

**NORTHAMPTON BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2009/10**

1 Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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.

In discharging this overall responsibility, the 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.

Northampton Borough Council has, through its cross party Constitutional Review Working Group agreed a local code of corporate governance which is scheduled to be adopted by Full Council in July 2010. The code format is based on the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007). The code, when implemented, will be subject to a review by Internal Audit.

This statement explains how the Council meets the requirements of regulation 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 a statement on internal control.

2 The purpose of the governance framework

The System of Internal Control and the Governance Framework have been in place at Northampton Borough Council for the year ended 31 March 2010 and up to the date of the approval of the statement of accounts.

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the 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.

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, 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. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

3 The Governance Framework

The Constitution is the relevant governance document and the Code of Governance forms part of it. Our governance framework is derived from the six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission

utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles that this governance framework follows are:

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

The key elements of each of these core principles are as follows:

3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council works through a number of strategic partnerships with other service providers in the area. These include the Local Strategic Partnership (LSP), Safer Stronger Northampton Partnership (CDRP) and Children and Young People's Partnership. To be effective and to maximise the use of our shared resources, we develop shared priorities and deliver them in the most effective way for the people of Northampton.

Many activities which deliver shared priorities are agreed through the Local Area Agreement (LAA) for Northamptonshire. The first LAA was Northamptonshire focused on delivering services and improvements to communities against four key themes. The second LAA for Northamptonshire was agreed with Government Office of the East Midlands in May 2008. The current LAA identifies key priority outcomes for the whole county as well as informing local priorities for Northampton to be delivered by the Council and its partners.

The focus is seven key areas:

- Stronger, empowered and cohesive communities
- Building Safer Communities
- Improved life chances for Children
- Improved adult health and well being
- A stronger local economy
- Improved environmental sustainability
- Tackling exclusion and promoting equalities

The Local Area Agreement will be the key delivery plan for the Northamptonshire Sustainable Community Strategy. The strategy was approved by the Public Service Board in October 2008 and sets out the vision and key objectives for the county

between now and 2031. A Northamptonshire Public Service Board has been established as the body responsible for delivering the second LAA and replaces the previous LAA Board. This Board will take a strategic view for the county as expressed in the 'Sustainable Communities Strategy for Northamptonshire'. It brings key strategic partners together to inform, drive and champion the strategic vision for the county in the longer term.

3.1.1 The partnership vision for Northampton

We believe Northampton should be a successful and confident town in which everyone who chooses to live here, work here or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership has developed a *Sustainable Community Strategy for Northampton*, which includes key themes from a similar county-wide strategy and focuses on key strategic objectives local to Northampton. The Northampton Local Strategic Partnership's vision is -

By 2011 Northampton will be:

- ***Recognised for good quality, environmentally friendly housing***
- ***Well served by modern and efficient public services***
- ***Safer***
- ***Cleaner***
- ***Healthier***

As well as planning services for the future growth of the area, we also intend to improve the quality of our services and make them more accessible to our customers now. By constantly improving to make sure our Council is amongst the best Councils in terms of public service by 2013, we will be able to tackle the opportunities and challenges effectively - challenges such as managing the growth of the area in a way that enhances the quality of life, bringing the town centre to life, renewing local housing estates and putting Northampton on the map, both regionally and nationally. All of this can only be delivered by working together with our partners.

In order to ensure that our plans meet the needs and aspirations of our local communities, and contributes to wider community outcomes, we consulted with local people and used their feedback to help to select **our** five priorities. These are:

- **Safer, greener and cleaner communities**
- **Improved homes, health and well-being**
- **A confident, ambitious and successful Northampton**
- **Strong partnerships and engaged communities**
- **An efficient, well managed organisation that puts the customer at the heart of what we do.**

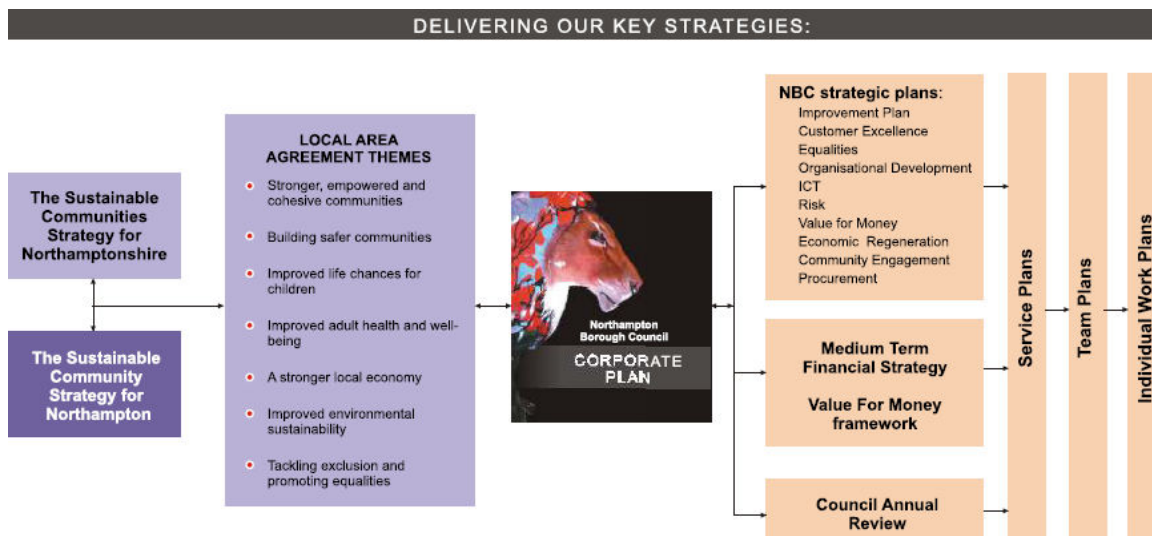
The Council uses information from corporate and service consultations, engagement through area partnerships and community forums as well as feedback from customers to check that these priorities remain important to the community and that service delivery meets their expectations. The Council also has a Residents Panel, which can be used for structured consultation with a demographically representative sample of the population.

The Council has adopted the following management aims, to ensure the above priorities are delivered. The management aims are to:

- Provide excellent customer service
- Engage in meaningful dialogue
- Make best use of our resources
- Be a single effective team
- Work to make Northampton a better place

The diagram below shows how the various groups and plans link together.

How We Deliver Our Key Strategies



3.1.2 Performance Management Framework

The Council has in place a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured and changes made where necessary.

The Council monitors delivery of its priorities and objectives through the performance management framework. A service plan is in place for each of the Council's service areas and the objectives set out in the key strategic plans (Sustainable Communities Strategy, Local Area Agreement, Corporate Plan) are embedded in these plans. The service plans represent the key plan for each service and clearly set out targets and actions for each service and how each service area contributes to corporate objectives and targets. The service plans address service-level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement imperatives, including data quality, Equalities, and Employee Opinion Survey action plans. Local service improvement plans are reflected in the plans.

The performance management framework requires service plan targets and actions to be reviewed each month by the relevant departmental management teams (DMTs). At strategic management level the overall performance of each service is monitored at monthly Directorate and Portfolio Holder DMT meetings, independently supported by a member of the corporate performance team. These reviews, chaired by the relevant Director, address a range of performance aspects: risk management, financial performance, national and local performance targets, complaints and compliments.

Issues identified are discussed in one to ones with the Director and Chief executive. A DMT Report Pack extracted from the Council's performance software, Performance Plus, supports the meetings. From April 2010 a Management Board Data Set will be reported on a monthly basis to Management Board, as well as the monthly Cabinet performance reports. Service plans are reviewed at DMTs; this will ensure that plans remain current, that targets remain relevant and appropriately challenging and that the service is delivering the actions necessary to achieve the corporate objectives.

The Corporate Performance Team, who is responsible for ensuring that Data Quality processes and procedures are in place, collates performance information. A Data Quality Strategy is in place that sets out roles and responsibilities and the processes in place. Data Quality Level 3 was achieved in 2009/10. Data quality leads and data quality action plans are in place in every service area. Checks on background evidence for indicators are applied each month on a sampling basis, with full background checks quarterly by the corporate Performance Team. Information which has no background checks, or which has not been signed off by managers in the service area, is not permitted to go forward into our performance reports. Senior managers and Councillors are then informed of the reason for the missing or unvalidated data. These steps are necessary to ensure that decision makers have confidence in the data presented to them. During 2010 service area Data Quality Risk Ratings will be introduced and reported to Audit Committee on a quarterly basis.

Performance information is made widely available. All Councillors are provided with the monthly performance reports. Portfolio Holders have access to their own tailored performance pages on Performance Plus, which can be accessed at anytime. Notice Boards across all council premises are used to display performance information, ensuring that staff who do not use computers can still access up to date information on the performance of each service area. The reports are placed on the Council's website so that members of the public can access the information.

At a political level performance is monitored by Portfolio Holders each month in DMT meetings with Directors and Heads of Service. Monthly performance reports are presented to each meeting of Cabinet by the Portfolio Holder for Performance, advised by officers. These reports focus on performance against the Council's priorities and highlights performance exceptions in addition to an overview of performance against all indicators. The report looks at in month and year to date performance against targets. An annual outturn report analyses national quartile performance so that the Council's performance levels can be compared to the levels of the best performing councils.

The Performance Management Framework clearly sets out the flow of management information and accountability across the Council. The framework is reviewed annually to ensure that it remains fit for purpose.

3.1.3 Corporate Planning

As outlined in 3.1.1 above, the Council sets its priorities based on the views of residents and key stakeholders. The annual Corporate Plan is based around these priorities and sets out the outcomes we want to achieve against the priorities. The compilation of the annual budget is informed by the Corporate Plan and the priorities and outcomes contained therein.

3.1.4 Employee Development Scheme

At employee level we have established an Employee Development Scheme so as to jointly agree employee objectives and identify training and development needs. The

Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for regular monitoring of performance during the year.

3.1.5 Review Processes

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.1.6 Procurement

A corporate procurement strategy and toolkit has been developed to ensure proper arrangements are in place for procurement of goods and services. Members and senior officers adopted this following review.

Contracts let during the year, as well as partnerships entered into, include appropriate arrangements for monitoring against agreed targets and indicators. A Procurement Monitoring Group has also been set up, where contracts over £20k are referred to the group, to ensure that the appropriate finance, procurement and legal rules are all adhered to.

3.1.7 Financial Regulations

The Council reviewed its financial regulations during 2007/08 with the updated financial regulations being approved by Council in November 2007. Revised procurement rules were adopted in March 2008, updating the previous guidance that covered 2004 to 2007. All budget heads are allocated to *named budget officers, who are* responsible for controlling spend against budgets, and who are also responsible for assets used in the provision of their services.

3.1.8 Risk Management and Business Continuity

The Council's Risk Management Strategy, which incorporates business continuity management, has been further improved in 2010. The Strategy clearly sets out the processes and responsibilities for managing risks across the authority and is supported by a Risk and Business Continuity Management Handbook.

Risks are identified and registers refreshed annually as part of the Service Planning process. This enables risks to be associated clearly to objectives and priorities, providing management with valuable monthly reporting, ensuring resources are targeted to the priorities and objectives most at risk.

Service-level risks are challenged monthly through the Directorate Performance Meetings and Management Board reviews Strategic risks quarterly.

The Council has approved critical functions and business continuity plans for these functions are well developed across the authority. A high proportion of these plans have been tested.

Assurance on the Council's risk and business continuity function is provided through a Quarterly Risk Review Meeting chaired by the Director of Finance and Support, through regular verbal and written updates to the Audit Committee and through internal audits.

3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.

3.2.1 Cabinet

Cabinet is responsible for making executive decisions as defined by law and operates within the budget and policy framework approved annually by Full Council. Meetings are open to the public except when personal or confidential matters are being discussed. Cabinet Portfolio Holders have authority to make non-key delegated decisions in accordance with the Leader's Scheme of Delegations in the Constitution. Furthermore, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the Officers' Scheme of Delegations in the Constitution. The Council publishes a forward plan, which contains details of key decisions to be made by the Cabinet. Each Cabinet member has a specific portfolio of responsibilities requiring him or her to work closely with senior and other employees so as to achieve the Council's ambitions.

3.2.2 Management Board

The Council's Management Board, which consists of the Chief Executive, Directors (including the S151 officer), the Monitoring Officer, Assistant Chief Executive and Head of Human Resources, met on a weekly basis during 2009/10. The current structure for Management Board decisions is that it follows a three week cycle, one week it considers normal business matters, the next week it considers bigger business, requiring thirty minutes or more of discussion and the third week it considers items requiring extensive discussion or debate, for example policy development issues. Management Board also considers other internal control issues, including strategic risk management, performance management, compliances, efficiency and value for money, and financial management. Management Board meet with Cabinet on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, performance management and forward planning for major issues. It has a corporate responsibility for the messages that the Council puts out, both internally and externally.

Below Management Board the management structure is well defined in a hierarchical manner, comprising the following groups in 3.2.3 to 3.2.5 below.

3.2.3 Corporate Briefing

This group consists of Management Board members and also all Heads of Service. The meetings are diarised weekly to meet as required. The agenda and meeting go ahead is agreed weekly by the Chief Executive.

The group, which is non-decision making, provides collective responsibility for:

- Providing corporate leadership
- Employee development
- Internal and external communications
- Performance management

- Co-ordinating and delivering corporate objectives and priorities for action
- Reviewing corporate policy
- Reviewing corporate standards
- Considering key operational matters

The format and further development of this meeting is currently under review.

3.2.4 Directorate Management Team (DMT)

Each Directorate has a DMT where the Director and Heads of Service meet to discuss Management Board feedback, council wide and service specific areas. DMT meetings:

- Ensure that directorates contribute to Management Board, Corporate Briefing and other teams/groups
- Ensures feedback from Management Board, Corporate Briefing and other teams/groups is communicated within the Directorate
- Provides a lead within Directorates to meet corporate requirements
- Ensures group corporate contribution
- Ensures communication of corporate requirements within and between teams within the respective directorate
- Ensures service area performance is reviewed through DMT Performance Report Packs

3.2.5 Managers' Workshop

The managers' workshop started in 2007/08 and has a planned roll out of corporate subjects. The workshop attendance covers over 100 managers across the Council.

3.2.6 Programme and Project Governance

The Council is currently delivering a number of organisational change projects, which are monitored through the delivery of a Change management Plan. The Plan captures initiatives that are either currently underway or are forecast to commence over the next 12-18 months.

In order to ensure that there are robust arrangements in place to ensure that programmes and projects make the best use of the organisation's resources, that risks associated with the investment are managed and that there is accountability for decisions made at programme or project level, a Change Management Governance process has been implemented.

As an organisation, we follow a 5 stage gated Change Management Process, which is a project management practice incorporating Prince 2. The gated process supports prioritisation and challenge of why how and when projects should be initiated to deliver major change within the Council and enables ongoing checks and decision points to review the viability of projects and cease delivery if required.

There are several levels of governance in the Change Management process:

Project Initiation Group (PIG)

A group delegated by Management Board to assess requests to initiate new change projects from across the Council to ensure the business case for undertaking the project fits with corporate objectives, provides sound VFM and challenges whether the Council has the resources available to deliver the project. The Project Initiation Group makes recommendations to Management Board on both project start up and business

case approval, as well as regular updates when gateway reviews are undertaken at relevant points within the 5 gated project process.

Prime responsibilities

- Review all Project Initiation Requests (PIRs) viability against the change assessment criteria
- Review and challenge business cases and make recommendation to Management Board on their viability
- Provide an approval or reject recommendation to the Management Board on all PIR and Business Cases
- Make the necessary recommendation on reprioritisation of the change management plan to Management Board as and when required
- Communicate progress of the NBC change plan and report on updates to the Management Board and Members
- Conduct Quality Gate Reviews on major projects/programmes and provide recommendation to Management Board and on its findings and recommendations
- Facilitate the appeal process for all PIR and Business Case that have been unsuccessful in their evaluation by PIG and Management Board

Management Board

Approves or rejects project start up and business cases, requests for funding and receives updates on project progress.

Political Oversight Meetings

The Leader of the Council, Portfolio Holder for Finance and the Chief Executive receive dashboard exception reports detailing programme/project progress at a monthly meeting. This progress review meeting is used to identify projects to be scrutinised in detail. The relevant Director Sponsor for the project selected is invited to a monthly challenge session where issues and progress are discussed.

Programme governance is led by programme boards chaired by the relevant Director Sponsor and their main role is to ensure that the programme delivers the overall **outcome** of its business case. They report progress by exception to the Corporate Virtual Programme Office on a monthly basis to support organisational monitoring.

Project governance is led by the project board and they have responsibility for the overall supervision, direction and authority for decision-making in the project. They report progress and issues by exception to the relevant Programme Board.

3.2.7 Other specific group meetings

There are also corporate groups for Equalities, Use of Resources, ICT Exchange Group, Procurement Monitoring Group (PMG) to name a few.

3.2.8 Codes and Protocols

The Council has adopted a number of codes and protocols that govern both Member and officer activities. These are mainly reviewed annually:

- Members Code of Conduct
- Members Register of Interests
- Officers Code of Conduct
- Officers Register of Interests

- Protocol for Members and officers regarding probity planning
- Protocol on Member/Employee relations
- Register of Gifts and hospitality – Members and Officers
- Counter Fraud
- Whistleblowing policy
- RIPA Policy
- Complaints and compliments procedures

3.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has designated the Borough Solicitor as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer also supports the Standards Committee and is the nominated officer for Whistleblowing. After consulting the Chief Executive and Director of Finance, he will report to the Council, under Section 5 of the Local Government and Housing Act 1989, if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council's Standards Committee complies with best practice and has 3 independent members sitting on it.

The political and managerial leadership is engaged in the ethical agenda through meetings between the Chair of Standards and the Political Leaders and the Chief Executive. The Chair of Standards will now personally present the Standards Committee's annual report to a meeting of the Full Council.

The Standards Committee engages internally and externally through a communications strategy, which includes a newsletter and a revamped internet / intranet site.

3.3.1 Report on Governance Arrangements

Our internal auditors carried out an electronic governance survey in March 2010, as part of the planned 2009/10 audit work. A similar survey was carried out in 2006/07, which was compared with the 2009/10 results.

In summary, the results indicate that perceptions of the strength and quality of governance have increased for Members and senior management as a whole since the 2006/07 survey.

3.3.2 Finance and Audit Services

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 13 and the Financial Regulations section within the Constitution. The Council has designated the Director of Finance as the Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972. The Head of Finance and Assets is the deputy S151 officer. The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Council Plan.

The Council maintains an Internal Audit service provided through a contract with PricewaterhouseCoopers, who operate to the standards set out in the 'Code of

Practice for Internal Audit in Local Government in the UK'. Individual services produce annual service plans. These Service Plans are updated each year so as to incorporate the Council Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

Our external audit services are provided by the Audit Commission, who audit our statement of accounts, data quality, grant returns, whole of government accounts and national fraud initiative.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

3.4.1 Regulatory Functions

The Council has several committees which carry out regulatory functions.

- Cabinet, which makes executive decisions
- A Planning Committee to determine planning applications and related matters;
- A Standards Committee that promotes, monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough;
- An Audit Committee to provide assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the Council.

The Audit Committee has become a very effective committee meeting. During 2009/10, the committee has again monitored the delivery of internal audit recommendations through the output of the Teamcentral system. The Committee has requested officers to attend where recommendations have not been implemented by the due date. This is now moving onto audit reports that have a no or limited assurance rating, as the audit recommendations are largely implemented on time now. This has led to improved internal control with the audit recommendations being implemented on a timely basis.

The committee also reviews risk registers and will also approve the 2009/10 Annual Governance Statement (AGS) and Statement of Accounts. The committee received its annual training from our internal audit providers PWC in March 2010;

- A Licensing Committee, which monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- General Purposes Committee, which is a sub-committee of Full Council and makes decisions which are not the responsibility of the Executive or other committees;
- Appointments and Appeals Committee, which has responsibility for appraising senior officers and dealing with certain disciplinary/grievance matters.

3.4.2 Scrutiny Functions

Since May 2007 the Council has operated with four committees which carry out the Overview and Scrutiny (O&S) function. These are:

- Overview and Scrutiny Management Committee, made up of the chairs and vice-chairs of the three Overview and Scrutiny Committees - sets workplan, allocates resources, oversees Member training in O&S area, and reviews arrangements for involvement by Councillors and the public.
- Overview and Scrutiny Committee 1 - Partnerships, Regeneration, Community Safety and Engagement
- Overview and Scrutiny Committee 2 - Housing and Environment
- Overview and Scrutiny Committee 3 - Improvement, Performance and Finance

The Overview and Scrutiny Committee structure has been recently reviewed. The Scrutiny Management Committee has been disestablished and one scrutiny committee has been established with the power to create 3 standing Panels to conduct particular work commissioned by the parent Committee. These proposals were recommended by the he Constitutional Review Working Party and approved by Full Council in May 2010.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and also an important mechanism for driving forward performances in services. The four key legislative roles are: -

- Holding the Executive to account
- Policy development and review
- Best Value Reviews
- External Scrutiny

Overview and Scrutiny provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

Overview and Scrutiny is charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

Overview and Scrutiny is Councillor led. As well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Overview and Scrutiny Committee, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

3.5 Developing the capacity and capability of members and officers to be effective

The Council has a structured Councillor development programme which is informed by corporate priorities, legislative changes and individual personal development plans for Councillors. The programme is overseen by the Councillor development group, which

comprises of Councillors from all political groups and officers to determine priorities and agree programmes of development on a rolling three-month programme. It also evaluates and monitors outcomes from development sessions.

Extensive Members training was undertaken during 2009/10. The developments focused on three key areas: Knowledge briefings, personal skills development and Committee Development Sessions. Some topics covered in knowledge briefings were: Emergency Planning, Community Safety, and Financial Budgets & Service Planning. Personal skills development was identified through Personal Development Reviews (based on the IdeA competencies). These ranged from IT skills, developmental conferences and nominated delegates attending the IdeA Leadership Academy. Training was conducted for Committee members in the areas of Planning, Licensing, Standards & Overview & Scrutiny.

3.6 Engaging with local people and other stakeholders to ensure robust public accountability

The Council has adopted a community engagement strategy. This sets out its principles for talking to and understanding the needs and opinions of residents, forums, community groups, stakeholders and partners, and how they can get involved in community life and decision-making. Detailed work is being carried out to develop a co-ordinated programme of engagement activities to support the implementation of the strategy.

A comprehensive communications strategy is also being prepared, which will make sure that the Council gets its message across, is able to inform local people of what it is doing and what they need to know, protects the Council's reputation and improves how it communicates with its own staff.

4 Review of Effectiveness

4.1 Overall Review of Governance Framework

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process adopted during 2009/10 for a review is below; this will be strengthened during 2010/11:

The AGS group was set up to agree the approach and necessary contributors for the production of the draft AGS and its circulation for comments. The process included:

- Contributions and comments from Heads of Service.
- Internal Audit review for comment
- Review and approval by Management Board
- Review and approval by the Audit Committee

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2009/10.

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 Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Monitoring Officer

The Borough Solicitor (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes. A full review of the Constitution was undertaken during the latter part of 2007/08 to ensure it was accurate and reflected current best practice and legal requirements. A further review is currently underway through the Cross Party Constitutional Review Working Party (CRWP) and partial changes were approved by Full Council in May 2010 with a further review of the full constitution to be considered by Full Council in July 2010.

4.3 Overview and Scrutiny

The Council's three Overview and Scrutiny (O&S) Committees are described above. They can establish Standing Panels groups, which look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Executive (Cabinet). The O&S Committees can "call-in" a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

A good example of the call in process at NBC is detailed in an article by the Centre for Public Scrutiny (CFPS), where the Sixfields plan was called in. The article notes that it was effective use of the call in process.

During 2009/10 examples of what the then task and finish groups carried out for the O&S Committee included:

- **Community Centres:-**

To support the development of policy in relation to:-

- The provision of premises for community use, and
- The role of Northampton Borough Council in such provision
- Monitoring any budget proposals in relation to community centres

- **More facilities for older children and young adults**

- To investigate the facilities and activities (recreational, social and cultural) available for 13-19 year olds, including those with special education needs and those with disabilities up to the age of 25.
- To evaluate whether such facilities and activities are on a paid for or free of charge basis.

- **Scrutiny of the West Northamptonshire Emergent Joint Core Strategy**

- To recommend to Full Council, Northampton Borough Council's formal response to the consultation on the West Northamptonshire Emergent Joint Core Strategy
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- **Sheltered Housing and Housing Options for Older People**

- To establish whether the Sheltered Housing Service provides a value for money service and how it can be improved.
- To establish residents' satisfaction levels and understanding of Sheltered Housing and Housing Options for Older People

- To determine a better understanding of the complex nature of Sheltered Housing

An Overview and Scrutiny Work Programming event was held in March 2010. Non-Executive Councillors, in Groups, supported by a Director and a Head of Service put forward suggested issues for inclusion on next year's Overview and Scrutiny Work Programme. Cabinet Members were invited to attend the event to inform of their priorities and objectives for the year. The Leader of the Council provided a précis of Cabinet's priorities and objectives and along with other Portfolio Holders present provided further information as required to the workshop on these issues. The Overview and Scrutiny Management Committee considered the issues suggested for inclusion and agreed that the Overview and Scrutiny Work Programme 2010/2011 be ratified by the new Overview and Scrutiny Committee at its first meeting in the new Municipal year. Issues on next year's Overview and Scrutiny Work Programme include: -

- Leisure Strategic Business Review
- Pre decision Scrutiny: Procurement (Market Testing) of Environmental Services
- Northamptonshire Alcohol Strategy
- Commissioning Framework for the Third Sector

Two previous Scrutiny Reviews have been submitted to the CfPS' Good Scrutiny Awards 2010 for awards as an example of best practice. The Overview and Scrutiny Review – Customer Services nomination in the category 'added value' and the Overview and Scrutiny Review into the contaminated water incident in Northamptonshire in the category 'joint working'. The shortlist will be announced on 26 May 2010 and winners on 30 June 2010.

The CfPS refers to the Overview and Scrutiny Review into the Contaminated Water incident in Northamptonshire as an example of good practice of how there can be co-ordination between Councils in addressing an issue that crosses authority boundaries and the efforts that were made to engage with the public, both as a Council and by individual Members.

The Committee will also be conducting a base-line review using either a bespoke one or the Audit Commission's Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

4.4 Standards Committee

The Standards Committee has produced periodic newsletters for the benefit of Members, Parish Councillors and relevant officers, to provide updates on the national position, advice on matters in relation to Standards generally and to also remind Members of their obligations under the Code of Conduct, the Register of Interests, Gifts and Hospitality.

The Standards Committee held an "away-day" to develop an ambitious work programme for 2009/10, which will include strategies to develop the ethical agenda within the Council. The Committee will also be conducting a base-line review using either a bespoke questionnaire or the Audit Commission's Ethical Government toolkit. A programme to policy reviews will form part of the work programme.

In 2008/09, the local filter arrangements to deal locally with Member contract complaints was developed and implemented. A manual of procedures was developed and is being used by the Committee. A further review of the manual and Committee

structures is underway to enhance the operation of the local filter arrangements and manual of procedures.

4.5 Audit Committee

The Audit Committee has been very effective during 2009/10. An example is that all outstanding Internal Audit recommendations are reviewed at each meeting. Senior officers are requested to attend the committee to explain why recommendations have not been implemented within the agreed timescales.

The Committee through its review of outstanding recommendations, has certainly proved to assist in the number overdue that are now virtually nil.

A good example of the effectiveness and timely intervention of the Audit Committee, is that all three areas noted below as having significant control weaknesses have been reviewed by the committee.

4.6 Internal Audit

Internal Audit, under the terms of engagement, are required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the Council's:

- Risk management
- Control and;
- Governance processes.

Collectively this is referred to as "the system of internal control".

An audit plan is prepared each year and is agreed at the Audit Committee prior to the year commencing. For 2009/10 the audit plan was agreed at the Audit Committee meeting on 17th February 2009.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager and/or chief officer. The report includes recommendations for improvements that are included within an action plan and requires agreement or rejection by service manager and/or chief officers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below:

High Assurance: No control weaknesses were identified or some low impact control weaknesses were found.

Moderate Assurance: There are some weaknesses in the design and/or operation of controls, which could impair the achievement of the objectives of the system, function or process. However, their impact would be less significant or they are unlikely to occur.

Limited Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact, but should not have a significant impact on the achievements of the organisational objectives.

No Assurance: There are some weaknesses in the design and/or operation of controls, which could have a significant impact and may put at risk the achievement of organisational objectives.

Risk ratings, ranging from critical to low, are also included within the audit reports.

Significant progress has been made on a number of audited areas during 2009/10, most notably receiving a high assurance rating, with no recommendations, for the key areas of Budgetary Control and Treasury Management.

The Internal Audit service is subject to a review by the Council's external auditors, the Audit Commission, who place reliance on the work carried out by the section. Internal Audit also carries out an annual self-assessment that is reviewed by the Director and Head of Finance and external audit.

TeamCentral was introduced at the end of 2007/08. This software manages audit recommendations and monitors the adherence of implementing them by agreed dates. TeamCentral sends out automatic monthly reminders where the implementation dates of audit recommendations have passed without being closed. The reports from this system will also be used as part of the monthly Corporate Performance Review meetings and summary information is presented to the Audit Committee. The committee during 2009/10 has requested officers to be present at meetings to explain why recommendations have not been actioned.

4.7 Comprehensive Area Assessment

As part of the Comprehensive Area Assessment (CAA) framework for districts, the Council has been assessed under the 'use of resources' category. The overall score for 2008/09 was a 2, which is a good achievement to maintain this score from CPA, as CAA is a harder test. The 2009/10 score was being moderated by the Audit Commission and we were confident that we going to achieve some 3s. However, there was an announcement from the Audit Commission at the end of May 2010 that work on CAA, including the use or resources, ceased with immediate effect following the abolition of CAA by the new coalition government.

5 Significant governance issues

The 2008/09 statement highlighted significant control weaknesses in the following areas; debtors, creditors (Uniclass), payroll, bank reconciliations, fixed assets, housing rents and car parking income. Improvements made to these systems during 2009/10 mean that they are mainly no longer considered to have significant control weaknesses. However, debtors and creditors (Uniclass) are reported below again. Debtors are additional recommendations following the actions taken during 2009/10 and creditors (Uniclass) is repeated below due to the delay in the implementation of the IBS system.

Significant control weaknesses in relation to the following services for 2009/10 were identified by Internal Audit and highlighted to the Audit Committee at its meeting of 17th 2010 in the Annual Audit Report.

The report states that their work did not identify any significant control weaknesses that were considered pervasive in their effect on the system of internal control. However, isolated significant control weaknesses were identified in the following audits:

Significant Control Weakness areas	Action to address weakness
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	(examples)
<p>Core Financial Systems:</p> <p>Debtors and Uniclass Creditors.</p> <p>Debtors</p> <p>Specific concerns were raised with regards to:</p> <ul style="list-style-type: none"> i) The level of sundry debt over 90 days old and the effectiveness of the recovery process; ii) System functionality meant that new cases for some classes of debt, had not been put into recovery during the year; and iii) Examination of the bad debt provision showed that the IRAS percentage provisions had not been reviewed in light of the current economic climate. <p>Uniclass Creditors</p> <p>There was a poor response in addressing issues raised in this area in prior years. The implementation of IBS had been provided as a response to weaknesses in the Uniclass system, however this implementation has been delayed repeatedly and we expect that appropriate controls should be put in place in the intervening period.</p>	<p>The Audit Committee on 22nd March 2010 requested an update on both of these systems. A report was presented on each to the committee on 17th May and officers were challenged on progress and actions taken. In summary:</p> <p>Debtors</p> <p>On the high risk ratings:</p> <ul style="list-style-type: none"> i) Work on aged debt is to be prioritised ii) Measures have now been taken to address a system error in housing where new debt wasn't being put into recovery iii) The bad debt provision calculations will be reviewed and updated. <p>Uniclass creditors</p> <p>Interim measures, such as segregations of duties, have been put in place, prior to the change in system to IBS, which is on track to go live in July 2010.</p>
<p>Other Systems Audits:</p> <p>Grounds Maintenance</p> <p>Specific concerns were raised in relation to:</p> <ul style="list-style-type: none"> i) A lack of information in relation to job costing for the department along with associated cost and quality specification; ii) No schedule of work produced for the department including timings and frequency; and 	<p>Again, this is a report that the Audit Committee requested an update on. The Head of Neighbourhood Environmental Services on 22 March 2010 updated the committee on actions being taken to address the recommendations made by Internal Audit. These include restructuring to ensure staff are effectively utilised and performance managed and savings</p>

iii) At the time of our review, there was a projected overspend of almost £180k.	plans to address overspends and efficiencies are in place.
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As a result of the above, Internal Audit can only give the authority limited assurance on the design and effectiveness of the system of internal control. However, at the Audit Committee meeting on 17th May 2010, advised that it would not be a huge leap to moderate, based on the improvements made to date continuing.

We propose to address the above matters, as set out in the table, 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.

6 Certification by the Leader of the Council, Chief Executive, Director of Finance and the Monitoring Officer.

Signed:

Signed:

Date

Date:

Councillor Brian Hoare
Leader of the Council

David Kennedy
Chief Executive

Signed:

Signed:

Date

Date:

Isabell Procter
Director of Finance & Support
(S151 Officer)

Francis Fernandes
Borough Solicitor /
Monitoring Officer