

## **1. Scope and responsibility**

Redditch Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redditch Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

## **2. The purpose of the governance framework**

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Executive Directors, Heads of Service and other managers of the Council, who have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and, by the external auditors and other review agencies and inspectorates.

## **3. The governance framework**

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles of corporate governance that underpin the effective governance of all local authorities. Redditch Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

### **Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

- Clear statement of the council's purposes is set out in the Council Plan July 2013. The authority has listened to customers in order to understand what goes on in communities and consider how to work with partners to support the issues within those communities. Through this we have produced a set of six strategic purposes to guide us; Working to these purposes will help us to understand the needs of the Borough and how together with our partners we can improve the lives of our residents and the prospects for Redditch Borough as a whole.
- The residents magazine "Redditch Matters" is available online 3 times per year
- Progress on how effective the authority is at achieving its purposes is monitored through measures at Corporate Management Team meetings. Key projects are also managed through Corporate Management Team.

- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Executive, Overview and Scrutiny and Full Council
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

**Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles**

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Executive and the other Boards operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training.
- Overarching legal agreement between Redditch Borough Council and Bromsgrove District Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services.

**Core Principle 3: promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The Council's priorities and aims clearly demonstrate its vision and values
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committees

**Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk**

- There is an established and effective Overview and Scrutiny Committee
- There is an established and effective Audit and Governance Committee to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2012/13 Overview and Scrutiny undertook pre-scrutiny of :

- Medium Term Financial Plan 2014/15-2016/17
- Housing Revenue Account
- Review of Fees and Charges Proposed 2014/15

Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2013/14:

- Housing Density – Completed July 2014
- Landscaping – Completed April 2014.
- Abbey Stadium (launched September 2013, due to be completed June 2014).
- Football Provision (launched January 2014, completion date TBC).
- Voluntary and Community Sector (launched October 2013 – due to be completed July 2014).
- Redditch Overview and Scrutiny Members have also participated in the Joint WRS Scrutiny Task Group, hosted by Bromsgrove District Council. (Due to be completed June 2014).
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
- During 2013/14 a review of the risk register for corporate and shared service risks was undertaken, with the help of independent advice this is now fully updated.
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
  - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
  - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
- The Council's Customer Feedback process has been reviewed and revised using System Thinking principles. This review found that written responses were often unnecessary and did not help to resolve the customers problems. As a result greater direct contact is now established with customers making complaints, either over the phone or through face to face meetings. This has improved response times, reduced bureaucratic steps in the process and improved outcomes for the customer by dealing with their real problems
- A whistle blowing policy is in place and available on the Council's website
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's services

**Core Principle 5: developing the capacity and capability of members and officers to be effective**

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service
- The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff have the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.

- An induction programme is in place for Members
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is being developed
- Development of roles and responsibilities for staff managing the transformation of services.

**Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability**

- The Council has an Equalities Policy which is currently under review, convenes a Community Forum and provides support through the Stronger Communities Grants.
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- The Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to support the Compact
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- Surveys are conducted on the Council's website, at the front of house contacts points – the Town Hall and the One Stop Shops.
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- Resident feedback is obtained at Council events e.g. Street Theatre and other summer events if required as determined by Heads of Service.

#### **4. Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by senior and fourth tier managers, with the s151 officer informing the Executive of any significant matters warranting their attention.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

#### Internal Audit

Redditch has a responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit and Governance Committee receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

#### Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

#### External auditors and other review agencies/inspectorates

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit

#### **5. Significant governance and internal control issues**

During 2012/13 a total of X complaints made to the Standards Committee of alleged breaches of the Code of Conduct. These complaints related to X members.

Outcomes as follows:

- No further action without an investigation - X
- No further action following new information coming to light during an investigation – X
- Investigation on-going and not yet concluded – X
- Complaint determined at final hearing – X

The review of Redditch's system of governance and internal control has not identified any significant weaknesses.

The External Audit Annual Governance Statement and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include (with current actions on each issue):-

#### **Review of all Balances held**

A review of General Fund, Earmarked Reserves and clear planning of HRA balances has been recommended. A full review of Earmarked Reserves has been undertaken, and this has released a number to fund 2014/15 expenditure. The General Fund Balances have been reviewed and it is believed they are still adequate and will be reviewed annually. Work is currently being undertaken to review the HRA finances with conjunction with the Capital Programme.

#### **The Council should ensure that there is a clear mapping between the new corporate priorities and 2014/15 Budget.**

Work has been undertaken to match budgets with priorities, more work is being completed during 2014/15 to assist with future years budget savings.

#### **The HRA business plan should be reviewed and early work undertaken on componentisation as this may have a large impact when depreciation rather than MRA is reflected in the revenue account.**

The Head of Housing has been made aware of this and is working with Financial Services to look at the level of work involved.

#### **There should be better transparency in financial reports to provide the trail from budget to outturn analysis.**

More detail is now included in reports prepared to finance for Members. This will make it easier for Members to understand where the budget variances are and ask more questions in the correct areas.

#### **The Council should consider the appointment of a lay member to the Audit Committee to help broaden the experience of the Committee.**

This was completed during 2013/14

#### **Ensure that the Internal Audit plan is flexible to consider any new risks and the plan is completed to support production of the Annual Governance Statement.**

Regular meetings are held between Senior Officers and the Internal Audit Manager to ensure that the plan is updated where weaknesses have arisen. The AGS has also been a standing item on the Audit and Governance agenda during 2012/13.

#### **The Council should clarify which savings schemes are incorporated into Budget cost reduction plans, develop detailed action plans for each scheme and strengthen the**

**monitoring of savings delivery in-year.**

More detailed monitoring reports are now in place, as well as a Transformation Plan which will feed into budget savings

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**Cllr. Roger Bennett**  
**Chair of Audit & Governance Committee**

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**Kevin Dicks**  
**Chief Executive**