to assist in improving and ensuring consistency in our partnership arrangements. The toolkit offers best practice approaches to the structures, agreements and procedures that should be in place to make partnerships more effective and reduce risk.

29 In summary, the Toolkit sets out guidance on:
- Governance arrangements
- Risk management
- Financial arrangements
- Communication and engagement
- Dispute resolution

30 Work undertaken as part of the development of the Partnership Toolkit, to review the Partnership Register, has led to more robust identification of strategic partnerships. The Council has two major partnerships: Stevenage Leisure Ltd and Stevenage Homes Ltd (SHL), an arms length management organisation that became operational in October

2006. The governance arrangements for both are underpinned by detailed management agreements and from 1 April 2009 a new contract for SLL.

31 The Council is an active participant in the Pathfinder initiative and included the Council launched a programme, 'Working Together'. The "Working Together" programme initiated in 2009 is intended to improve quality standards and value for money in Council services. The programme will run for three years.

Risk Management

32 The Council has an approved Risk Management Strategy and Strategic and Operational Risk Registers. Both the Strategic and Operational Risk Registers require risks to be scored (e.g. likelihood and impact) for inherent and residual risk, a risk owner to be identified and a mitigation strategy to be in place with associated action dates. Strategic risks are linked to the Council's ambitions and priorities. All risks are subject to regular review in line with the Strategy.

33 During 2009/10 each service has identified both Strategic and Operational risks as part of the service planning process. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Strategic Management Board (SMB). The Audit Committee also note and comment upon any developments to the risk strategy, which has been reviewed and enhanced during 2009/10, and review the latest strategic risk register as a standing agenda item.

34 The Resources Portfolio- Holder is the Council nominated Member Risk Management Champion and assists with embedding risk management in the business of the Council. Portfolio Holders are briefed regularly by the relevant Strategic Director.

35 The Operational Risks Registers are monitored by the relevant Heads of Service and any risks which should be escalated, are added to the quarterly review of the Strategic Risk register and reported to SMB. The Council also requires project risks to be identified for major projects and capital schemes when seeking approval from Executive. A Partnership toolkit was produced in 2008 which provides guidance on all aspects effective management of partnerships including the management of risk.

36 During 2008/9, the Council's insurers provided a programme of risk management consultancy to strengthen and embed our risk management arrangements. Training and awareness workshops were held for Heads of Service. These sessions explained the Risk Management Strategy and the process for managing the operational and strategic risks. Risk management training was carried out with Members as part of the Modern Member Programme and officers are offered one to one training appropriate to need. We will continue to enhance training to meet particular needs. Officer training was particularly focused on the development of operational level risk registers.

37 A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, set up in July 2008, meets quarterly. Its role is to oversee and review the reporting process and the development of the Council's risk strategy. The group considers and challenges new and existing risks and reviews the content of the strategic risk register before it goes to SMB. The Chair of the Audit Committee and the Members' Risk Champion are invited to this group.

Developing, Communicating and Embedding Codes Of Conduct Detailing the Standards of Behaviour for Members and Officers

38 The standards of conduct and personal behaviour expected of members and officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols. These include:
- Members' Code of Conduct
- Member/Officer Protocols
- Members Register of Interests
- Officers Code of Conduct
- Anti-Fraud and Corruption Policy
- Regular performance meetings for staff linked to corporate and service objectives
- Standards Committee with an independent Chairman.

The statutory process for dealing with complaints about Members is referred to in 19 above. The Government is currently consulting on the introduction (under the Local Government Act 2000) of a statutory code of conduct for officers.

39 In advance of the MP's expenses scandal, the Council commissioned a review of all Councillor's expenses, allowances and reimbursements. Improvements that have resulted include:
   – Clarity on what is reasonably claimable
   – More regular public reporting
   – A revised guide covering Members expenses.

Internal Audit Arrangements

40 Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operates to defined standards (CIPFA/IIA). The Chief Internal Auditor reports to the Council's Head of Finance (Deputy Section 151 Officer) and Strategic Director (Chief Financial Officer/Section 151 Officer) and provides updates on internal audit progress and issues at regular Section 151 meetings. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. From 2006/07 this report has been submitted on a yearly basis to the Audit Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems of the Council to SMB and Members. Internal Audit review and appraise the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems, providing advice on matters pertaining to risk and control.

41 The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2010. From the Internal Audit work undertaken in 2009/10, the Chief Internal Auditor can provide a moderate level of assurance that the system of internal control which has been in place at Stevenage Borough Council for the year ended 31 March 2010 accords with proper practice.

Audit Committee

42 An Audit Committee was first established in May 2006 and its duties include advising and commenting on:-

- Internal Audit matters including:
- the Annual Internal Audit Plan
- the adequacy of management response to Internal Audit reports
- and recommendations
- the Chief Internal Auditor's Annual Report and opinion
- summaries of specific internal audit reports

- External Audit matters including:
- the External Auditor's plans for auditing and inspecting the Council
- the annual Audit and Inspection Letter from the external auditor
- the report to those charged with governance
- proposals from the Audit Commission over the appointment of the External
- Auditor
- scope and depth of External audit work

- Anti-Fraud and corruption issues including the Council's policies on anti-fraud
- and Corruption, 'whistle-blowing'
- The Council's Constitution in respect of Contract Standing Orders and Financial
- Regulations
- The Council's Risk Management arrangements
- The Council's arrangements for delivering value for money
- The Council's Annual Governance Statement
- The Statement of Accounts and related Capital Determinations

43 The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2008/09 the Audit Committee comprised five appropriately skilled Council Members, including only one Executive member, one member from an opposition group and one member from the Scrutiny Overview Committee. The Committee is further supported by an independent representative who, in addition to independence also brings further financial/accounting professional skills. The Chair of the Audit Committee is neither a member of the Executive nor a member who serves on any Scrutiny body. The Committee has received specific training by our external auditors and in-house training on the Statement of Accounts.

44 The operation of the Audit Committee has been particularly effective. As such it has, in itself significantly contributed to further strengthening the Council's overall systems of Internal Control.

Ensuring Economic, Efficient and Effective Use of Resources

45 The Council continues to review and develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Financial Planning is underpinned by Service Planning with increased expenditure in any service being identified as part of the Service and Financial planning process, starting with the MTFS in July and then formal approval (forward plan bid) as part of the annual budget setting process. In year pressures will be reported to SMB and Executive as part of the quarterly monitoring process for approval, with any mitigating actions. Key to the service planning process is a requirement to demonstrate planning for continuous improvement, over several years. The Service Planning process is cascaded throughout the organisation as part of the Performance Management Framework. This culminates in plans being prioritised through to front line service provision in the Council's Performance Development Management (PDM) Scheme, and as part of the management review processes for all members of staff. The effectiveness of these processes is recognised in the Council's achievement of Investors in People (IiP) status. The Council's Corporate Plan is supported by the individual service plans and this ensures that improvements are in line with the Council's corporate priorities. Economic and effective use of resources is subject to review through the work of both Internal and External Audit.

46 Consultation exercises are used to inform decisions about strategies and policies and therefore influence the service planning process. A variety of approaches to consultation are used in line with a Consultation Strategy and Programme. For example, in 2009/10 the Council held a Community Conference, which sought the views of members of the public on levels of service provision and budgetary implications. In addition, the town wide Residents' survey sought views to inform priority setting. Further communication and

consultation has been conducted using surveys and interviews, reflecting the Council's ongoing commitment to public consultation.

47 The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV methodology takes into account the requirements of the Government efficiency and collaboration agendas. An essential part of Internal Audit's role is to make recommendations, where appropriate, through Management Action Plans, to ensure measures are taken to improve and strengthen the efficiency and effectiveness of the Council's Services.

48 To support the Council's commitment to efficient and effective use of its resources, special SMB meetings were convened to challenge savings options and forward plan bids to ensure they were aligned to the Council's priorities group. SMB and the Executive Portfolio Holders supported by officers then challenged the package of savings and forward plan bids. Consultation with external groups also took place. This whole process will assist the Council in seeking to ensure continuous improvement in its achievement of Value for Money.

Financial Management
49 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer. The systems of internal financial control provide reasonable but not absolute assurance that must be safeguarded, that transactions are authorised and properly recorded, so that material errors or irregularities are either prevented or would be detected within a timely period.

50 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's processes in 2009/10 include the following:-

- The setting of detailed annual budgets, the Council Tax and Housing Rents;
- Monitoring of actual income and expenditure against the annual budgets;
- Specific detailed monitoring of the Council's salaries budget;
- Availability of financial information at all times online 'live' within the Council's Financial Information system (Integra);
- Production of monthly reports for budget managers;
- The detailed use of Commitment Accounting processes;
- A quarterly budget monitoring process for the General Fund, HRA and Capital Programme, reporting to the Council's Executive Committee;
- Production of monthly Key Budget Indicators (KBI) reports to SMB;
- Already defined capital expenditure guidelines as outlined in the Capital Strategy;
- Detailed monitoring of the Council's Capital Schemes through the Corporate Capital Review Group (CCRG) and reported onto Executive;
- The monitoring of finances against the Medium Term Plans;
- Continuous reviews, updating and reporting of the Council's Medium Term Revenue
- and Capital Strategies;
- Provision of financial training for Audit Committee members to equip them to perform their roles in respect of financial management responsibilities, in relation to the Statement of Accounts.

51 The Council has enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. Improvements included the involvement of elected Members in the treasury management

decision making, improved information and regular reviews by Councillors in both Executive and Scrutiny functions, and a modified approach to assessing counterparty lists.

52 The controls created by management are evaluated to ensure: Council ambitions are being achieved:

- Shape our community;
- Regenerate Stevenage;
- Create sustainable communities;
- Move towards excellence.

53 The Council's financial management arrangement consists of a number of interlocking Strands, as set out in paragraphs 54 to 57:

54 Financial Regulations – The regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Executive, Portfolio Holders and Officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services, including standing orders for contracts.

55 Medium Term Financial Planning – The Council publishes in its Budget Book revenue and capital projections for the next few years. The projections are reviewed and updated on at least an annual basis. The in year and the five year forecast are reviewed as part of the quarterly monitoring process, (key indicators- monthly, General Fund, HRA, Capital and Balance Sheet- quarterly). The Council has a well established Capital Strategy which, measures the performance of its capital sources. This has involved deferring and deleting £8Million from the capital programme as a result of declining in year capital receipts, while still supporting the Council's priorities and ambitions. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

56 Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2009/10, the Council was able to identify a savings package of some £1.7Million for 2010/12, which focused predominately on efficiency savings rather than service cuts. The forward Plan bids were geared to help the residents of Stevenage affected by the recession.

57 Budget Management and reporting – The management of budget over and under spends and the impact on the Council's financial reserves, is implemented via the quarterly budget monitoring process. Budget variances and reasons for the variance are reported to SMB and then to the Executive for approval. The financial impact on future years is also highlighted together with the impact on current financial reserves. This then feeds into the risk management assessment of the Council's reserves which is designed to manage areas of known budget risk, the planning for predictable budget peaks and the identification of change management issues. The budget management process also reviews the progress of savings and forward plan bids together with carry forward budgets.

58 Officers are provided with information enabling them to manage their budgets. All budgets are assigned to responsible officers. Additionally, key budget control information is produced on a monthly basis for SMB and Heads of Service and periodically to Members.

Performance Management

59 The Council introduced a Balanced Scorecard for reporting performance information, from April 2008. The scorecard includes a comprehensive set of key business indicators

(including all national indicators selected for local monitoring). The scorecard is reviewed annually to ensure the measures are robust.

60 The system:
  - Requires Heads of Service to verify performance results entered by responsible officers before submission
  - Produces an audit report for any amendments made to data outside the reporting window
  - Allows formal quarterly reporting to Members of Executive on performance
  - Includes data quality status for individual indicators
  - Sets out the trend of results that will enable a comparison of quarterly results over time and year on year.

61 The Scorecard provides a balanced view of performance across the Council, providing a status on performance within service delivery areas, that is based on robust performance data which aids decision making. Performance Reviews are held between Strategic Directors and relevant Heads of Service, where performance is not reaching target, or where there are data quality concerns.

62 An Annual Report is published that sets out the Council's achievements against the ambitions and priorities in the Corporate Plan, reporting progress over the last year against planned objectives and setting out future plans. Where a future target has been revised from that originally identified in the Corporate Plan, the reasons for the adjustment are explained.

63 The Council has systems in place to measure Customer satisfaction in the customer service centre (CSC), this was developed further, during 2008/09, with the introduction of Gov-metric – which allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's web site in real time.

Stevenage Homes Ltd

64 On 1 October 2006, the Council established an Arms Length Management Organisation (ALMO), Stevenage Homes Ltd (SHL), to manage and maintain the Council's Housing Stock. The Board of SHL have overall responsibility for the Company and the provision of Housing Services for the Council's tenants. SHL, as a Company, has its own External and internal Auditors and reports on its own systems of internal control, in line with its governance arrangements. The Company is a significant partner for the Council and as such, is included within the Council's 'Group Accounts' in the Statement of Accounts. The effect of the establishment of SHL and the Council's system of internal control is managed in the following ways:-

  - The Council invested appropriate resources and expertise into the establishment of SHL in the period prior to 'go-live' on 1 October 2006
  - Part of the rationale for establishing SHL was that concentrated management focus on the Housing Service should bring about overall improvement in the Service and its associated controls
  - Relevant Housing staff and management and appropriate support staff (including Finance and Human Resources staff) were transferred to SHL under TUPE arrangements. As such, the organisation was established with experienced and appropriately qualified expertise to deliver the Service and maintain internal control.
  - The constitutional and procedural relationships between the Council and SHL are detailed in the Management Agreement
  - SHL has established appropriate constitutional and governance arrangements, including its own Audit Committee

- SHL's responsibilities for the Housing Service, the objectives and priorities, are detailed in the annually published Delivery Plan
- Monitoring arrangements between the Council and SHL have been established and reviewed on an ongoing basis
- Upon establishment, SHL adopted in the first instance many of the Council's policies and procedures and subsequent review of these is generally subject to consultation with the Council. Policies and procedures adopted include:
  - Financial Regulations and Contract Standing Orders
  - Housing Services policies and procedures
  - Performance management arrangements
  - Risk management approach
- Many of SHL's main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLAs). SHL has reviewed its SLAs with the council during 2008/09, as the needs of the Company and Council have changed. Some SLAs such as internal audit and procurement have ceased, however a significant number continue to be value for money and economies of scale have been maintained.
- SHL have procured and appointed their own internal auditors, however the Council's Internal Audit Service continue to provide audit work to SHL through an SLA in the following areas, Procurement, National Indicators, National Fraud Initiative, IT Audit and Key Financial Systems.
- SHL adopted the Council's financial systems and financial planning, budget setting, monitoring procedures. SHL finances have been subject to regular monitoring between the Council and SHL.

65 It is considered that, although the establishment of SHL was a major structural change for the Council, sufficient mechanisms are in place to ensure that the Council's overall systems of Internal Control have been maintained.

Review Of Effectiveness Of Systems Of Internal Audit

66 The Accounts and Audit (Amendment) (England) Regulations 2006 came into force from 1 April 2006. Paragraph 6 (3) states that:
"the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of Internal Audit".

67 To comply with the Accounts and Audit Regulations, a self assessment against the standards in the CIPFA Code of Practice for Internal Audit in Local Government in the UK was undertaken by the Chief Internal Auditor. In addition an external peer review was undertaken by the Audit Manager at North Hertfordshire District Council.

68 The self assessment and external peer review both concluded that the system of Internal Audit at Stevenage Borough Council is effective. In addition the External Audit Opinion confirmed that the Internal Audit service complied with the CIPFA Code of Practice.

69 The 2008/09 Annual Governance Statement reported that 82% of the planned days in the 2008/09 audit plan were delivered in year against a target of 90%. There has been significant improvement in performance compared to last year, with the delivery of 96% of the 2009/10 planned audit days against a higher target of 95%.

Review Of Effectiveness

70 Stevenage 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 effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment; the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

71 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework within the Council are:

- Internal Audit's independent risk based review and appraisal of the adequacy, reliability and effectiveness of internal controls within corporate systems. The Annual Internal Audit Report and Assurance Statement provides an overall opinion on the adequacy of the Council's internal control environment and identifies significant areas of weakness.
- Annual service planning, to align service development against strategic goals
- Ongoing review by the monitoring officer of the business and decisions taken, which includes an assurance that the Council has acted lawfully and that agreed standards have been met
- Ongoing review and action identified by the Corporate Governance Group and officers assigned with responsibility for co-ordinating Corporate Governance arrangements
- Ongoing review of the effectiveness of the Council's Overview and Scrutiny function in monitoring and challenging provision of Council services
- The Audit Committee agrees the annual audit plan and receives, considers and challenges Internal Audit reports including the Annual Internal Audit Report and Assurance Statement, and External Audit reports including the Annual Audit and Inspection Letter. The Committee also considers reports on risk management, fraud issues and other governance issues.
- Annual reviews of the Council's Statement of Accounts and supporting systems by the external auditors leading to their opinion as published in the Statements.
- Annual reviews and updates of the Council's financial procedures
- Ongoing review of strategic, operational and project risks and the actions required to mitigate identified risks
- Self assessment of the corporate governance arrangements against the CIPFA/SOLACE framework for good governance.
- The work of the Standard Committee in promoting and maintaining high standards of conduct by Councillors and co-opted Members.
- Annual self assessment declarations on the adequacy of the governance framework in departments, which include action plans to address significant weaknesses in internal control arrangements.

Significant Governance Issues For Improvement

72 The following significant internal control and governance issues were identified in the 2008/09 Governance Statement. Progress on the action plan is outlined below:

Issue	Ref	Action	Responsible Officer	Target Date	Progress
VFM	1.	Engage with the Pathfinder initiative focusing on VFM and benchmarking of support services.	Strategic Director (Resources)	March 2010	**Completed** Benchmarking information compiled.
	2.	Review the officer code of conduct	Borough Solicitor and Head of HR	September 2009	**Action no longer required** This action was set in response to legislative requirements no longer in place. Several of existing terms and conditions already in place relate to officer conduct and the local code of conduct is being revised. (see action 6 in paragraph 70)
	3.	Extend the role of the Standards Committee (including indemnities for independent Members of the Standards Committee)	Borough Solicitor	June 2009	**Partially completed** A review of the Standards Committee was carried out during 2009/10. A report on the findings will be presented to Council in October 2010. A report on indemnities will be presented to July 2010 Council. Carried forward – actions 3 and 4 2010/11)
	4.	Review of the Constitution, including the scheme of delegation and the role of the Leader and Executive Members	Borough Solicitor and Constitutional Services Manager	July 2009	**Completed** A review of the constitution was completed in August 2009

Issue	Ref	Action	Responsible Officer	Target Date	Progress
	5.	Review of senior management arrangements	Strategic Management Board	November 2009	**Completed** New senior management arrangements were agreed in August 2009.
	6.	Review of Officer declaration of interest scheme	Borough Solicitor	March 2010	**Partially completed** Completion of this piece of work is awaiting the updated Bribery Act, anticipated towards the end of 2010. (Carried forward – action 5 2010/11)
	7.	Review of job description for Chief Executive and Monitoring Officer	Strategic Management Board	November 2009	**Partially completed** The job description for the monitoring officer was reviewed during 2009/10. Interim arrangements are in place for the role of Chief Executive and it is not considered appropriate to review the job description until the recruitment of a new Chief Executive. (Carried forward – action 1 2010/11)
	8.	Review Management training requirements for Officers and Members as part of the HR 2009/10 work programme	Head of Human Resources	March 2010	**Partially completed** A fundamental review was undertaken on the approach to Member development. Several topics have been covered by the 2009/10 Modern Member Programme and the feedback Members provide on each event is monitored with views expressed summarised and sent relevant officers to inform future development. (Carried forward – action 2 2010/11)

Issue	Ref	Action	Responsible Officer	Target Date	Progress
Ethics and Probity	9.	Appointment of new Training and Development Manager to drive forward Member /Officer development strategy	Head of Human Resources	August 2009	**Completed** New Training and Development Manager recruited August 2009
	10.	Customer Focus Strategy (3 years).	Head of Customer Services and Business Improvement	July 2009	**Completed** The Customer Focus strategy was approved by executive in November 2009. Initial projects that are imminent have been scoped.
Management	11.	Further Development of Gov-metric (to measure and report customer satisfaction)	Head of Customer Services and Business Improvement	March 2010	**Completed** Gov-metric has been further developed during 2009/10 and allows customers to identify their satisfaction with Council services received in the Customer Service Centre or on the Council's web site in real time.
Partnerships	12.	Review of Grant Aid Process	Head of Policy, Performance and Partnerships	July 2009	**Completed** Following consultation with the Social Inclusion Panel, a new community grants policy in place. A partner panel has been set up that contributes to the decision-making for the 2010/11 grant allocations.
	13.	Training targeted to meet the different roles of officers and Members	Finance Projects Manager	March 2010	**Completed** Risk management training was carried out with Members as part of the Modern Member Programme and officers are offered one to one training appropriate to need. We will continue to enhance training to meet particular needs.

Issue	Ref	Action	Responsible Officer	Target Date	Progress
Risk Management	14.	Review of the effectiveness of operational risk registers	Finance Projects Manager	August 2009	**Completed** Corporate Risk Group reviewed Operational Risk Registers on 6 August 2009. A remedial plan has been developed to deal with any issues of concern.

73 Significant internal control and governance issues identified as part of the 2009/10 review of the Governance Statement are set out in the table below. The recommendations have been aligned to the six core principles of corporate governance:

- Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Principle 5 – developing the capacity and capability of members and officers to be effective
- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

Governance principle	Ref	Action	Responsible Officer	Target Date
Carried forward from 2009/10 Action Plan (paragraph 69)				
Principle 2	1	Review job description for Chief Executive as part of vacancy management procedures.	Head of Human Resources	**June 2010**
	2	Refocus officer training programme to better support the development needs of the organisation.	Head of Human Resources	**March 2011**
Principle 3	3	Present a report on indemnities for independent Members of the Standards Committee to Council.	Borough Solicitor	**July 2010**
	4	Present a report on the findings of the 2009/10 review of the Standards Committee to Council.	Borough Solicitor	**October 2010**
	5	Review Officer declaration of interest scheme following ratification of the Bribery Act.	Borough Solicitor	**March 2011**

Governance principle	Ref	Action	Responsible Officer	Target Date
	6	Revise officer code of conduct	Borough Solicitor	**March 2011**
Identified through the Internal Audit of the Corporate Governance Process				
Principle 3	7	It is recommended that the Local Code of Governance is approved by Council; this could be considered at the same time as the approval of the Annual Governance Statement. The Local Code of Governance should be updated to include: • The date it was last reviewed by the Borough Solicitor; • The date of the next review; and • The date it was adopted by Council	Borough Solicitor	**July 2010**
Principle 5	8	It is recommended that a periodic circular is sent to all managers requesting details of all employees who are studying for qualifications funded by the Council. The employee's name, job title, qualification, cost and expected completion date should be entered on to a register.	Training and Development Manager (Head of Human Resources)	**June 2010**
Principle 5	9	It is recommended that regular checks are carried out by HR on the status of employees studying for a qualification; and once a qualification has been completed a copy of the qualification certificate is retained on the employee file.	Training and Development Manager (Head of Human Resources)	**September 2010**
Principle 5	10	It is recommended that: A completeness check on all employee files at Daneshill House and Cavendish Road is carried out.	Pay and Rewards Manager (Head of Human Resources)	**October 2010**
Principle 5	11	PDM documentation is updated to include an annual review of Job Descriptions and Person Specifications by management and the review findings are reported to HR.	Training and Development Manager (Head of Human Resources)	**September 2010**

Governance principle	Ref	Action	Responsible Officer	Target Date
Significant actions identified through the review of the council's governance process against the six core principles (where not reflected in rows above)				
Principle 1	**12**	Scope Customer Focus Strategy projects.	Head of Customer Service and Business Improvement	**June 2010**
Principle 2	**13**	Carry out a review of the Council's Service Planning Process during 2010/11, effective for 2011/12 plans	Performance and Improvement Manager (Head of Customer Service and Business Improvement)	**January 2011**
Principle 3	**14**	Review of the Council's appraisal process	Head of Human Resources	**January 2011**
Principle 4	**15**	Review and enhance the Council's programme and project management procedures and documentation. Project documentation to include consideration of: • Risk • Climate change impact.	Performance and Improvement Manager (Head of Customer Service and Business Improvement)	**August 2010**
Principle 6	**16**	Improve compliance monitoring of Equalities Impact Assessments.	Communities and Partnerships Manager (Head of Strategic Housing, Partnerships and Communications)	**March 2011**
There is no significant internal control and governance issues identified as part of the 2009/10 review of service based governance.				

74 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Management Board, relevant Officers and the Audit Committee. The actions in the 2009/10 Annual Governance Statement and a plan to address weaknesses and ensure continuous improvement of the system are in place.

75 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 …………………………………
Date …………………………………
Cllr Sharon Taylor
Leader of Stevenage Borough Council

Signed …………………………………
Date …………………………………..
Nick Parry
Chief Executive of Stevenage Borough Council