

## 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. 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.
3. 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.
4. This Statement explains how the Council has complied with the code and also meets the statutory requirements in section 4(2) of the Accounts and Audit (England) Regulations 2011, in relation to the publication of an Annual Governance Statement.
5. 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.

### 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.

## Agenda Item 3: Appendix One

8. The governance framework has been in place at the Council for the year ended 31 March 2011 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. The Council's Director of Resources approves any changes to SHL financial Regulations and Internal Control procedures. 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 30 June 2011.

### **The Governance Framework**

10. The key elements of the systems and processes that comprise the Council's governance arrangements are summarised in the sections that follow.

### **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).
12. Each strategic ambition has an associated programme of work with projects to deliver the priorities and these are set out in the Council's Corporate Improvement Programme. Programme Governance arrangements are in place to monitor delivery.
13. The Council has made considerable progress since the publication of the Corporate Plan (Making a Difference) in 2008 and publish an Annual Report each year to inform the community of our progress.
14. The Council is carrying out a review of the Corporate Plan during 2011/12 to define what the Council wants to achieve over the next five years. The initial analysis of consultation and data show that the current ambitions and priorities require only minimal revision:
  - The priorities Bring Communities Together and Encourage Community Involvement have been merged to strengthen the link between people feeling they belong to a community and the potential for people to become involved in influencing decisions
  - The priority Focus on Neighbourhoods has been changed to a cross-cutting issue. Responding to needs at a local level remains a priority but it is considered it can be better addressed through integration across other priority areas.
15. It is intended that the full review of the Corporate Plan will:
  - Determine focussed priorities that are achievable with the Council's resources in the current financial context

## Agenda Item 3: Appendix One

- Enable the Council to clearly articulate the co-operative approach, recognising that the support and partnership of organisations, residents and staff is needed to run services
  - Demonstrate a commitment to community involvement in service design and delivery
  - Assign clear performance measures and targets to monitor success.
16. Each Service Delivery Unit has a service plan that sets out both how projects to deliver our priorities 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.
17. The Council's Corporate Communications Strategy, Let's Talk, communicates the council's aims and achievements to all stakeholders. The Council's approach to participation and consultation is currently being reviewed, along with our equality and diversity action plan, following changes in legislation. Both of these documents will articulate how we 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.
18. 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 awareness, 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. In 2011 the Economic Taskforce will further develop support to people with a focus on a number of partnership initiatives including implementing a 'World of Work' project, promoting the mortgage rescue scheme, working with Connexions on apprenticeship programmes, and delivering support with the Citizens Advice Bureau.
19. 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 Facilitation Of Policy And Decision-Making**

20. The Council has an approved Constitution which details how the Council operates, how decisions are made and the procedures that 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 and seven other Councillors from the Majority

## Agenda Item 3: Appendix One

Group. Both the Leader of the Council and each of the seven Councillors 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
- 
- The Leader of the Council has Portfolio responsibility for Town Twinning, Modernisation of Local Government (new political structures and the Constitution), Media and Communications, Public Consultation, Partnerships, Members' Services including the Modern Member Programme and the Civic Suite.
21. 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.
22. 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 of Resources (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 results 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.
23. In accordance with the provisions of the Local Government and Public Involvement in Health Act 2007 the Council was required to adopt new arrangements for its executive governance to come into effect from May 2011. At an Extraordinary meeting of the Council in December 2010 it was agreed that 'a Leader and Cabinet Executive (England) model' prescribed in Section 11 of the Local Government Act 2000 (as amended) be adopted with the following principal elements:
- (a) The Council appoints a Leader for a 4 year term unless he or she is removed from office, or is disqualified or ceases to be a Councillor.

## Agenda Item 3: Appendix One

(b) The Leader appoints a cabinet (Executive) of between 2 and 9 councillors and allocates any areas of responsibility (portfolios) to them. The Leader also determines the scheme of delegation for the discharge of the executive functions of the Council.

(c) The Leader appoints a Deputy Leader from the Cabinet (Executive) whose term of office will be the same as the Leader's save that the Leader can replace the Deputy at any time. The Deputy Leader will exercise all the powers of the Leader in their absence.

(d) The Council will be able to remove the Leader by a majority resolution of the Council.

(e) The 'Local Choice Functions' set out in the Council's current Constitution will be maintained.

(f) For the transitional period between the 3<sup>rd</sup> day after the elections in May and the Annual Meeting of the Council later that month the present Leader will remain in place and Council's current arrangements (as set out in paragraph 20) will remain in force.

### **Compliance With Policies, Procedures, Laws And Regulations**

24. 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, and 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.
25. 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.
26. 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:

## Agenda Item 3: Appendix One

- 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 Policy and Risk Management Guide
  - Communications Strategy
  - Whistle Blowing Policy
  - Corporate Procurement Strategy
  - Performance Management Framework
  - Business Continuity Policy
  - Corporate Improvement Programme.
27. During the year, the Corporate Governance Group has continued to develop the assurance framework around the corporate governance arrangements. A review of the requirements that make up the CIPFA six principles of Corporate Governance has been carried out to identify any weaknesses and Service Based Governance Statements have been compiled that contribute to overall assurance for the 2010/11 Annual Governance Statement.

### **Receiving And Investigating Complaints From The Public**

28. The Council has a robust complaints procedure, which is publicised via the Council's website and in Council buildings. Complaints can be received anywhere in the Council but are coordinated centrally by staff in the Council's Customer Service Centre. 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.

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

29. The Council regards communication as key to its work and essential in meeting its corporate ambitions 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.
30. The Council's Corporate Communications Strategy, Let's Talk, communicates the council's aims and achievements to all stakeholders. Its purpose is to establish and maintain clear and relevant two-way channels of communication in order to create an informed and recognisable profile for Stevenage Borough Council and a positive image of the town as a whole.
31. The Strategy sets out our Communications pledge, which is:  
We will communicate clearly, openly, accurately and regularly with our residents, with our partners, and with each other, in order to promote mutual understanding, and give a better service to the people of Stevenage.
32. 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. Additionally a formal Petition Scheme, including provisions for E.Petitions was introduced in 2010.

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

33. Partnerships are a key component for service provision. The Council is improving governance arrangements of key partnerships. SoStevenage, the local partnership, includes a governance statement in its *Guide to SoStevenage* that sets out risk and performance management arrangements.
34. Following the 2007/08 corporate governance review and the increasing focus on partnership working in the delivery of council services, 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.
35. In summary, the Toolkit sets out guidance on:
  - Governance arrangements
  - Risk management
  - Financial arrangements
  - Communication and engagement
  - Dispute resolution.
36. 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.
37. The Council is working to set up shared service initiatives with other Hertfordshire Local Authorities. A Shared Internal Audit Service, in partnership with the County Council and other Hertfordshire Districts Councils will go live in June 2011. A business case setting out proposals to deliver a shared Housing Benefits and Local Taxation Service will be reported to both partners' Executive Committees in June 2011. North Hertfordshire District Council, Stevenage and East Hertfordshire Councils committed to delivering a strategic business case for a range of other support services in February 2011.
38. The arrangements for managing these projects and the governance arrangements for the ensuing partnerships are likely to differ. However, there are a number of common principles that apply to all. All project work has been and will be undertaken jointly by the partners in line with good project management practice. Decisions that need to be signed off by Members are signed off concurrently. Partnership governance arrangements are formal and involve both Member and senior management oversight of the partnerships from all participating partners.

**Risk Management**

39. The Council has an approved Risk Management Policy, and a Risk Management Guide is available to all employees. Strategic and Operational Risk Registers are in place. Both the Strategic and Operational Risk Registers require risks to be scored in terms of their 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.
40. During 2010/11 each service has identified both Strategic and Operational risks. The Strategic Risk Register is monitored, on a quarterly basis, by the Council's Strategic Management Board (SMB). The Audit Committee also review the latest Strategic Risk Register as a standing agenda item.
41. 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.
42. A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, set up in July 2008, meets quarterly. The group's role is to oversee and review the reporting process and the development of the Council's approach to risk. The Chair of the Audit Committee and the Members' Risk Champion are invited to this group. The Risk Management Group reviews the content of the Strategic Risk Register before it goes to SMB and quality assures the risk management process as summarised below:
  - Considers whether the content of the Strategic Risk Register reflects the risk environment the organisation is facing
  - Identifies new or emerging risks that may require management at corporate level
  - Challenges mitigation actions planned to manage new and existing strategic risks
  - Monitors consistency of risk management across key partnerships
  - Considers quality and content of Operational Risk Registers at least annually
43. The Operational Risks Registers are developed and monitored by the relevant Head of Service. Action plans are developed to mitigate key risks and delivery monitored. Any risks which should be escalated are added to the quarterly review of the Strategic Risk Register and reported to SMB.
44. The Council also requires project risks to be identified for major projects and capital schemes when seeking approval from Executive. Identified risks are added to the Strategic Risk Register where appropriate. Project risks are further defined in Project Initiation Documents and monitored during the implementation phase of projects. A Partnership Toolkit was produced in 2008 which provides guidance on all aspects of effective management of partnerships including the management of risk.
45. During 2008/09, 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 on the Council's approach to Risk. Further training on risk identification was carried out with Heads of Service in May 2011 and officers are offered one to one training appropriate to need. Officer training is particularly focused on the development of operational level risk registers. Risk management training was carried out with Members as part of the 2009/10 and 2010/11 Modern Member Programmes. We will continue to enhance training to meet particular needs.



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

46. 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 that identify development needs
  - Standards Committee with an independent Chairperson.
  
47. The statutory process for dealing with complaints about Members is referred to in paragraph 28. The Employee Code of Conduct was revised and reported to Council in February 2011. The code:
  - Sets out the general standard of conduct expected of officers
  - Includes a restatement of the law and guidance on officers accepting gifts and hospitality
  - Includes a statement of the statutory requirements (with criminal sanctions for default) for officers to register certain interests.
  
48. 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**

49. 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 operate 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.

## Agenda Item 3: Appendix One

50. The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2011. From the Internal Audit work undertaken in 2010/11, 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 2011 accords with proper practice. The recommendations for improvement made by the Internal Auditor have a particular focus on the declaration of officer interests, as outlined below - It was recommended that:
- The relevant Strategic Director or Head of Service is made aware of officer interests within their service areas. An assessment of whether action needs to be taken to manage an officer interest and any action taken should be documented.
  - Procedures explaining how officers should be declaring their interests, examples of types of interests that should be declared and arrangements for the management review of the Interest Register should be developed and approved for use.
  - Separate registers for Officer Interests, and Gifts and Hospitality are maintained
  - To ensure adequate separation of duties in the Strategic Director Resources review of the declarations made in the Officer Interests Register, and Gifts and Hospitality Register, an alternative officer reviews any declarations made by the Strategic Director Resources
51. The recommendations made are being reviewed by relevant officers and appropriate plans developed. Delivery of the resulting action plan will be monitored by the Council's Corporate Governance Group.

### **Audit Committee**

52. 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, and '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

## Agenda Item 3: Appendix One

- The Statement of Accounts and related Capital Determinations
53. The Audit Committee is an advisory committee of the Council. It has been constituted in line with best practice recommendations from CIPFA guidance. In 2010/11 the Audit Committee comprised six appropriately skilled Council Members, including only one Executive Member, two Members from opposition groups 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.
  54. 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.
  55. The structure and role of Audit Committees is currently the subject of a consultation relating to the future of local public audit. The Department for Communities and Local Government is seeking views on options that relate to the role of the Audit Committee, particularly with regard to the appointment of external auditors. The Council will monitor developments and advise on legislative changes in due course.

### **Ensuring Economic, Efficient and Effective Use of Resources**

56. 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 February. 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 through Performance Development Meetings (PDMs) 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. Effective Workplace Planning also forms a key part of the Council's processes to seek to ensure effective use of resources. 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.
57. The Council provided a number of online and face to face opportunities for people to contribute to the budget consultation exercise in 2010/11. From September until January there was a dedicated area on the Council's website that brought information together in one place about all the avenues available for people to get involved. As well as providing information about meetings and events, it included links to the Council's Facebook and Twitter pages, a link to the online community forum and an opportunity to complete a short online questionnaire. A community consultation event (the Community Conference) took place on 11 September 2010 to

## Agenda Item 3: Appendix One

seek residents' views and ideas on how the Council could respond to the financial challenges it is facing. In December 2010 the consultation event Café Choice took place in a marquee in the town centre and provided residents with an opportunity to give their views on the savings proposals.

58. 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.
59. The current unprecedented financial context the Council faces requires ever more focus on budgetary control to ensure that the Council delivers maximum effectiveness and efficiency with the resources available in times of economic constraint.
60. 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. 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**

61. Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer.
62. 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 the role in the Council demonstrates the five principles that define the core activities and behaviours of the role. The Chief Financial Officer is:
  - A member of the Strategic Management Board
  - Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and decision align to the Council's financial strategy.
  - A key lead on the promotion and delivery of good financial management of the Council, so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
  - Directs a finance team that is resourced to be fit for purpose
  - Professionally qualified and suitably experienced.
63. The systems of internal financial control provide reasonable but not absolute assurance that finances 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.
64. 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

### Agenda Item 3: Appendix One

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 2010/11 include the following:

- The setting of detailed annual budgets, Council Tax and Housing Rents
  - Regular 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
  - 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 on to Executive
  - Continuous reviews, updating and reporting of the Council's General Fund and HRA Medium term Financial Strategies and the monitoring of finances against the Medium Term Plans 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.
65. The Council has enhanced its treasury management arrangements following the Icelandic Banks collapse in line with the CIPFA Revised Treasury Management Code and Guidance. This includes training of key staff and Members, improved information and regular reviews by Councillors in both Executive and Scrutiny functions (Audit Committee), and above all ensuring the security of the Council's investments.
66. The controls created by management are evaluated to ensure that Council ambitions are being achieved:
- Shape our community
  - Regenerate Stevenage
  - Create sustainable communities
  - Move towards excellence.
67. The Council's financial management arrangements consists of a number of interrelated strands, as set out in paragraphs 68 to 72:
68. 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.
69. 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,

## Agenda Item 3: Appendix One

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 ambitions and priorities. The Strategy has been developed in consultation with stakeholders and partners and is co-ordinated by the Corporate Capital Review Group.

70. 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 £1.65million for 2011/12, which while still focussing on efficiency savings included some service reductions. The Forward Plan bids were geared to help the residents of Stevenage affected by the recession.
71. 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.
72. 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**

73. The Council introduced a Balanced Scorecard for reporting performance information, from April 2008. The Scorecard includes a comprehensive set of key performance indicators (including all national indicators selected for local monitoring). The scorecard is reviewed annually to ensure the measures are robust. 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 the Council's performance
  - Includes data quality status for individual indicators
  - Sets out the trend of results that enables a comparison of quarterly results over time and year on year.
74. The Scorecard is presented to Executive on a quarterly basis by the Chief Executive.
75. 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

## Agenda Item 3: Appendix One

between Strategic Directors and relevant Heads of Service, where performance is not reaching target, or where there are data quality concerns.

76. 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 is explained.
77. 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**

78. 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
79. 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
- 80. Many of SHL's main financial processes continue to be provided in liaison with the Council through Service Level Agreements (SLAs). SHL 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.
- 81. 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.
- 82. 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.
- 83. The Council is undertaking a Housing Options Appraisal Project during 2011/12 to consider the future options for managing council homes in Stevenage. The project will look at whether the housing management should continue to be carried out at arms length by SHL or directly by the Council. A steering group is directing the project that comprises elected Members and staff of the Council and tenant representatives, and representatives from the Board of SHL. This group will ensure that the project is carried out effectively.

#### **Review Of Effectiveness Of Systems Of Internal Audit**

- 84. The Accounts and Audit Regulations 2011 came into force from 31 March 2011. Paragraph 6 (3) states, "A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its system of Internal Audit".
- 85. 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.
- 86. The self assessment 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.
- 87. The 2009/10 Annual Governance Statement reported that 96% of the planned days in the 2009/10 audit plan were delivered in year against a target of 95%. There has been further improvement in performance compared to last year, with the delivery of 98% of the 2010/11 planned audit days against a target of 95%.

#### **Review Of Effectiveness of Internal Control**

- 88. 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



## Agenda Item 3: Appendix One

comments made by the external auditors and other review agencies and inspectorates.

89. 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 provide an overall opinion on the adequacy of the Council's internal control environment and identifies any significant areas of weakness
- 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
- Annual service planning, to align service development against strategic goals
- 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 audit 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
- Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- 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 Standards 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**

90. The following significant internal control and governance issues were identified in the 2009/10 Governance Statement for delivery in 2010/11. Progress on the action plan is outlined below:

Governance principle	Ref	Action	Responsible Officer	Target Date	Progress
<b>Carried forward from 2009/10 Action Plan</b>					
Principle 2	1	Review job description for Chief Executive as part of vacancy management procedures.	Head of Human Resources	June 2010	<b>Completed</b> CE interim appointment is ongoing. The Job Description has been reviewed in light of Deputy CE Job Description review.
	2	Refocus officer training programme to better support the development needs of the organisation.	Head of Human Resources	March 2011	<b>Completed</b> All corporate training has been revisited by the Training team. A revised officer training programme has been developed and is being rolled out.
Principle 3	3	Present a report on indemnities for independent Members of the Standards Committee to Council.	Borough Solicitor	July 2010	<b>Completed</b> No indemnities to report to date. In addition, following abolition of Standards Committee in 2012, there will no longer be a requirement to report.
	4	Present a report on the findings of the 2009/10 review of the Standards Committee to Council.	Borough Solicitor	October 2010	<b>No longer applicable</b> Periodic review of the Standards Committee is carried out. Due to the status of the Standards Committee a report is not required for Council.  The 2008/09 Annual Return to the Standards Board for England reported to Standards Committee 15 July 2009. The Standards Board for England have now removed the requirement to report.

Agenda Item 3: Appendix One

<b>Governance principle</b>	<b>Ref</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Progress</b>
	<b>5</b>	Review Officer declaration of interest scheme following ratification of the Bribery Act.	Borough Solicitor	<b>March 2011</b>	<b>Completed</b> Revised Code of Conduct, referring to changes in regards to officer declaration scheme, adopted by Council in February 2011.
	<b>6</b>	Revise officer Code of Conduct	Borough Solicitor	<b>March 2011</b>	<b>Completed</b> A revised Code of Conduct was adopted by Council in February 2011 for inclusion in Section 5 of the Council's Constitution (with effect from 24 February 2011)
<b>Identified through the Internal Audit of the Corporate Governance Process</b>					
Principle 3	<b>7</b>	It is recommended that the Local Code of Governance is approved by Council; 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	<b>July 2010</b>	<b>In progress:</b> Report prepared for submission June 2011 following submission of the 2010/11 AGS to the Audit Committee.
Principle 5	<b>8</b>	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)	<b>June 2010</b>	<b>Completed:</b> A register of employees studying for qualifications funded by SBC has been developed. Checks for consistencies are being carried out, and any necessary policy revision is being considered.

Agenda Item 3: Appendix One

<b>Governance principle</b>	<b>Ref</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Progress</b>
Principle 5	<b>9</b>	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)	<b>September 2010</b>	<b>Completed:</b> A register of employees studying for qualifications funded by SBC has been developed.  Regular checks on status will continue.
Principle 5	<b>10</b>	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)	<b>October 2010</b>	<b>Completed:</b> The completeness checks have been carried out.
Principle 5	<b>11</b>	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)	<b>September 2010</b>	<b>No longer applicable:</b> Single Status implementation has allowed for a review or refresh of all 400 posts within SBC and SHL.
<b>Significant actions identified through the review of the council's governance process against the six core principles (where not reflected in rows above)</b>					
Principle 1	<b>12</b>	Scope Customer Focus Strategy projects.	Head of Customer Service and Business Improvement	<b>June 2010</b>	<b>Completed</b> A strategic review of the Customer Focus strategy was conducted by Senior Management Board on 14 September 2010 and is regularly reviewed with the Programme Sponsor.
Principle 2	<b>13</b>	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)	<b>January 2011</b>	<b>Completed</b> The Service Plan template has been reviewed and timeline for completion and monitoring process agreed by Strategic Management Board on 29 March 2011.

Agenda Item 3: Appendix One

<b>Governance principle</b>	<b>Ref</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>	<b>Progress</b>
Principle 3	<b>14</b>	Review of the Council's appraisal process.	Head of Human Resources	<b>January 2011</b>	<b>Deferred</b> Due to Single Status (complete harmonisation of terms and conditions), officer appraisal and proposed competency framework will be reviewed and launched following implementation of harmonised pay which is expected in mid-2011/12
Principle 4	<b>15</b>	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)	<b>August 2010</b>	<b>Completed</b> The requirement for consideration of risks has been added to the Project Concept & Definition Templates. Associated guidance recommends that climate change impact is considered at this stage.  A Project Management Toolkit is also being developed which will include further guidance on consideration of the impact of climate change during the life of the project.
Principle 6	<b>16</b>	Improve compliance monitoring of Equalities Impact Assessments.	Communications and Partnerships Manager  (Head of Strategic Housing, Partnerships and Communications)	<b>March 2011</b>	<b>Completed</b> Initial analysis of actions identified in Impact assessments has been completed. A new Equalities template and support material has been developed and training for relevant officers scheduled.
<b>No significant internal control and governance issues were identified as part of the 2009/10 review of service based governance.</b>					

91. Significant internal control and governance issues identified as part of the 2010/11 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:

## Agenda Item 3: Appendix One

- 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
<b>There is only one deferred action from 2010/11 to take forward and this is identified at Ref 4</b>				
<b>Delivery of governance actions identified through the 2010/11 Internal Audit of the Corporate Governance will be monitored throughout the year by the Council's Corporate Governance Group.</b>				
<b>Significant actions identified through the review of the council's governance process against the six core principles are set out below:</b>				
Principle 1	1	Carry out Housing Options Feasibility Study	Head of Housing, Communications and Partnerships	September 2011
Principle 1	2	Complete relevant strands of the Customer Focus Strategy in relation to arrangements to deal with failure in service delivery	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery
Principle 4	3	Complete relevant strands of the Customer Focus Strategy in relation to handling complaints	Head of Customer Services and Business Improvement	Timeline subject to prioritisation of Strategy delivery
Principle 5	4	Implement a competency based framework for Job Descriptions, Person Specifications and associated appraisals	Head of Human Resources and Development	March 2012
Principle 5	5	Refresh and update the Council's People Strategy and Succession Planning Policy	Head of Human Resources and Development	March 2012
Principle 6	6	Review and implement the Council's consultation and engagement framework	Head of Housing, Communications and Partnerships	November 2011
<b>No significant internal control and governance issues were identified as part of the 2010/11 review of service based governance.</b>				

Agenda Item 3: Appendix One

92. 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. As outlined above plans to address weaknesses and ensure continuous improvement of the system are in place.
93. 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