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## The Annual Governance Statement

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### **SCOPE OF RESPONSIBILITY**

Hinckley and Bosworth Borough Council (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 and to ensure economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of corporate governance which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Hinckley and Bosworth Borough Council has approved and adopted a code of corporate governance (The Constitution) which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Constitution can be found on the Council's website at *Services>Council & Democracy>Councillors, democracy and elections*. This statement explains how the Council has complied with the Constitution and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011.

In overall terms this is a positive statement for the financial year 2011/12. This document relies on several assurance mechanisms including internal audit, the work of Council committees and external audit.

### **THE PURPOSE OF THE SYSTEM OF CORPORATE GOVERNANCE**

The system of corporate governance is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of corporate governance is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood and impact of these risks, and to manage them efficiently, effectively and economically.

The governance framework comprises the systems processes and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievements of its strategic objectives whether those objectives have led to the delivery of appropriate, cost-effective services

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts

### **THE INTERNAL CONTROL ENVIRONMENT**

CIPFA's "*Delivering Good Governance in Local Government: Guidance Note for English Authorities*" outlines that the principles of good governance are:

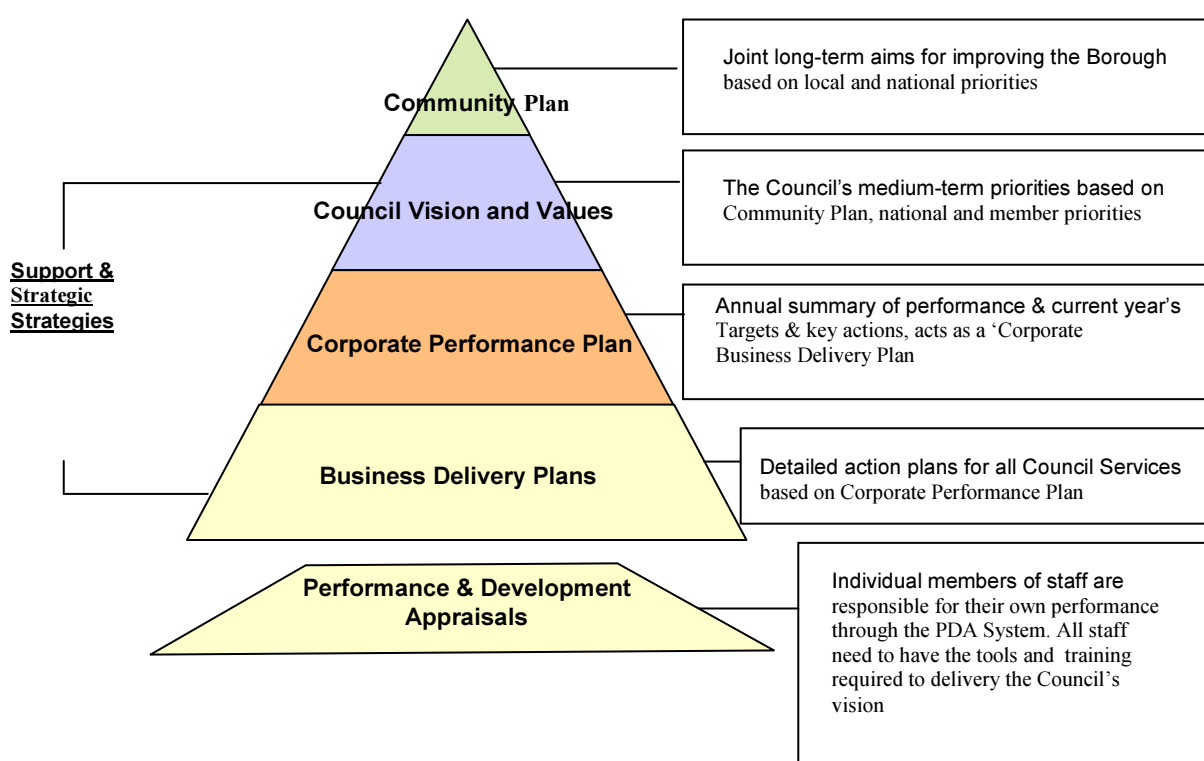
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- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
-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

The key elements of the Council's internal control environment and governance framework are outlined below.

- The Council's Community Plan developed by the Local Strategic Partnership for the period 2010-2015 sets out the long-term aims of the Borough and drives the Corporate Performance Plan and Medium Term Financial Strategy. The Council's Corporate Plan for the period 2010-2015 provides residents, councilors and staff with a clear idea of Council's long-term vision to improve the quality of life for residents and make Hinckley and Bosworth a 'Borough to be Proud Of'. The plan outlines five corporate aims which guide all decisions made by the Council.
- The Council uses plans and strategies at all levels of the organisation to plan and monitor the achievement of its aims and objective. At a corporate level the system is governed by the Corporate Planning Framework which is represented by the diagram below. The Council's objectives are reflected in Service Improvement Plans which outline how each department will achieve the corporate aims within a three year period. Progress achieved against these plans are managed through the TEN performance management system on a monthly basis as part of the Service Managers' team briefings chaired by the Council's two Deputy Chief Executives, on a quarterly basis by the Council's joint Management Boards, and annually in the Corporate Performance Plan.

### Hinckley & Bosworth Borough Council – Corporate Planning Framework



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- The Council's financial strategy is outlined in the Medium Term Financial Strategy 2011/12-2014/15 which was approved by the Scrutiny Commission in January 2012 and by full Council on 23<sup>rd</sup> February 2012. The document outlines eleven financial objectives which the Council looks to achieve in order to resolve the continuing pressure of service requirements in the context of available resources. Alongside this, the Council has put in place a Housing Revenue Account (HRA) Business Plan which sets out how the Council will respond and operate under the new scheme of self financing.
- The system of internal financial control is based on a budgetary control framework which is based on the following principals:
  - Preparation of comprehensive annual budgets and a Medium Term Financial Strategy to examine the financial health of the Council ;
  - Preparation of regular financial reports for member committees which indicate actual expenditure against forecasts;
  - Disaggregated reporting at both a fund and cost centre level to ensure that stakeholders receive information to inform decisions; and
  - Inclusion of financial implications in all committee reports.

The Council's budgetary control system is reviewed each year by internal audit and in 2011/12 received a "green" rating.

- As a key element of internal control, the internal audit function operates a risk-based approach to its work and carries out its duties in accordance with the CIPFA *Code of Practice*. Internal audit reports are performed in accordance with the approved Plan. Internal audit review each scoped area against a set of system controls agreed with management at the start of the visit and within the overall framework of system control objectives. The findings of internal audit, including any recommendations are reported to, and scrutinised by, the Finance and Audit and Performance Committee at each meeting. This Committee Select undertakes the core functions of an Audit Committee as set out in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- The Corporate Planning Framework is underpinned by a number of strategies which identify how the support services of the Council will reinforce and sustain the front line services that the Council provides. These include the:
  - Asset Management Strategy;
  - Capital Strategy;
  - Human Resources Strategy;
  - ICT Strategy;
  - Medium Term Financial Strategy;
  - Risk Management Strategy; and
  - Procurement Strategy.
- The Council's strategic documents outline how specific services will be provided to the Borough in the medium to long term. These strategies include the Cultural Strategy, Green Space Strategy, Hinckley Town Centre Master Plan, Local Development Framework and Leicestershire Waste Management Strategy.
- Council policies are produced in accordance with the Constitution and are recommended for approval following review by senior management. Decision-making that falls within the policy and budgetary framework rests with the Council's Executive, whilst those falling outside the framework are

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referred to full Council. The call-in procedure enables the Scrutiny Commission to review decisions made by Executive (although the major focus of the overview and scrutiny function involvement is through policy development rather than policy review). Day to day decision-making is carried out by appropriate officers in accordance with the Scheme of Delegated Powers and the Financial Procedure Rules. These arrangements all contribute to the economic, efficient and effective operation of the Council.

- The standards of behaviour expected from members and officers are set out in member/officer codes of conduct. A register of members' interests is maintained. All members are required to complete 'related party' declarations at the end of the financial year in support of the statutory financial statements. Members' allowances are published and a member's allowance scheme is included in the Constitution.
- The Constitution, Financial Procedure Rules, Whistle Blowing Policy and the Anti-fraud and Corruption Policy set the rules and standards within which Council business is conducted and provide the mechanisms for dealing with any failures in these procedures. The Standards Committee monitors the performance of members, senior officers and the Council's committees. The Council's decision making practices are guided by the values as set out in the corporate plan.
- The Constitution also includes provisions for the governance of partnerships the Council is part of. A separate constitution or terms of reference is in place for all partnerships which outlines their respective roles and responsibilities. Quarterly dashboards are produced to plot how partnerships are helping the Council achieve its strategic objectives. Significant partnerships that the Council is involved with include the Community Safety Partnership, Leicestershire Waste Partnership and Leicestershire Together.
- The Council ensures compliance with established policies, procedures, laws and regulations through various channels. Two statutory officers (Section 151 Officer and the Monitoring Officer) have responsibility for ensuring that the Council does not act in an ultra vires manner. Management are supported by the internal audit function, which facilitates the management and mitigation of risk and provides assurance on matters of internal control. The Human Resources function, through the use of workforce development reviews assess and provide a means of improving competencies to ensure that officers are equipped to discharge their duties in accordance with the requirements of the Council. The Council's financial management arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.
- The Communication and Engagement Strategy outlines how the Council will engage with local people and stakeholders through means such as the Community Plan, public meetings and the citizen's panel. A number of public consultations have taken place in year on pertinent issues including

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crime, Burbage conservation area and housing tenancy. The Council communicates to residents through Borough Bulletin which is circulated to all residents each quarter. Regular staff communication is ensured through the staff and management notice boards and regular briefings held by the management team.

- The Council regularly measures performance through a suite of performance indicators managed on the TEN Performance Management system. All indicators are mapped to corporate priorities and are embedded within individual Service Improvement Plans. Each month figures are entered by managers before the database is locked to maintain accuracy in reporting. These reports show all performance indicators in and are allocated to individual Executive Member leads. The reports are presented to Strategic Leadership Board, Scrutiny Commission and the Executive. The reports provide the following information for each of these indicators:
  - Performance for current year;
  - The target set for current year;
  - Performance in the previous year;
  - Targets for the next three years;
  - An explanation of performance and the targets set; and
  - Data Quality Checks

The Council is committed to continuous improvement. This was proved by the fact that in 2008/09 the Council sought a CPA re-assessment and was re-categorised as an “excellent” authority. This was a recognition of all the work that had been undertaken since 2004 to implement and embed the improvement actions identified in the 2004 inspection.

- The Council’s performance management regime is supported by risk management processes. The Risk Management Strategy outlines how best practice risk management processes are embedded into the Council’s operations. Operational risk registers are maintained on the TEN system and all managers are required to assess the impact and likelihood of risks as well as mitigating controls and action plans to reduce their severity. Quarterly reports on the risk position are taken to Finance, Audit and Performance Committee and Executive.

### **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is reported by internal audit in their Annual Report, Chief Officers through their service assurance returns and also by comments made by the external auditors and other review agencies and inspectorates.

### **Internal Audit**

Internal audit is provided in accordance with the statutory responsibility under S151 of the Local Government Act 1972, the *Accounts and Audit Regulations*

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2011 and to the professional standards of the *CIPFA Code of Practice for Internal Audit in Local Government*.

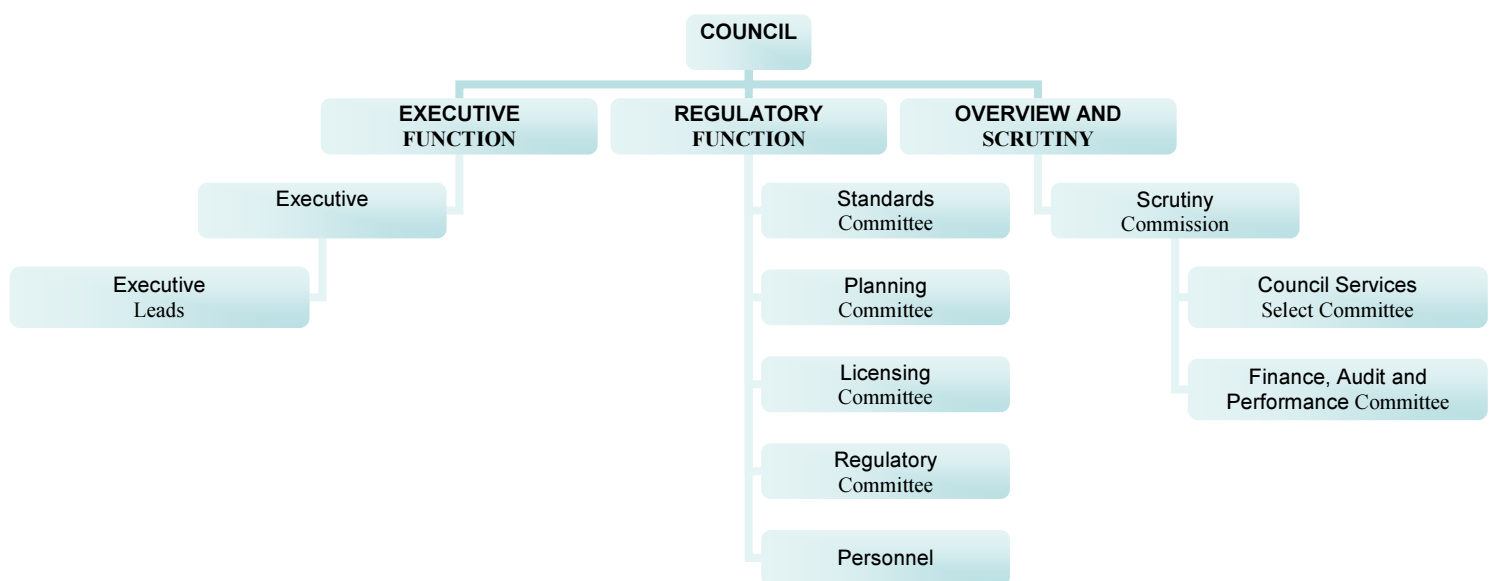
The Council's internal audit service has been outsourced to RSM Tenon, for 2011/12. Internal audit delivers its work in accordance with best practice and complies with the requirements of the Government Internal Audit Standard, CIPFA Code and other relevant CCAB standards. RSM Tenon report through the section 151 Officer who is the responsible financial officer for the Council. The section 151 then submits reports to the Finance, Audit and Performance Committee, which in turn derives its terms of reference from the Scrutiny Commission. Audit recommendations are followed up in a timely manner based upon the priority of the recommendation.

RSM Tenon acting as Chief Internal Auditor provide an annual assurance opinion which comments on the adequacy and effectiveness of the system of internal control. In their 2011/12 Annual Audit Report presented to Finance Audit and Performance Committee on 26 March 2012, RSM Tenon issued an "green" rating for the Council's governance and control systems and an "amber" rating for risk management."

The effectiveness of the internal financial controls are also reviewed annually by the external auditor whose Management Letter is considered formally by the Executive.

### Council Structure

The diagram below sets out the Council's democratic decision making arrangements



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The Constitution sets out the essential elements of the scrutiny processes that are administered by the Scrutiny Commission and the Select Committees. It describes the functions and membership of the Select Committees and refers to the Select Committee and Scrutiny Procedure Rules. Decisions of the Executive are subject to scrutiny by the Scrutiny Commission and two Select Committees, one responsible for Council Services and the other for Finance Audit and Performance. The Scrutiny Commission and Select Committees also have a role in policy development. In addition, task groups are established to oversee ad-hoc projects.

The Scrutiny Commission publishes an Annual Report and a work programme that available on the internet and from the Council on request. In addition, the Council publishes a rolling Forward Plan. This plan provides details of the key decisions that are planned to be taken over the following four month period.

Chapter 7 of the Localism Act 2011 outlined that there is no longer a statutory requirement to have a Standards Committee, however each Council will need to put in place arrangements dealing with complaints and standards issues. The Standards Committee met in January and April 2012 to consider their response to the proposals. The committee's preference is to adopt a common code in collaboration with other local authorities in Leicester, Leicestershire and Rutland.

### Officers

Each year all services are required to conduct a self-assessment of the adequacy of controls in place to manage principal business risks. This statement evaluates the effectiveness of procedures, systems and controls, highlights areas for improvement and actions intended to address these. Action plans are incorporated in the service planning process.

### **SIGNIFICANT INTERNAL CONTROL ISSUES**

The review of effectiveness has been considered in order to identify any significant control weaknesses that should be addressed by the Council.

### Prior year issues

The Annual Governance Statement produced in prior years identified a significant control weakness relating to over spends in the housing repairs service. The Council continued to closely monitor the spend of the external contractor in 2011/12 which resulted in an under spend against budget of £165k from April-September 2011. A decision was made to bring the housing repairs service back in house in October 2011. From this point to the end of the financial year, the Council run service secured an additional saving of approximately £300k.

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2011/12 Significant Control Weaknesses

The Council's External Auditors (PricewaterhouseCoopers LLP) qualified the Council's Housing Revenue Account Base Data Subsidy Return for 2010/11 due to issues with the accuracy of stock information included in the return. The data recorded on the Council's Orchard system could not be verified to supporting documentation and as such, the auditors were unable to provide assurance on its accuracy. This qualification was reported to the DCLG.

In response to this issue, the Council has set up a dedicated project team to organise the collation of stock data. A full verification process was commissioned in June 2012 to obtain updated data on all Council assets. The Council developed a methodology for the collection of the data and shared this with PricewaterhouseCoopers LLP so that they could gain sufficient assurance for their audit of the accounts. The results of this data will be reported to the DCLG in order to ascertain any impact on the Council's Housing Revenue Account.

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Steve Atkinson MA(Oxon) MBA FioD FRSA  
Chief Executive

Date.....

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Stuart Bray  
Leader of the Council

Date .....