

Annual Governance Statement

Scope of Responsibility

1. Stockton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper practice, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Stockton Borough 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, Stockton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. Stockton Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The Framework constitutes 'proper practice in relation to internal control'. This statement explains how Stockton Borough Council has complied with the code and also meets the requirements of regulation 4(4) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control. The Annual Governance Statement is required to accompany the Statement of Accounts.

The Purpose of the Governance Framework

4. The Governance Framework comprises the systems and processes, cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Stockton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Stockton Borough Council for the year ended 31st March 2011 and up to the date of approval of the statement of accounts.

The governance Framework

7. The key elements of the systems and processes that comprise the authority's governance arrangements include the following:

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

- The Sustainable Community Strategy
- The Council Plan
- Service Development/Section/Personal Development Plans

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

- Service Planning Frameworks
- Scrutiny, Select and Executive Committees
- Corporate Management Team
- Policy Officers Group
- Consultation framework i.e. Stockton Renaissance Partnership
- Cabinet Member Portfolios detailing service area responsibilities.

Measuring the quality of service for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources:

- Fundamental Service/Best Value Performance Plan
- Performance Improvement Plans and Annual Reports
- Performance Improvement Clinics
- Service Improvement Groups
- Stringent annual financial efficiency targets
- Financial management and reporting
- Budget setting, budget management and closure timetables
- System automated financial reporting procedures
- Monthly Budget Management Challenge Clinics
- Service specific performance indicators
- Implementation of a traffic light monitoring and reporting system
- Established lines of accountability for objectives
- Corporate, Service and Section Performance Management and Reporting Framework
- Annual and quarterly reports on Council Spending and Performance
- Dedicated corporate governance database to record evidence to support the completion of the statement
- Performance Management and Reporting Framework and forward looking challenging performance indicators
- Performance management database
- Audit Protocol
- Audit and Inspection
- Benchmarking
- Assurance statements from each corporate director, second tier officer and specialist risk manager covering the Council's control environment.
- Standards Committee

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

- The Constitution
- Scheme of Delegation

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

- Financial Regulations/Standing Orders
- Standards Committee
- Executive Scrutiny and the Audit Committee
- Code of Conduct for Members
- Code of Conduct for Employees
- Corporate Protocols i.e. Freedom of Information, Data Protection etc.
- Corporate Management Team
- Corporate Governance Group
- Officer and members Declaration of Interests Policy
- Information Security Procedures
- Anti Fraud Procedures
- Range of Member Workshops and training seminars

- The Competency Framework

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

- Financial Regulations/Standing Orders
- The Council's Constitution
- Delegated Decision Records
- Corporate Risk Register
- Quarterly review of the Risk Register
- Risk Management Group

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

- Audit Committee remit
- Audit Committee Toolkit
- Chairpersons report on the effectiveness of the committee and opinion statement
- Joint working with Standards Committee

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

- Financial Regulations/Standing Orders
- Constitution
- Medium Term Financial Plan
- Financial Management Standard in Schools Accreditation process
- Specific working groups formed to develop policy i.e. procurement, Corporate Governance
- Project Team Working e.g. planning for existing and future developments
- Policy Officers Group
- Asset Register
- Contracts Register and Procedure Rules
- Recruitment Policies
- Procurement Framework
- Risk Management Strategy
- Self assessment questionnaires for voluntary organisations supported by the Council.
- Health and Safety Policies and Procedures
- Information Security Procedures
- Treasury Management Strategy
- Partnership Guidance manual.

Whistle-blowing and for receiving and investigating complaints from the public:

- Confidential Reporting Policy
- Whistleblowing Policy
- Investigation Guidance Manuals
- Customer First

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

- Officer and Member induction and training
- Professionally qualified staff in key roles
- Commendations, comments and complaints procedures
- Staff Appraisal process
- Setting the Standards

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

- Customer First
- Consultation Strategy
- Medium Term Financial Plan
- Viewpoint Panel
- Partnership Working e.g. Stockton/Darlington partnership, Stockton/Middlesbrough Initiative.
- Renaissance Board
- Specialist information management groups on communication and security standards

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements:

- Partnership Register and sub-group
- Partnership Guidance Manual
- Partnership Self Assessment
- The Council's Constitution

Review of Effectiveness

8. Stockton 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 the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Corporate Governance Working Group and its sub-groups, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. 2010/11 has been a particularly challenging year with significant budget issues and service reviews. However, there has been no let up in requiring managers to ensure basic operational controls continue to function to the expected standards.
 - **The authority**
9. The Council complies with the CIPFA/SOLACE documentation issued in 2001, which involved the production of a report and action plan to rectify weaknesses in the internal control environment. Reports identifying progress against the action plan have been taken to the Standards Committee on a quarterly basis since this date. A key element of this action plan included the development of a robust framework of risk identification, assessment, control and reporting, via the compilation of a regularly reviewed corporate wide, key risk register. This was, and still is generated from the risk assessment work of individual service management teams and ultimately approved by the Corporate Management Team.
10. During 2010/11, the Council's structure for reviewing the effectiveness of information management continued to improve. The Audit Committee is now a well established and effective process in the monitoring of the Council's control environment and has produced its' third annual report on its work.
11. All first and second tier managers and key risk specialists are still required to submit assurance statements covering governance issues within their service areas and the process continues to be further developed with the challenging role of the Risk Management Group. The statements for 2010/11 specifically include references to information quality and partnership management.
12. The evidence database to support the Annual Governance and Audit Opinion Statements is now embedded and is monitored by the Corporate Governance Working Group.

13. Managers within the Authority are then tasked with the ongoing responsibility to resolve weaknesses in governance framework, to achieve Council objectives and minimise risks, and this will be achieved through structured action plans.

- **The executive.**

14. Stockton-on-Tees Borough Council ("the Council") has agreed a constitution, which sets out how the Council operates, how decisions are made and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people. Law requires some of these processes, while others are a matter for the Council to choose. Article 1 of the Constitution commits the Council to providing clear leadership and support for the local community; making decisions efficiently and effectively, in a way which is transparent, accountable, does not discriminate and delivering continuously improving services which meet the needs of diverse communities.
15. The Executive (which is called "the Cabinet") is the part of the Council and carries out all of the local authority's functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution. The Cabinet is made up of the Leader of the Council and eight other Members of the Authority, elected annually by the Council, each with responsibility for a particular Portfolio.
16. Proceedings of both Council and Cabinet take place in accordance with the Cabinet Procedures Rules set out in Part 4 of this Constitution.

- **The audit committee.**

17. The Audit Committee was formed in accordance with the Local Government Act 2003 and its governance remit has been based on the CIPFA toolkit. Its major responsibilities are around corporate governance, including reports on internal and external audit, risk management, Health and Safety and the constitutional framework. The chair produced a report assessing the effectiveness of the committee and forwarded for approval to the committee. The committee meets approximately 7 times each year.

- **The standards committee.**

18. The Council's Standards Committee was formed in 1999 prior to the introduction of the requirement for such a Committee in the Local Government Act 2000. The Committee has an independent Chair, 2 other independent members, one of whom is the vice - chair, 2 parish representatives and 5 elected members. The Committee principal roles cover corporate governance related issues on the constitutional framework, standards of conduct, local determinations and investigations of misconduct and confidential reporting policies and meets monthly. Allegations of misconduct are dealt with by additional meetings of the Committee's sub - committees.
19. The role of the Standards Committee and the Audit Committee are closely linked and both committees receive similar reports to continually develop the constitutional framework, e.g. Internal Audit reports and the Governance Statement.

- **Internal audit.**

20. The working of the section is based on a 5 year strategic audit programme approved by Members that is prioritised through the risk assessment process. The section works to standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government, 2006 which will be endorsed by the Audit Committee. The Internal Audit 2010/11 Annual Report concluded that the Council continues to operate within a control environment that is generally sound. As part of its service, the section distributes annual reports to all Service Groupings on common audit observations, thus with the aim of driving down the number and severity of recommendations, thus demonstrating continuous improvement in system controls. This is done is subject to regular inspections by the Council's external auditor who places reliance on the work carried out by the section, and to an annual internal review carried out under the remit of the Corporate Governance Group.

- **Other explicit review/assurance mechanisms.**

- 21 The Council has installed an assurance framework to ensure the potential for risk is minimised and objectives are achieved.

- **Monitoring Officer.**

22. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations and to monitor legality, ethical governance and maladministration. After consulting with the Chief Executive, Corporate Directors and the Chief Financial Officer, the Monitoring Officer will report to the full Council, or Cabinet (in relation to Executive matters), if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered. The Monitoring Officer holds a key role in relation to the Standards and the Audit Committee, which receives reports on such issues, the minutes of the Committees going to the Council.

- **Chief Financial Officer.**

23. CIPFA's Statement on the Role of the Chief Financial Officer in Local Government describes the role and responsibilities of Chief Financial Officers in Local Government. The Statement sets out five principles that define the core activities and behaviors that belong to the role of the Chief Financial Officer and the organizational arrangements needed to support them.

The Chief Financial Officer in a local authority:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Chief Financial Officer, the Corporate Director of Resources, works within this framework: responsible for the financial affairs of the authority and ensures controls, procedures and regulations are in place to monitor the financial aspects of the Council.

The CFO works closely with the Chief Executive, the Corporate Management Team and the Monitoring Officer with regard to the legality of transactions, corporate governance and the minimisation of risk. Finance teams have direct reporting lines to the Chief Financial Officer to assist the financial reporting process

- **Policy Performance and Standards Unit.**

24. Undertake a monitoring role on performance against objectives included within the Community Strategy, Council Plan and Service's Performance Improvement Plans. Includes progress against outcomes and targets and reports to the Corporate Management Team, Executive and Scrutiny. A Policy Officers Group meets regularly to review progress on strategic planning, performance indicators, risk management and Best Value Reviews.

- **Risk Management Team .**

25. The Risk Management & Insurance Officer takes the lead in compiling and updating the Council's Corporate Risk Register and gaining approval by reporting through the Corporate Management Team to Members. The process includes an action plan to manage and minimise risk. The Council has robust systems for identifying and evaluating all significant risks developed and maintained by the proactive participation of all those associated with planning and delivering services. The Corporate Risk Management Group reviews the actions of managers on a regular basis.

• **The role of External Agencies**

26. In various ways, the above liaise and action issues and recommendations raised by external auditors and agencies who have specific interests in the quality and development of the internal control process. Any significant issues are summarised by the Annual Audit Letter issued by the Audit Commission.

Significant Internal Control Issues

27. There were no significant findings or governance issues worthy of comment in 2010/11. The platform of controls should be of great service to the Council in helping it through the current period of significant change.

By order of the authority.

Signed:

Chief Executive

Date:

Signed:

Leader of the Council

Date: