

**PETERBOROUGH CITY COUNCIL  
(DRAFT) ANNUAL GOVERNANCE STATEMENT 2010**

### **1. SCOPE OF RESPONSIBILITY**

Peterborough City 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 City 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.

In discharging this overall responsibility, the City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

This statement explains how the City Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also 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, which requires the City Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the City Council 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 and 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 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 City Council's policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **3. THE GOVERNANCE FRAMEWORK**

The Council is a complex organisation with an appropriately comprehensive governance framework. The Council works in a dynamic environment and keeps its processes under constant review. Our governance framework derives from 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 of Public Management. The commission utilised work done by, amongst others, Cadbury (2002), 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 state that good governance means:

- Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting the values of the Authority and demonstrating the values of good governance through behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members to be effective and ensuring that officers (including the statutory officers) also have the capability and capacity to deliver effectively; and
- Engaging with local people and other stakeholders to ensure robust local public accountability.

In March 2008, the City Council approved and adopted a Local Code of Corporate Governance, which provided in-depth details of the framework the City Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) guidance “*Delivering Good Governance in Local Government*”. The following paragraphs summarise the City Council’s Governance Framework which has been in place for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of this Statement and the Statement of Accounts.

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

### **3.1: Creating and Implementing a Vision**

Good governance means focusing on the purpose of the City Council, on outcomes for the community and creating and implementing a vision for the local area. The following describe how the City Council achieves this:

- The Council has a clear statement of its purpose and vision as set out in the Corporate Plan which is published on an annual basis. The Corporate Plan sets out the overarching strategy for the Council including its priorities and the outcomes that it is seeking to achieve. The Plan provides a clear basis for corporate and service planning which is carried out in accordance with the Corporate Planning Cycle. The Council Plan has clear links to the Sustainable Community Strategy and Local Area Agreement.
- The Sustainable Community Strategy for Peterborough was agreed by the Greater Peterborough Partnership in 2005 and fully refreshed to set out vision for Peterborough covering 2008 - 2021. It sets out a vision and overall strategy for the future of the city and the surrounding villages and rural areas. It reflects both the agenda for growth and the clear desire to ensure that Peterborough grows the right way, so that economic and population growth leads to genuine improvements in key areas, particularly those where Peterborough currently has specific problems or issues. It recognises that in order to create a bigger and better Peterborough, then the city will have to deal quickly and effectively with the pressing issues of today as well as the plans for tomorrow.
- The SCS vision is to create:
  - *A bigger and better Peterborough that grows the right way, and through truly sustainable development and growth;*
  - *Improves the quality of life of all its people and communities, and ensure that all communities benefit from growth and the opportunities it brings;*
  - *Creates a truly sustainable Peterborough, the urban centre of a thriving sub-regional community of villages and market towns, a healthy, safe and exciting place to live, work and visit, famous as the environment capital of the UK.*
- There are four priorities for areas of work which are needed in order to achieve the vision and each of these is supported by four high level outcomes that form the basis of the Local Area Agreement. The four priorities are:
  - Creating Opportunities - Tackling Inequalities
  - Creating Strong and Supportive Communities
  - Creating the UK's Environment Capital

- Delivering Substantial and Truly Sustainable Growth
- Led by the City Council, the Sustainable Community Strategy is a shared view across partners and the community about what needs to be done to improve the economic, social and environmental wellbeing of the local area. Partner organisations are expected to take account of the Sustainable Community Strategy when they prepare their own organisation's business plan.
- The Vision is reviewed through a variety of means including ongoing analysis of performance information; a review of national and local drivers for change; consultation with stakeholders, including residents, businesses and partner organisations. This is structured around the Corporate Planning Cycle, so that any changes made are cascading through the organisation to inform and amend departmental delivery contracts, service plans and business plans.
- The annually updated Corporate Plan contains a statement of objectives within each corporate priority. This describes the areas where we are focussing our activities over a three year period. This document also records information about the Council's services and finances, and lists targets for the next three years together with planned improvements. Performance is reported to Cabinet on a quarterly basis and is monitored through various Scrutiny Committees. Performance information is available across the council and partnership through the council's corporate performance management system, Performance Plus, which is used to report against National Indicators to senior management.
- The Council has a medium term financial plan (MTFP) and capital programme to ensure that resources are aligned to priorities. The budget process incorporate consideration of the allocation of resources to the Corporate Plan aims. The MTFP allows annual strategic review in the context of performance against Corporate Plan aims and sets targets of efficiency improvement to release resources for deployment. Monitoring reports are submitted to the Corporate Management Team, (CMT) and to Cabinet and issues are referred to other Scrutiny Commissions as appropriate. The council established "critical issues" which are reported regularly through the CMT. These reports use a *traffic light system* to make interpreting results easier. This provides a focus on key areas which may require more attention or resource in order for the Council to achieve its objectives.
- Value for money is embedded in the Council's culture, and underpins the strategic priorities. Through reviews by External Audit, 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 functions are exercised. The council has an ambitious business transformation programme to take the council forward. Rated "3" under the Comprehensive Area Assessment, the city council performance has improved over recent years.
- There are two work streams for the transformation programme.
  - Focus on procurement - aiming to deliver ongoing annualised savings. A range of corporately negotiated contracts mean that purchasing across the organisation is consistent and offers best value for money for the council as a whole. These achievements have resulted in the Council being nominated for, and also winning a number of national awards.
  - Driving efficiency – with the successes of the procurement strand providing funding for the efficiency agenda. The efficiency focus is on the use of ICT to simplify processes; reducing the cost of business support; and rationalising current ICT-related supplies and service contracts. The organisation will become smaller and there will be a number of restructures to equip the council for its future activity. During the year the council entered into an ICT Managed Service contract with Serco. Other councils are visiting Peterborough to learn about some of the best practice generated within the "Manor Drive Initiative" on back office service provision.

- Regular revisions are made to the Constitution to ensure continuing improvement and simplification, whilst maintain appropriate governance checks. The Council continues to develop and refine systems for identifying and evaluating all significant risks, via CMT. Council approved a Risk Management Strategy in October 2004 and this has been annually refreshed through the Audit Committee. Changes to the overall risk profile of the council are reported through to members on the Audit Committee on a periodic basis.
- When the Council works in partnerships, it has a methodology which ensures that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The Council works in many different partnerships, ranging from the strategic to the operational. The overarching vision for partnership working is set out in the Sustainable Community Strategy supported by the Local Area Agreement which articulates it.
- The Council has a comprehensive comments, compliments and complaints scheme. This is used to identify areas where service quality is not satisfactory and to take action to improve. As an organisation, the Council is committed to meeting the service needs of a very diverse community, and looks to meet the *"Equality Framework for Local Government"*.

### **3.2: Roles and Responsibilities of Members and Officers**

Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions are clear.

- The Council is governed by a constitution which sets out the main control mechanisms. The Council appoints a Cabinet. Made up of the Leader, Deputy Leader and 7 other members, who are responsible for proposing budgets and policies and taking key decisions in relation to their various portfolios. In addition, the Cabinet have appointed 3 other members to act as Cabinet Advisors on strategic portfolio activities. The manner in which Cabinet business is transacted is governed by written procedures and principles contained in the Executive Decisions within and outside the Policy Framework within the Constitution. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives. Issues of strategic and corporate importance are referred to Cabinet.
- The Council has 6 Scrutiny Committees which can hold the Cabinet to account by reviewing decisions, undertaking reviews of the Council's functions, and consider any relevant matters affecting the city or its residents. Although they have no decision making powers, the Commissions/Committees are able to "Call In" and review certain decisions of Cabinet. Until the call-in process is completed the decision cannot be implemented. These non-executive members also serve on 8 Regulatory Committees which consider a variety of non-executive functions.
- All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. An Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment. The Council's Constitution contains a Code of Conduct for Councillors, protocols advising on the Code of Conduct of Officers and a specific protocol on Member / Officer Relations.
- Information bulletins are circulated to councillors on current local government issues and publications and regular briefings are provided on their role. Notices of all key decisions to be taken are published in the Council's Forward Plan in which the community is advised firstly that the decision is to be taken and secondly to whom representations can be made. In this was the public interest in major decisions to be taken by the Council is stimulated. Agendas, reports and published decisions are available to councillors and the general public via the Council's web pages.

- The Council ensures that effective management arrangements are in place at the top of the organisation. The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and Chairs the Corporate Management Team.
- The Executive Director (Strategic Resources) as the s.151 Officer appointed under the 1972 Local Government Act carries overall responsibility for the financial administration of the City Council. The Executive Director is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.
- The Solicitor to the Council, as Monitoring Officer, carries overall responsibility for legal compliance and the maintenance of high standards of conduct by providing advice and support to Members and Officers.
- Regular CMT meetings are held. In addition, Executive Directors meet their respective Cabinet Members on a regular basis. A Heads of Service Forum supports the work of CMT on a number of issues. In addition, there are a series of officer working groups who meet to deal with a range of specific service as well as cross cutting issues.
- All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are in line with the harmonisation agreement implemented in 2008. The terms and conditions of members are clearly set out in the Members' Allowances Scheme within the Council's Constitution. The Scheme covers basic and special responsibility allowances, and pensions. The Scheme is approved by the Council following preparation and review by an independent Panel.
- The council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

### **3.3: Standards of Conduct and Behaviour**

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieves this:

- The Solicitor to the Council, after consultation with the Chief Executive and Executive Director (Resources) can report to Full Council if she 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 has developed and adopted a number of codes and protocols that govern both Member and officer activities defining the standards of behaviour such as:
  - Members Code of Conduct
  - Officers' Code of Conduct
  - Member / Officer Protocol
  - Planning Code of Conduct
  - Member declarations of interest
  - Gifts and hospitality
  - Grievance procedures
- The Council takes fraud, corruption and maladministration very seriously and has the following policies which aim to prevent or deal with such occurrences:
  - Anti Fraud and Corruption Policy and Fraud Response Plan

- Confidential Reporting Code (Whistleblowing Policy);
  - Human Resources policies regarding disciplinary of staff involved in such incidents.
- Member and Officer behaviour is governed by separate Codes of Conduct. These include a requirement for declarations of interest to be completed. Conduct of Members is monitored by a Standards Committee, independently chaired, which also investigates allegations of misconduct of Members. The Standards Committee has a defined work programme which it reviews at each meeting which includes planned reviews of relevant codes and protocols within the Constitution.
  - The Corporate Complaints procedures enables the Council to receive and investigate any complaint made against it, a Member or a member of staff.
  - Many services across the organisation abide by, or have achieved various accredited status of excellence, as well as being shortlisted for and winning a number of national awards. These include:
    - The Council has maintained Investors in People accreditation throughout the organisation on an individual departmental basis. A full Council accreditation is planned for September 2010.
    - Legal Services has achieved Lexcel accreditation, which is the Law Society's practice management standard, only awarded to solicitors who meet the highest management and customer care standards.
    - Customer Service excellence award has been retained by Strategic Resources and is due for reaccreditation in July 2010 within Planning Services.
    - Strategic Resources achieved a number of successes with the LGS Awards, Government Business Awards, and Municipal Journal Awards. It was the LGC Finance Winner for Efficiency 2009 for Manor Drive and Customer Services and shortlisted for the LGC Main Award for Efficiency and Transformational Government in March 2010. From the Government Business Awards in March 2010 it was winners for Procurement and Waste, and shortlisted for Finance. Finally, it has been nominated through MJ for Waste 2010.
  - The Council's financial management is conducted in accordance with the financial rules set out in the Constitution, the Budget Framework, Financial Regulations, Contract Regulations and Procurement Strategy. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
  - Full Council approves a balanced budget before the start of each financial year. This includes a Medium Term Financial Strategy, annual reviewed, under which it plans its finances, target efficiency savings required and potential council tax implications over a three year rolling period. During the year, budget monitoring reports are taken to Management Teams and Members on a regular basis.
  - In 2009 / 2010, the Council identified savings totally £6.2m in order to deliver a balanced budget that provided for investment in key customer outcomes and a target for 2010 / 2011 of £6.4m.

### **3.4: Decision Making, Scrutiny and Risk**

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieves this:

- The Leader and Cabinet are responsible for all Executive Decisions. Operational matters requiring decision are delegated to Council Officers under the Scheme of Delegations.
- Forthcoming key decisions by Cabinet (including decisions by individual Cabinet Members), are published in the Cabinet's Forward Plan in so far as they can be anticipated. This is reviewed at each Cabinet Meeting.

- The Cabinet has power to make decisions that are in accordance with the Council's policy framework and approved budget. Decisions that fall outside the policy framework or approved budget must be referred to the Full Council.
- The Council has several committees which carry out regulatory or scrutiny functions which encourages constructive challenge and enhances the Authority's performance overall. Scrutiny Committees have power to review the decisions of Cabinet and Cabinet Members, through the "call-in" process, to determine whether decisions have followed the agreed process and are in accordance with the Council's policy framework and approved budget.
- The Council's Internal Audit service complies with the Accounts and Audit Regulations 2003 (amended 2006) and operates in accordance with the "*CIPFA Code of Practice for Internal Audit in Local Government in UK 2006*". Responsibility for Internal Audit rests with the Chief Internal Auditor. Reporting lines are within the Strategic Resources Directorate, with reporting lines to the Head of Corporate Services, Executive Director (Strategic Resources) as well as access to the Chief Executive, Monitoring Officer and members as required.
- The Internal Audit division plans and priorities its work around risk based auditing approach and seeks to programme in work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of their work includes monitoring agreed action plans. This ensures compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, are submitted to Members (through the Audit Committee), the Chief Executive, Executive Directors and management as appropriate.
- The Council maintains both Strategic and Operational Risk Registers. During 2009 / 2010, the Council undertook a fundamental review of its risk management approach, culminating in a revised strategy in September 2009.

### **3.5: Developing Capacity and Capability of Members and Officers**

Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the Council achieves this:

- The Council's structure gives clear accountability for the performance management of services, both within departments and corporately.
- The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises value of well trained and competent people in effective service delivery. In developing Members' skills, the Council has an overall development strategy in place. The Chair and Vice Chair of Standards Committee and the Deputy Monitoring Officers attend the annual Standards Conference.
- Members of the Audit Committee are provided with training specific to its responsibilities before every Committee meeting. The focus is on key governance issues such as risk management and internal control, together with scrutiny arrangements for the accounts. Individual briefings are enhanced by the Audit Committee Handbook.
- The Council also provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. All new and transferring employees will receive an effective induction tailored to their needs, although there are key messages given to all: such as freedom of information and data security, procurement and financial regulations.

- Senior Managers have been through the Vision 2010: Building Managers for the Future programme, the purpose being to provide the necessary tools to support managers in delivering improved services linked explicitly to business outcomes and to enable them to display the expected leadership behaviours. Further acknowledgement of the Council's commitment to ensuring that staff are equipped with the appropriate skills and capabilities to perform comes in the form of the Investors in People accreditation.
- All officers have comprehensive job descriptions and person specifications. The Council has a comprehensive process in place to review performance for all staff. The scheme was recognised as needing review and a new system of Performance Development Review has been introduced. Where capability issues are identified, appropriate processes are in place to try to resolve these.

### **3.6: Engaging with Local People and Stakeholders**

Good governance means engaging with local people and other stakeholders to ensure robust public accountability. The following describes how the Council achieves this:

- The Council's planning and decision making processes are designed to include consultation with stakeholders and the submission of views of local people.
- Every year, together with our partners, we carry out many consultation exercises. The Council has in place arrangements to enable it engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. These have included Citizens Panel; Focus groups (face to face and on-line) - with, for example, refugees and asylum seekers, disabled people, young people, older people; Employee forums / Joint consultative forum; Voluntary and community sector network; One-off consultation events; and Public meetings.
- All consultation is carried out for purpose and is not generic so that it deals with specific issues. The Council recognises that different sections of the community have different priorities and is able to analyse consultation results on this basis. Varied channels of communication are used to reach all sections of the community and other stakeholders. Communication channels include: newspapers, MORI Surveys, press releases, internet, public question time at committee meetings, public speaking on planning applications, open forums, member surgeries etc.
- Our commitment to partnership working is demonstrated in our approach to community leadership. To give local citizens a greater say in local decision making, the Council established 7 Neighbourhood Councils to cover the city and its surrounds. Neighbourhood Councils are open public meetings that are held at a local venue every two or three months. The meetings are an opportunity for residents to find out what is happening in their area and to discuss the big issues and priorities. Residents meet with local ward Members and representatives from the Police, Health and Council. The Neighbourhood Councils are local leadership groups which agree priorities, decide where community grants are to be spent where available, monitor performance and decide upon the vision for the neighbourhood. In addition to neighbourhood councils, ongoing work in the community is also facilitated through the Parish Council Liaison Committee.
- On an annual basis publishes the Corporate Plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. The forward looking section of the plan which sets out the authority's vision, strategy and plans, and medium term financial plans for the coming period is published in March / April each year. The backward looking section of the plan outlining information on outcomes, achievements, financial outturn and Performance Indicators, including satisfaction of



service users, is published by 30 June annually. A summary of this information is published as an annual report for public consumption.

- When working in partnership the Council ensures that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups are used where appropriate.
- The Council has identified a number of significant partnerships. These are:
  - Peterborough PCT - an integrated NHS body delivering integrated health and adult social care services. A Section 31 Partnership Agreement between the Council and the PCT delegates delivery of adult social care services to the Trust. The partnership is governed by an Annual Agreement that details performance and financial matters. The Care Trust produces its own internal assurances about the effectiveness of its internal control environment that are monitored by the Executive Management Team, the Audit Committee (chaired by a Non Executive Director) and the full Board.
  - The Children and Young Peoples Trust - a partnership between the Council and the organisations that have a duty to cooperate under the Children's Act 2004 to deliver integrated and coordinated services to children, young people and their families.
  - Building Schools for the Future programme - a national programme, bringing together investment in new school buildings, leading edge ICT, and significant educational reform.
  - Peterborough Culture and Leisure Trust - partnership set up to secure new and improved facilities. Following agreement in Spring 2010, this is due to commence from May 2010.
  - Opportunity Peterborough - a partnership between the Council, the East of England Development Agency (EEDA), Homes and Communities Agency (HCA) and the Government's Department for Communities and Local Government to drive the sustainable growth of the city. It is also working alongside other partner organisations such as Greater Peterborough Partnership to deliver the city's community strategy and meet Peterborough's objective of becoming the nation's 'environment capital'.

#### 4. REVIEW OF EFFECTIVENESS

The Council annual reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors, and also by comments made by the external auditors and other inspection agencies.

Both in year and year end review processes have taken place. In year review mechanisms include:

- The Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- There is a well resourced scrutiny function which holds the Cabinet to account, which include an overview of service and financial performance, efficiency and effectiveness.
- The Standards Committee has met regularly throughout the year to consider and review issues relating to the conduct of Members. Service standards have been agreed with the Monitoring Officer and a report on the number and progress of complaints against members is received at each meeting. It has developed, and continually monitors, its own work programme and reports annually to Council on its previous year's performance. The Monitoring Officer has consistently met the statutory reporting requirement to Standards for England.
- The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and the annual statement of accounts. Annually, the Internal and External Audit Plans are approved through the committee. The Committee met 7 times during the year receiving regular reports and training on governance, risk and internal control matters.
- Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion of the internal control, risk management and governance arrangements. Internal Audit has unrestricted access to all Council records and property, and the organisational independence to form an objective opinion on the adequacy and effectiveness on the whole system of internal control. The work of Internal Audit is planned using risk assessments, assurance from other inspectorates, and discussions with Directors and Heads of Service; and annual plans are formulated and approved by Audit Committee. The work includes not only reviews of financial control, but also of risk management, control over the achievement of organisational policies and objectives, and compliance with laws and regulations. The outcome of all audit reviews are reported to the appropriate Director, and matters of concern are raised with the Chief Executive, Executive Director (Resources), Leader of the Council and the Chair of Audit Committee.
- The Corporate Fraud section undertakes fraud investigations and detection work.
- Risk management is handled through a range of mechanisms. Risk owners are in place for all corporate risks. The risks cascade down to the services, who manage the risks via the service planning process and regular review. Corporate risks are revisited through CMT. Risks are accounted for in all project planning, the creation of the Medium Term Financial Strategy and other Council operations as an inherent part of normal procedure.

- Work undertaken as part of the Strategic Governance Board. Made up of senior officers from across the Council and members, including the Chair of Standards Committee, the Board has been established to consider, review and coordinate improvements in all aspects of the governance framework.
- The actions arising from the significant control issues detailed in last years Annual Governance Statement have been monitored throughout the year and reported through to Audit Committee.
- Assurance from the Audit Commission, other Inspection Agencies and External Audit. On completion of their work, a Joint Audit and Inspection Letter is issued to the Council. The last Joint Audit Letter was issued March 2010 for the financial year 2008 / 2009, and was discussed and endorsed at meetings of the Cabinet and Audit Committee on 8 February 2010. The main conclusions from the Letter are:
  - An unqualified audit opinion on the financial statements;
  - Deadlines for the production and publishing of final accounts by 30 September 2009 were met;
  - An overall underspend of £141,000 was achieved and transferred to reserves;
  - An assessment of the Council as "performing well" in terms of Managing Finances and Governing the Business; "performing adequately" for Managing Resources and Managing Performance. The overall Organisational Assessment for the Council is "performing adequately";
  - Significant challenges for future years include the impact of the global economic downturn on future grant settlements; the Peterborough Delivery Partnership; improving performance and the adoption of International Financial Reporting Standards.

The year end review of the governance arrangements and the control environment included:

- The Chief Internal Auditors' annual opinion on the status of the Council in terms of the governance and overall controls. For this year he has provided an unqualified opinion.
- Assurance from Executive Directors and their management teams on the key elements of the control framework were in place in their departments. A separate annual evaluation questionnaire is circulated to each department and completed through their departmental teams, allowing for overall ownership within the groups. They were also asked to identify areas where control weaknesses had resulted in significant issues arising. The statement itself has been circulated to all Directors for consideration and is supported by them as an accurate reflection on the governance arrangements in place for the year.
- Assurance from Members. A separate questionnaire was issued to all members to seek their views on the governance arrangements in place to support and develop them and to provide suggestions on how any shortfalls or gaps could be addressed.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

The review process has highlighted a number of new significant issues of the effectiveness of the governance and internal control environment. Additionally, there are a number of issues which were highlighted in last years Annual Governance Statement which have not progressed sufficiently to be fully excluded from this years statement. For each issue, detailed action plans have been determined, a responsible officer identified and a summary of the key elements are included in the table below. Conversely, there are a number of items which were included in 2008 / 2009 which have been excluded as significant progress has been made in addressing the issues such that they are no longer considered a threat to the control environment. These items are:

- Credit Crunch - lower income; increase in service requirements; impact on capital disposal.

- In response to the ongoing economic conditions, considerable work has been targeted at the impact the recession has had on the citizens of Peterborough, individual businesses and the Council as a whole.
- Regular monitoring is in place on the Council Tax / NNDR debt levels together with the number of benefit claimants.
- A number of factors were built into the Medium Term Financial Strategy in order to deliver a balanced budget while maintaining services.
- The capital programme has been reappraised and capital disposals have been optimised.
  
- Collapse of Icelandic Banks and loss of investment
  - Following the Icelandic banking crisis, the Council fully scrutinised its position. The Treasury Management Policy was updated and member reporting has been enhanced.
  - A number of payments have been received during the year and have been reported. Further improvements will be made in 2010 with Treasury Management being included in the work programme of the Audit Committee.
  
- Single status agreement
  - Independent reviews have established that an equitable scheme has been adopted and ongoing appeals have been instigated, heard and changes made where appropriate.
  
- Effective governance
  - Regular reviews are in place of the internal structures and the democratic decision making processes. The creation of the Strategic Governance Board has provided a focal point to channel change and evaluate the effectiveness of the governance framework in place.
  
- External Audit / Internal Audit recommendations
  - Challenge and scrutiny is in place via the Audit Committee and officers have on occasion been called to account where service / performance levels have dropped below expected standards and / or recommendations have not been implemented. This deterrent has increased the profile and standing of both Internal and External Audit works within the Council.
  
- Audit Letter March 2009 - service performance improvement in Revenues and Benefits
  - Monthly performance reports are produced and monitored to cover service delivery and collection rates. A series of changes have been made to integrate the service within the Shared Transactional Services division within the Manor Drive Initiative.
  
- Risk Management
  - Risk management has been integrated within the Resilience and CCTV Team, to provide a more coordinated delivery. This has been further enhanced by combining the risk management and business continuity strategies. Risks are embedded into project management processes and the financial planning environment.

ONGOING GOVERNANCE ISSUES IDENTIFIED IN 2008 / 2009		
ISSUE	AREA FOR IMPROVEMENT	PROGRESS / LEAD OFFICER
Sickness absence	With reductions in the workforce, there is the potential for additional pressures on remaining staff to deliver services. If not carefully managed, there could be an increase in sickness levels. The Council has developed revised procedures to tackle sickness throughout the organisation. To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.	<p>Monthly reports to Corporate and Departmental Management Teams. Ongoing use of Occupational Health to coordinate return to works etc. for officers who have been off for longer periods of time.</p> <p>While there are robust systems in place for managers to follow to monitor, act on and report absences, Internal Audit will undertake a full review of absence management arrangements as part of 2010/11 audit plans.</p> <p>Lead: Head of Human Resources</p>
Effective recruitment checks	To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work	<p>Quarterly reports are produced and circulated to all departments. Recent changes have been made to various legislation which impacts on recruitment, for example, UK Border Agency Regulations and the Asylum &amp; Immigration Act. Internal Audit will undertake a compliance review to ensure robust processes have been implemented.</p> <p>Lead: Head of Human Resources</p>
Shared services	The council is embarking on a programme of shared services and other delivery options which are expected to generate financial savings and other benefits. A controlled programme has been developed which will monitor the implementation and delivery of services through these arrangements.	<p>ICT Managed Service was established October 2009 with Serco. The Manor Drive Initiative established and being developed further together with investigating DEECATS.</p> <p>There are ongoing developments of partnership arrangements for the Leisure Trust which will be created in May 2010. Effective governance arrangements will be regularly monitored.</p> <p>Lead: Executive Director (Resources)</p>

NEW GOVERNANCE ISSUES 2009 / 2010		
ISSUE	SOURCE	AREA FOR IMPROVEMENT
Grant Claims	Annual Audit Letter: January 2010	The council should review the reasons for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years.  Lead: Head of Corporate Services
Neighbourhood Councils	Annual Audit Letter: January 2010	Further engagement with local communities is required with regard to determining strategic priorities and financial planning  Lead: Head of Neighbourhood Services
Data Quality	Annual Audit Letter: January 2010	The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses  Lead: Head of Strategic Improvement and Partnerships
Managing Resources	Annual Audit Letter: January 2010	The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year  Lead: Head of Corporate Services

**6. CERTIFICATION**

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balance reflection of the governance environment and that an adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Leader of the Council      Marco Cereste      \_\_\_\_\_      Date      \_\_\_\_\_

Chief Executive      Gillian Beasley      \_\_\_\_\_      Date      \_\_\_\_\_

This page is intentionally left blank