

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 Accounts and Audit (Amendment) (England) Regulations 2006 in relation to 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 2009 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 too 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 4 June 2009.

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 Plan. 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 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.

In the Audit Commission Report on the Council's Data Quality for 2007/08, the external auditor states:

"The Council's overall management arrangements for ensuring data quality are consistently above minimum requirements and have been further embedded compared to the previous year."

"The role of data quality champions is considered to be notable practice and has been put forward to the Audit Commission as such."

The Facilitation Of Policy And Decision-Making

- 13 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. Therefore, most decisions are taken by the Executive, Committees of the Executive, or by relevant individual Portfolio Holders. 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

- 14 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 Executive'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 full Council for approval. All Committee 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. Pre-Scrutiny work is also undertaken to support the Executive in policy development for the 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

- 15 The Council has structured its 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.
- 16 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.
- 17 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 protocol and Members/Officer relations, financial regulations, budget and policy framework, contract standing orders)
- Code of conduct for officers
- Code of Conduct for Members
- 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)

18 During the year, the Corporate Governance Team of Heads of Service has further developed the assurance framework around the corporate governance arrangements. This year, Service Based Governance Statements have been compiled which further enhances overall assurance for the 2008/09 Annual Governance Statement.

Receiving And Investigating Complaints From The Public

19 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

20 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.

21 Within the Service Based Governance Statements, services can demonstrate action taken in relation to upheld complaints.

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

22 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.

23 The Council's The 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

24 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
- 25 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

- 26 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 including risk and performance management arrangements.
- 27 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.
- 28 In summary, the Toolkit sets out guidance on:
- Governance arrangements
 - Risk management
 - Financial arrangements
 - Communication and engagement
 - Dispute resolution
- 29 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.
- 30 The Council is an active participant in the Pathfinder initiative and included in the action plan for 2009/10 is a review of support services with the pathfinder initiative.

Risk Management

- 31 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), 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.
- 32 During 2008/09 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 and review the latest strategic risk register as a standing agenda item.

- 33 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.
- 34 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 before approval. A Partnership toolkit was produced in 2008 which provides guidance on all aspects effective management of partnerships including the management of risk-
- 35 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. An ongoing targeted training programme for Members and Officers will be implemented during 2009/10. In particular this will focus on the further development of operational level risk registers and expand opportunities for non-executive Members to contribute to the strategic risk register. This programme will be overseen by the Risk Management Group.
- 36 A Risk Management Group led by the Strategic Director (Resources), with representation from each directorate, has been set up and meets quarterly. It's 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

- 37 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. 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 conduct for officers. 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.

Internal Audit Arrangements

- 38 The Council recruited a new Chief Internal Auditor on 1 May 2008, prior to this a partnership arrangement had been in place with Uttlesford and subsequently North Hertfordshire District Council. 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.

- 39 The Chief Internal Auditor's Annual Internal Audit Report and Assurance Statement was reviewed by SMB and reported to the Audit Committee in June 2009. From the Internal Audit work undertaken in 2008/09, 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 2009 accords with proper practice.

Audit Committee

- 40 An Audit Committee was 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

- 41 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.

- 42 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

- 43 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. 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.

- 44 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 2008/09 the Council held a Community Conference, which sought the views of members of the public on relative priorities and levels of service provision and budgetary implications. In addition further communication and consultation has been conducted using surveys and interviews, reflecting the Council's ongoing commitment to public consultation.
- 45 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.
- 46 To support the Council's commitment to efficient and effective use of its resources, the Leaders Service Priority Group was reconvened for 2008/09. The group was supported by officers and challenged savings options and forward plan bids to ensure they were aligned to the Council's priorities. 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

- 47 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.
- 48 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 2008/09 include the following:-
- Comprehensive processes to review priorities in the formation of the Council's annual Forward Planning and Savings exercises;
 - 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 and publication of these on the Council Intranet;
- The detailed use of Commitment Accounting processes;
- A quarterly review of the annual budget;
- Monthly budget reviews to estimate likely outturn figures;
- Production of monthly Key Budget Indicators (KBI) reports to SMB;
- Periodic reporting of the Council's financial position to Members;
- 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.

49 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.

50 The Council's financial management arrangement consists of a number of interlocking strands:

51 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.

52 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 2008/09 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.

53 Budget Preparation – The Council has a robust budgeting process driven by the objectives outlined in its Corporate Plan. In 2008/09, the Council has continued to strengthen the links between the budget and the Plan by continuing to develop a process to prioritise the allocation of resources in line with the objectives of the Plan.

54 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 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. Further work is taking place to allow challenge of reported variances and this will be implemented in 2009/10. The budget management process also reviews the progress of savings and forward plan bids together with carry forward budgets.

- 55 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 periodically to Members.

Performance Management

- 56 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).

- 57 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.

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

- 59 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. Where a future target identified in the Corporate Plan has been revised, the reasons are explained.

- 60 The Council has systems in place to measure Customer satisfaction in the customer service centre (CSC), this will be developed further, focusing on the quality of service provision in specific areas.

Stevenage Homes Ltd

- 61 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 Internal Audit for some of the shared key financial systems to SHL through a SLA and produces joint reports to the Council and SHL for audits in respect of shared 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.

62 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

63 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”.

64 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.

65 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.

66 The 2007/08 Annual Governance Statement reported slippage in the Audit plan for 2007/08. Whilst the percentage of planned days for the 2008/09 audit plan (82%) is below the 90% target, there has been significant improvement in performance compared to last year.

Review Of Effectiveness

- 67 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.
- 68 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

69 The following significant internal control and governance issues were identified as part of the 2007/08 Governance Statement, progress on these actions is outlined below:-

| Issue | Action Number | Action | Progress |
|--------------------------------------|---------------|--|--|
| Internal Audit and Audit Committee | 1. | Strengthen the management and effectiveness of Internal Audit to ensure timely delivery of the agreed Internal Audit programme in future years (July 2008) | The internal audit team has been strengthened with a new Chief Internal Auditor and a new senior internal auditor. New working practises further embedding risk based approach to auditing have also been introduced. Actions have been identified to further improve internal audit delivery rates. |
| | 2. | Review the Audit Committee's Terms of Reference and update in accordance with the CIPFA guidance (September 2008) | The Audit Committee Terms of Reference have been updated. |
| | 3. | Present Executive summaries for each audit undertaken, or produce a report to summarise the key findings from each of the audits completed (September 2008) | The Audit Committee have requested the reporting and progress of the high priority recommendations made by Internal Audit. The Audit Committee have requested a number of final reports e.g. Grant Funding |
| Value for Money (VFM) Investigations | 4. | Continue the improvements made in Unit costing and benchmarking and ensure they are embedded as an integral part of Service Reviews (September 2008) | The focus for financial services in 2008/09 has been to develop better budget monitoring and statement of Account reporting. Benchmarking of services will be an action for 2009/10. |
| | 5. | Continue identifying efficiency savings to assist in balancing the budget (September 2008) | Efficiencies of £1.57Million were approved as part of the 2009/10 General Fund budget process. |
| | 6. | In partnership with SHL, robustly review the SLA's currently in place between the two organisations (December 2008) | SLA's were reviewed in 2008/09 and revised specifications agreed between SHL and SBC. |
| Risk Management | 7. | Ensure all reports to SMB and the Executive contain a summary of Risk implications and controls required to reduce risk level (September 2008) | Standard committee report templates include a risk management section |

| Issue | Action Number | Action | Progress |
|----------------------|---------------|--|--|
| | 8. | Develop a consistent risk management approach to partnership working including introducing a toolkit (September 2008) | Partnership toolkit introduced in 2008/09. |
| | 9. | Introduce a Risk Management Group and ensure terms of reference also cover corporate governance issues (September 2008) | A Risk Management Group has been established with specific terms of reference. The officer group gives an open invitation to the Members Risk Champion and the Chair of the Audit Committee. |
| | 10. | Ensure annual review of Local Code of Corporate Governance and Framework (December 2008) | A Corporate Governance Group has been created which has a strategic overview of Corporate Governance. The Head of Service improvement plans have been revisited as well as the self assessment schedule. |
| | 11. | Enable SHL to meet the 'two star' standard at next inspection (March 2009). | To be updated |
| Financial Management | 12. | Develop the medium term financial strategy and achieve the necessary savings in order to set a balanced budget in future years and build up reserves (September 2008) | The MTFs has been remodelled and significant savings in excess of £2Million were identified for 2009/10. The current down-turn in the economy and the adverse financial impact on the Council, has meant that a savings target has been identified for future years. |
| | 13. | Embed the development and introduction of delegated financial management responsibility to Heads of Service (September 2008) | Budget monitoring has been developed and embedded within the organisation, this will be enhanced with financial training for senior managers. |
| Financial Reporting | 14. | Improve the quality of the accounts, working papers and capital accounting to ensure that the accounts are complied in accordance with the new accounting requirements in future years (June 2008) | The Annual Audit Inspection letter for 2007/08 recognised the improvement in the quality of the Council's statement of Accounts and a 'level two' for financial reporting was achieved. |

| Issue | Action Number | Action | Progress |
|--------------------|---------------|--|--|
| | 15. | Enhance external reporting of summary accounts to stakeholders (September 2008) | A summary statement was reported and published on the Council's website and in the Council's magazine Chronicle. |
| Ethics and Probity | 16. | Monitor compliance with officer code of conduct and develop Member code (September 2008) | A review of the Officer code of conduct is part of the action plan for the 2009/10. |
| | 17. | Within Service based Governance Statements, develop and monitor completion of action plans (December 2008) | Action plans have been monitored and revised in January 2009. Further actions have been identified for continuous improvement. |
| | 18. | Promote and develop new enhanced role for Standards Committee (December 2008) | The 'Local Standards Framework' has been fully adopted (completed February 2009). These include the increase in the size of the committee and the appointment of an additional independent member. Three sub- committees (two of which are statutory, one in accordance with standards board guidance) have been appointed. A new complaints procedure devised and publicised and the Local Assessment of Complaints Toolkit has been adopted. |

70 The following significant internal control and governance issues were identified as part of the 2008/09 Governance Statement.

| Issue | Action Number | Action | Target Date |
|--------------------|------------------------|---|------------------------------------|
| VFM | 1. | Engage with the Pathfinder initiative focusing on VFM and benchmarking of support services. (Strategic Director (Resources)) | March 2010 |
| Ethics and Probity | 2. | Review the officer code of conduct (Borough Solicitor and Head of HR) | September 2009 |
| | 3. | Extend the role of the Standards Committee (including indemnities for independent Members of the Standards Committee (Borough Solicitor)) | June 2009 |
| | 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 |
| | 5. | Review of senior management arrangements (SMB) | November 2009 |
| | 6. | Review of Officer declaration of interest scheme (Borough Solicitor) | March 2010 |
| | 7. | Review of job description for Chief Executive and Monitoring Officer (SMB) | November 2009 |
| | 8. | Review Management training requirements for Officers and Members as part of the HR 2009/10 work programme (Head of HR) | March 2010 |
| | 9. | Appointment of new Training and Development Manager to drive forward Member /Officer development strategy | August 2009 |
| | Performance Management | 10. | Customer Focus Strategy (3 years). |
| 11. | | Further Development of Gov-metric (to measure and report customer satisfaction) | March 2010 |
| Partnerships | 12. | Review of Grant Aid Process (Head of PPP) | July 2009 |
| Risk Management | 13. | Training targeted to meet the different roles of officers and Members (Finance Projects Manager) | March 2010 |
| | 14. | Review of the effectiveness of operation risk registers (Finance Projects Manage | August 2009 |

71 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 2008/09 Annual Governance Statement and a plan to address weaknesses and ensure continuous improvement of the system is in place

72 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