

BABERGH DISTRICT COUNCIL and MIDSUFFOLK DISTRICT COUNCIL

From: Head of Corporate Organisation	Report Number: M54
To: Overview & Scrutiny (Stewardship) Committee	Date of meeting: 17 July 2012

JOINT ANNUAL GOVERNANCE STATEMENT 2011/12

1. Purpose of Report

- 1.1 This report reviews each Council's Corporate Governance arrangements as required by the Accounts and Audit Regulations 2011.
- 1.2 This Committee and the Scrutiny Committee from Mid Suffolk District Council have responsibility for being satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

2. Recommendations

- 2.1 It is recommended that this Committee and Mid Suffolk's Scrutiny Committee approve the Annual Governance Statement in Appendix A, supported by the Council's assurance statements, and notes that, subject to that approval, Babergh's Chairman of the Strategy Committee and Mid Suffolk's Leader of the Council will both sign the 2011/12 Annual Governance Statement on behalf of their respective Councils.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report.

4. Risk Management

- 4.1 This report is not directly linked with any of the Council's Significant Business Risks although the Annual Governance Statement is inherent in all activity.
- 4.2 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Council's arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments from the External Auditor.	Low	Critical	The Statement is fully supported by relevant documentation together with assurance statements from key officers responsible for the oversight functions. In addition, independent assurance providers, including Internal and

			External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
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5. Consultations

5.1 Assurance statements from key senior officers were sought to provide an assurance oversight within their area of responsibility throughout the year.

6. Equality Analysis

6.1 Equality and diversity implications have been considered within the Annual Governance Statement arrangements.

7. Shared Service / Partnership Implications

7.1 Through the integration process Babergh and Mid Suffolk have produced a joint Annual Governance Statement.

8. Key Information

8.1 The Accounts and Audit Regulations 2011 require the Council to prepare and publish an Annual Governance Statement (AGS).

8.2 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.

8.3 The arrangements required for gathering assurances for the preparation of this Joint Annual Governance Statement provide an opportunity for both Councils to consider the robustness of the governance arrangements in place and to review these as a corporate issue that affects all parts of the organisation. It also helps to highlight those areas where improvement is required.

8.4 This has been a challenging year for the two Councils with the first phase of significant public sector budget reductions, in line with the requirements of the Government’s Comprehensive Spending Review and embarking on a programme of integration and transformation between both Councils.

8.5 Both Councils have approved and adopted a local code of corporate governance which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework *‘Delivering Good Governance in Local Government’*.

8.6 The core governance principles of each Council are as follows:

- a) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - e) Developing the capacity and capability of members and officers to be effective; and
 - f) Engaging with local people and other stakeholders to ensure robust public accountability.
- 8.7 To support the Local Code of Corporate Governance both Councils have adopted the 'three lines of defence' model which is used as the primary means to demonstrate structure, roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance and assurance.
- 8.8 **First Line of Defence** - Vision and leadership is provided by the Chief Executive, supported by the Strategic Directors, whose responsibility is to: create the conditions to build strong relationships and a strong reputation; lead the organisation to achieve demanding strategic goals; and ensure that the Management Team drives performance to focus on outcomes and delivery.
- The Chief Executive has strong and productive relationships with Members working specifically through the Leader at Mid Suffolk and the Chairman of the Strategy Committee at Babergh and their senior Member colleagues.
- 8.9 **Second Line of Defence** – Each Council's oversight functions (e.g. Strategic Finance; Constitutional Arrangements; Business Development; Information and IT; Organisational Development, including HR; and Contract and Asset Management) are responsible for designing policies, setting direction, introducing best practice, ensuring compliance and providing assurance oversight for senior management and Members.
- 8.10 **Third Line of Defence** – Independent assurance providers, including Internal Audit, External Audit and other inspectors, help the Councils by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This entails independent challenge, audit of key controls, formal reporting on assurance, and the audit of assurance providers' controls.
- 8.11 All three lines of defence have specific tasks in the internal governance framework. The respective scrutiny committees of each Council have a role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes as well as internal audit activities.
- 8.12 Every year both Councils have to carry out a review of its Governance arrangements to ensure compliance with this Code and the delivery of good governance and current good practice. The purpose of the review is to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future. This will require each Council to:

- (a) consider the extent to which it complies with the principles and requirements of good governance set out in the framework;
 - (b) identify systems, processes and documentation that provide evidence of compliance;
 - (c) identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation;
 - (d) identify the issues that have not been addressed adequately and consider how they should be addressed; and
 - (e) identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 8.13 The outcome of this review forms the basis of the AGS which is prepared on behalf of Babergh's Chairman of the Strategy, Mid Suffolk's Leader of the Council and the Chief Executive. Clearly they must be satisfied that the AGS is supported by reliable evidence and accurately represents the internal control environment.
- 8.14 The respective scrutiny committees from each Council receive this statement for consideration and review prior to it accompanying each Council's 2011/12 Statement of Accounts to be approved in September 2012. Any changes / comments this Committee wishes to make to the AGS will be made before it is signed.
- 8.15 The AGS includes a commentary on how both Councils are meeting the principles of the CIPFA / SOLACE Framework. This sets out what the Councils have achieved during the financial year, current issues and actions to be taken.
- 8.16 To reflect the 'three lines of defence' model, the AGS also includes assurance statements on governance, finance, ICT, HR and from other various key officers representing the oversight functions, as well as the annual audit opinion from the Audit Manager.

9. Appendices

Title	Location
(a) Joint Annual Governance Statement 2011/12	Attached

10. Background Documents

- 10.1 Accounts and Audit Regulations 2011
- 10.2 Year End 2011/12 Internal Audit Report (Babergh)
- 10.3 CIPFA/SOLACE framework – 'Delivering Good Governance in Local Government'

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JOINT ANNUAL GOVERNANCE STATEMENT 2011/12

This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) and Mid Suffolk District Council (MSDC). In doing so it covers the matters to be disclosed in an AGS of BDC and the disclosures relevant to BDC constitute the AGS of the Council.

The purpose of the Governance Framework

1. Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
2. The Governance Framework comprises the systems and processes, cultures and values by which the Councils are directed and controlled and through which they are accountable to, engage with and, where appropriate, lead communities. It enables each Council to monitor the achievement of outcomes for communities, linked to its strategic priorities and to consider whether those priorities have led to the delivery of high quality, and cost effective services, which meet the needs of those using them.
3. The arrangements required for gathering assurances for the preparation of this Joint Annual Governance Statement provide an opportunity for both Councils to consider the robustness of the governance arrangements in place and to review these as a corporate issue that affects all parts of the organisation. It also helps to highlight those areas where improvement is required.
4. This has been a challenging year for the two Councils with the latest phase of significant public sector budget reductions, in line with the requirements of the Government's Comprehensive Spending Review and embarking on a programme of integration and transformation between both Councils.
5. The Governance Framework has been in place at both Councils for the year ended 31st March 2012 and up to the date of approval of the statement of accounts.

Scope of responsibility

6. Babergh and Mid Suffolk District Councils are responsible for ensuring that their 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. Each Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
7. In discharging this overall responsibility, each 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.
8. Both Councils have approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework *'Delivering Good Governance in Local Government'*.
9. This statement explains how the Councils have complied with the Code and also met the requirements of Regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

Systems and processes that comprise each Council's governance arrangements

10. The core governance principles of each Council are as follows:
 - a) Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area;
 - b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - e) Developing the capacity and capability of members and officers to be effective; and
 - f) Engaging with local people and other stakeholders to ensure robust public accountability.
11. The system of internal control is also a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve desired policies, aims and priorities 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 each Council's policies, aims and priorities, to evaluate the likelihood and impact of those risks and to effectively monitor and manage them.

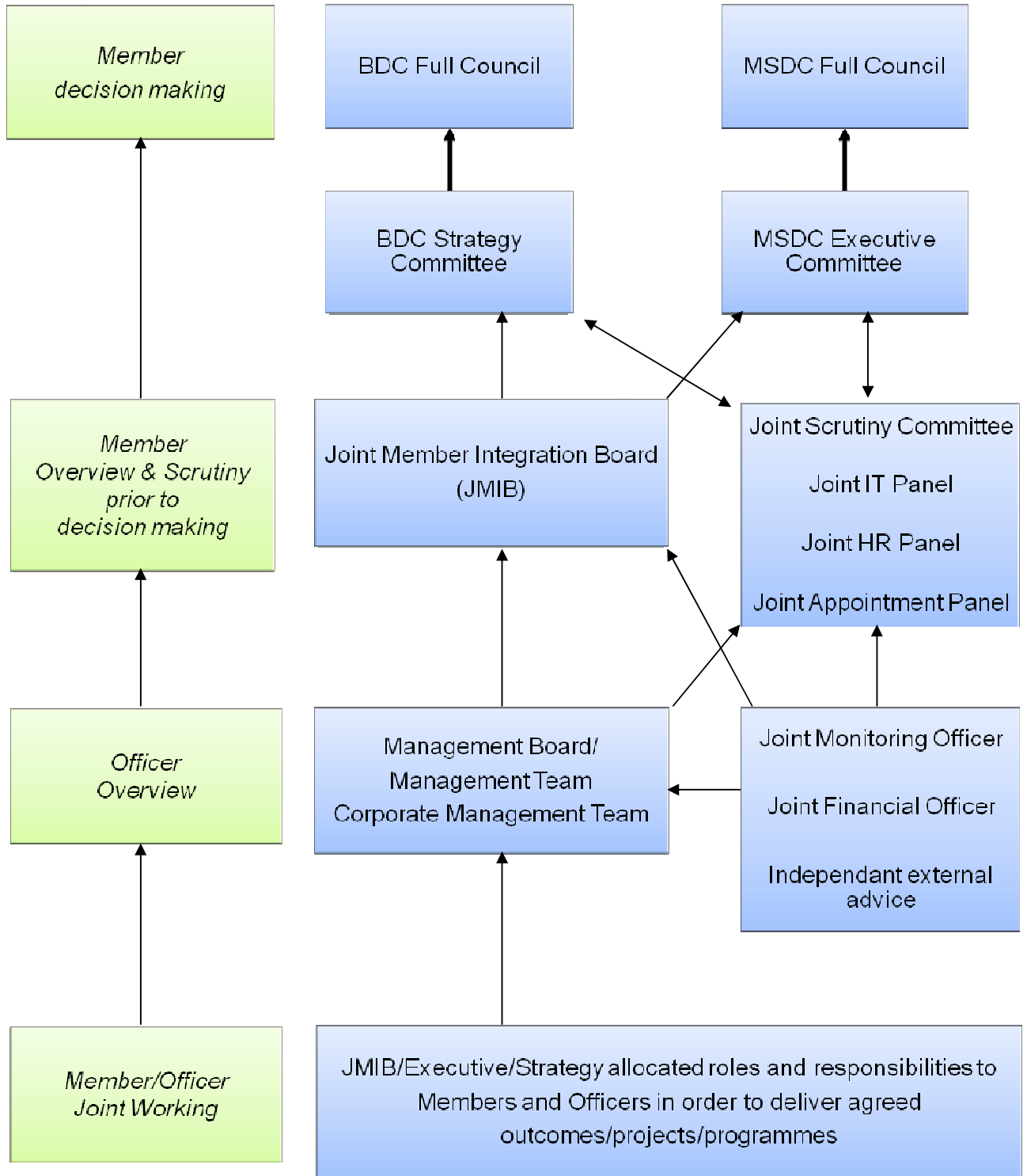
12. In October 2010 the DCLG Secretary of State revoked local improvement targets under the Local Area Agreement (LAA). This linked to the cessation of the external Comprehensive Area Assessment (CAA) regime managed by the Audit Commission. The linked National Indicator Set has also been replaced with a single list of data. The existing performance management frameworks for each Council have continued during this period of transition using a mixture of local and national measures to manage and improve performance outcomes for communities.
13. The Government has set out its requirements for local authorities to publish information to meet the Transparency Agenda. Information on expenditure, procurement and commissioning activity and senior officer salaries is routinely refreshed on each Council's website in order to meet this requirement.

Staff and service integration and transformation

14. In 2010, Babergh and Mid Suffolk District Councils committed to bring about integrated management and transform service delivery arrangements between the two Councils in 2011, and also to investigate the feasibility of progressing to a full constitutional merger of the two Councils.
15. A project was started, with funding assistance from the Regional Improvement and Efficiency Partnership (RIEP), with the initial focus being the business case and feasibility work. Once underway, the emphasis shifted to put more urgency on the potential for full constitutional merger. A High Level Outline Business Case was produced in June 2010, and a Detailed Business Case in September 2010.
16. The original programme structure was put in place in November 2010, following the key Council decisions in September 2010 which triggered commencement of integration work and continued investigation of support for merger. In June 2011 a local poll resulted in a 'no' response to a question on the full constitutional merger of the two Councils.
17. Once the merger work stopped, the focus was on integration and transformation, of the officer and service structure. An updated Business Case was produced and approved in October 2011; this formed the basis for the integration and transformation plan.
18. The Councils' ambition for service integration and transformation is that 'we will judge ourselves against the 'best in class' and, through transformation seek to emulate 'best in class' whilst achieving significant savings'. Other key benefits sought include increased resilience and enhanced opportunities to deliver improved outcomes for residents.

19. The Councils appointed a joint Chief Executive in May 2011 and a new joint Management Team in November 2011. Corporate Managers will be in place from July 2012 with an integrated staff structure for the rest of the two Councils to be in place by April 2013. The management will, with elected Members, drive the changes needed to integrate, transform and achieve a joint vision.
20. Good programme governance is a key requirement for ensuring that the desired financial and non-financial outcomes are achieved, and that any risks and issues are managed.
21. There has been sustained activity on the integration and transformation programme during 2011. The significant key achievements were financial, governance, HR, communication and engagement activities that led to an updated business case for staff and service integration and transformation.
22. In addition to the appointment of the new joint Chief Executive, Directors and Heads of Service, focus on delivering transformational integration has resulted in: making progress on the ICT strategy; carrying out a voluntary redundancy exercise; extensive engagement with Members; and significant engagement with management and staff about the changes underway.
23. The diagram below illustrates the governance architecture for the integration programme that was put in place at the start of the year; and which has evolved as the integration programme has progressed and developed.

PROGRAMME GOVERNANCE OVERVIEW



24. Significant risks, as set out in the Babergh and Mid Suffolk Risk Register are regularly reviewed and updated. These are subject to ongoing reviews and actions, via reports to the JMIB (Joint Member Integration Board) on a quarterly basis.

25. The Councils have developed and are implementing a shared vision based on integrated management and service delivery – the ‘Bright Future’ vision.



26. Work is ongoing to further develop the shared vision and an established culture and common sense of purpose across both Councils that can be used to develop the way we work and provide services over the coming years.

27. The vision and associated culture forms an integral part of the ‘Best of the Best’ organisational design outcomes so that staff and others will understand the Councils’ purpose, trust their leaders, and feel empowered and equipped to do their work in pursuit of that purpose.

28. To support service integration, a joint set of aligned priorities has been developed for 2012/13 underpinned by an integration and transformation priority. This will inform the joint budget development process and alignment of the Medium Term Financial Strategies:

- Meeting the housing needs of our communities;

- Making our environment cleaner and greener;
 - Improving the health and well being of our communities;
 - Supporting and developing the local economy; and
 - Developing strong and resilient communities.
29. A more substantial project has commenced to develop a single Strategic Plan for the two Councils from 2013/14 onwards. This includes the development of a detailed community profile using primary and secondary data and intelligence/insight sources to identify current and future strategic issues across the area. It also includes a significant programme of consultation and engagement with key partners, community representatives and Members.
30. Members will be leading the development of their priorities and working together across the Councils to see if alignment and a single plan can be achieved. The Management Team will be working alongside them to translate those priorities into a strategic plan and to drive operational delivery.

Systems and processes in place

31. The key elements of the systems and processes that comprise both Councils' governance arrangements are:
- a) A written Constitution which specifies the roles and responsibilities of the executive, non-executive and key officer functions, with clear delegation arrangements.
 - b) Developed and embedded Codes of Conduct which define the standards of behaviour for Members and staff.
 - c) Setting out, within the Constitution, Schemes of Delegation to Members and officers, Financial Procedure Rules and other supporting guidance which clearly define how decisions are taken and the process and controls required to manage risks. Also, having in place arrangements to ensure these are reviewed regularly.
 - d) The Overview & Scrutiny (Stewardship) Committee – Babergh, and Scrutiny Committee – Mid Suffolk, act as each Council's Audit Committee and have responsibility for reviewing the adequacy of internal controls, considering reports from the external auditors, monitoring the performance of Internal Audit, monitoring the effectiveness of the risk management framework, and considering the effectiveness of the governance arrangements.
 - e) Appointing statutory officers to support and monitor each Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

- f) Having embedded arrangements for whistleblowing and for receiving and investigating complaints from the public.
- g) The Councils' Management Team which meets regularly to discuss strategic matters together with endorsing specific reports prior to them being considered by the Councils' relevant committees.

Review of effectiveness

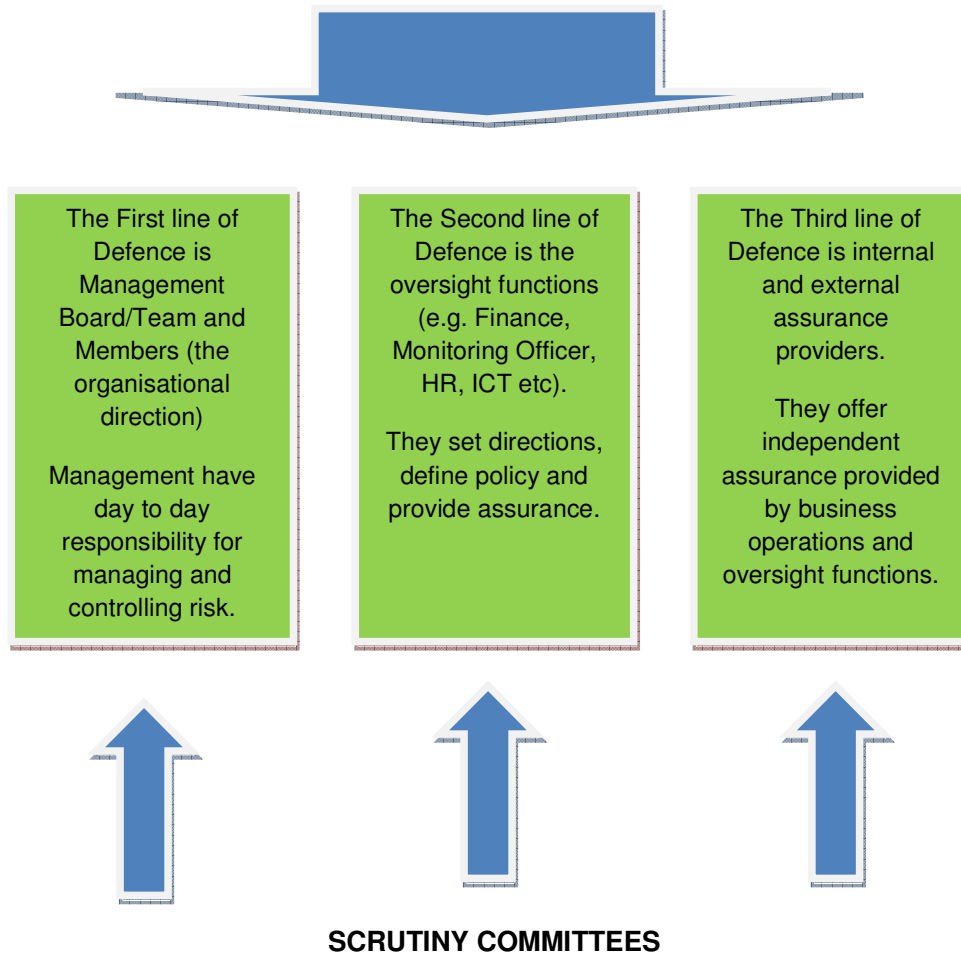
32. Each Council has an effective system of internal control which includes:

- A Local Code of Corporate Governance
- Adequately resourced internal audit
- Adequate risk management arrangements
- Effective scrutiny committees
- Standing Financial Instructions and Contract Procedure Rules
- Scheme of Delegation
- Ensuring compliance with relevant laws and regulations
- Section 151 Officers and a joint Monitoring Officer

33. The Councils have responsibility for conducting, at least annually, a review of the effectiveness of their Governance Frameworks including internal audit.

34. To support the Local Code of Corporate Governance both Councils have adopted the 'three lines of defence' model which is used as the primary means to demonstrate structure, roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance and assurance. This is shown in the model below:

THE THREE LINES OF DEFENCE FOR GOOD GOVERNANCE



35. The review of effectiveness is informed by the three lines of defence (i.e. from senior management and Members who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and also as a result of inspections made by external audit).

First Line of Defence

The role of the Chief Executive

36. Vision and leadership is provided by the Chief Executive whose responsibility is to: create the conditions to build strong relationships and a strong reputation; lead the organisations to achieve demanding strategic goals; and ensure that the Management Team drives performance to focus on outcomes and delivery.

37. The Chief Executive has strong and productive relationships with Members working specifically through the Leader at Mid Suffolk and the Chairman of the Strategy Committee at Babergh and their senior Member colleagues.

The role of the Strategic Directors

38. The three Strategic Directors and the interim Director of Transformation work very closely with the Chief Executive, to whom they are directly accountable, to provide strategic leadership across the two Councils. The capability of this top team ensures the delivery of strategic outcomes; much of this through strategic planning and commissioning activity.
39. Each Strategic Director takes responsibility for managing a range of internally and externally driven relationships including working closely with Members and partners in order to develop and deliver priorities. Working across the Suffolk local government and wider public sector family to find synergies between our activities and ways of rationalising what we all do to collectively achieve better outcomes, is a key part of their role.

The role of elected Members

40. Elected Members of each Council have a complex role and act in a number of capacities, which include:
- to participate in the governance of their district and their local area;
 - to represent the community interests of the Electoral Ward they were elected and deal fairly and effectively with enquiries and representations from local people;
 - to ensure their Council considers the needs of all sections of the community; and
 - to participate effectively as a member of any Council Committee to which they are appointed.

Second Line of Defence

Opinion of the Director of Finance and Head of Corporate Resources – Section 151 Officers

41. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 Officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 Officer also has a number of statutory powers, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit. The 151 Officer is usually (but not exclusively) the local authority's Chief Financial Officer and hence the two terms are often used interchangeably. For Mid Suffolk the S151 Officer is the Head of Corporate Resources and for Babergh it is the Corporate Manager – Financial Services.

42. Local authorities are subject to a range of policies and control procedures to ensure they operate within their means. These include safeguards to ensure local authorities do not over-commit themselves financially including:
- a) the Chief Finance Officer's Section 114 powers in the Local Government Act 1988, which (as amended following the introduction of executive arrangements under the Local Government Act 2000) requires a report to Council if there is, or is likely to be, unlawful expenditure or an unbalanced budget;
 - b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93);
 - c) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment; and
 - d) the auditors' consideration of whether the authorities have established adequate arrangements to ensure that their financial position is soundly based - in the context of an auditors' statutory responsibility to satisfy themselves that the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (known as the 'value for money conclusion').
43. Both Councils also operate a comprehensive and effective range of financial management arrangements, policies and procedures. These include arrangements relating to the Policy and Budget Framework and a set of "*Financial Regulations and Procedures*", which are part of the Councils' constitutions.
44. During 2009, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Statement on the Role of the Chief Financial Officer (CFO) in Public Service Organisations. The Statement requires the following in order to meet best practice.
- a) That the CFO in a public service organisation:
 - is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
 - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
 - must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
 - b) To deliver these responsibilities the CFO:
 - must lead and direct a finance function that is resourced to be fit for purpose; and
 - must be professionally qualified and suitably experienced.

45. The Section 151 Officer of each Council has carried out an assessment of the arrangements within the Council against this best practice, and they are satisfied that the current arrangements are sound and broadly comply with the CIPFA Statement on the Role of the Chief Finance Officer.
46. This position will be reviewed further and in more detail as part of the integration and transformation programme, as the joint management structure has changed and the Councils' finance functions are relatively lean. Even one or two changes in key finance staff or any changes in Mid Suffolk's Customer Service Direct (CSD) operation to deliver financial services could weaken the resilience and capacity to maintain (and integrate/align) financial arrangements.
47. With significant downsizing taking place, as part of the integration and transformation programme, and the introduction of new ways of working, it is critical that proper systems of financial management and internal controls are implemented and maintained as part of any new arrangements.
48. Both Councils operate effective risk management strategies, identifying significant business risks and corporate, operational and financial/budget risks - with appropriate strategies and approaches to mitigate these. As with the financial arrangements, these also need to be regularly reviewed as part of the integration and transformation programme.
49. Internal and external audit functions play a key role in ensuring that the Councils' financial and other internal controls and governance arrangements are operating effectively. This is backed-up by the review processes of the scrutiny committees and in their role as Audit Committees.
50. The most recent Annual Governance Reports and Annual Audit Letters from the external auditors covering the 2010/11 accounts gave both Councils an unqualified opinion on its statement of accounts and confirmed that each Council has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness. Further details are provided below:
- An unqualified audit opinion on the accounts i.e. that the published financial statements gave a true and fair view of both Councils' financial affairs as at the 31 March 2011 and of income and expenditure for the year
 - Effective management of the transition to financial reporting under International Financial Reporting Standards (IFRS)
 - No significant weaknesses identified in key financial systems and internal control arrangements
 - They could rely on internal audit work for the testing of the effectiveness of specific controls.
51. The reports also commented as follows in assessing the Councils' financial resilience:
- Members have a clear understanding of the financial challenge and are supportive of officers in the budget process and ongoing financial management.
 - The Councils are well-placed to meet these challenges. They have well founded and robust budget setting and financial management systems based on medium

term planning. They have also modelled the impact of the challenges faced and have in place a soundly based Medium Term Financial Strategy.

52. Details on the robustness of the budgets and adequacy of reserves are contained within the Chief Finance Officers' reports (Section 151 Reports) which accompanied the Councils' 2011/12 and 2012/13 budget reports that were presented to both Councils. Although the Section 151 Officers believe that the estimates in the 2012/13 budgets are robust (taking into account known risks and mitigating strategies) and that reserves are adequate, firm and proactive budget management will need to be maintained throughout the year and in future years.
53. In last year's Annual Governance Statements, the following financial and other challenges were identified for 2012:
- The need to integrate staff and services, recognising there are different structures, different cultures and different systems and processes in place at each Council
 - The need to transform the way we work to achieve the required savings and efficiencies whilst maintaining and improving performance
 - The range and complexity of partnerships needed for setting local strategies and plans, planning and commissioning services and delivering them to secure the desired outcomes for local communities.
54. Also, during 2011/12, the Shared Revenues Partnership was established (Babergh, Mid Suffolk and Ipswich Borough Council). The Audit Manager's opinion summaries the position on this. Both Council's accounts for 2011/12 take account of the data migration and consolidation of information from the two different IT systems that were in use during the year. Any issues arising as a result of the audit of the accounts will be fully discussed with the external auditors.
55. Looking ahead, the integration and transformation business case sets out the anticipated savings from integration over the next 5 years. Although these will make a much needed contribution to the savings needed to address the likely reductions in government grant and additional cost pressures in 2012/13 and 2013/14 (and beyond), further substantial savings from transformation and other sources will be needed to achieve a sustainable financial position in the medium-term.
56. An updated Joint Medium Term Financial Strategy (MTFS) will be drawn up in 2012 for approval to ensure that both Councils have clear and robust resource allocation and savings plans going forward, linked to the comprehensive review of strategic priorities. Financial issues from the recent Peer Review will also be addressed.
57. In summary both Councils need to ensure that the very challenging savings required are delivered within annual budget requirements and specified timescales and also that:
- a) The integration and transformation programme management arrangements are robust to ensure the delivery of the innovative change agenda and the significant financial savings that are needed.
 - b) Linked to this, full regard is had to the most recent CIPFA advice to CFOs on ensuring the significant risks associated with delivering balanced budgets, the

adequacy of reserves, the deliverability of savings, appropriate contingency plans and actions to mitigate impacts.

- c) Risks associated with collaboration with partners in the development of new ways of providing services and limiting demand are effectively managed.
- d) Strategic Priorities are reviewed and agreed in accordance with the anticipated timescales to inform the MTFS and future resource allocation.
- e) The MTFS sets out a clear savings plan for how the further significant savings that are forecast for the next 3 years are likely to be achieved.
- f) The significant Funding and Welfare Reform changes being introduced by the Government are understood and effectively managed.

58. The S151 Officers' assessment is that both Councils are managing these challenges as part of the integration and transformation programme and the proposed approach to strategic priorities and financial planning. In addition, the anticipated revenue savings reflected in the 2011/12 budgets have been met, with further in-year savings having also been made. Regular reports have been made to Members throughout the year on the Councils' financial position and the outturn report contained in the Councils' Statement of Accounts for 2011/12 provides a summary of the final outcome.

Opinion of the Monitoring Officer (supported by the Head of Corporate Organisation)

59. In May/June 2011 Babergh and Mid Suffolk District Councils conducted a local advisory poll to determine the degree of public support for the Councils to merge. There was a small majority against merger, which led the authorities to concentrate on the integration and transformation of services instead. This has included the ongoing appointment of officers who are responsible for services in both Councils' areas. Wherever possible and appropriate, the Councils have also sought to align processes and political structures. The integration and transformation process is given political leadership through JMIB.

60. Babergh and Mid Suffolk District Councils operate streamlined Committee arrangements under Section 32 of the Local Government Act 2000, which are reflected in their Constitutions. The Constitutions clearly set out the roles and responsibilities of Councillors, the Chairman, the Vice-Chairman of Council and Committees. They also detail the rules of procedure and the terms of reference of the Council and its Committees. For Babergh this includes two Overview and Scrutiny Committees. Mid Suffolk has one Scrutiny Committee, and there is a Joint Scrutiny Committee established by both Councils to add value to the decision making process as the integration of Babergh and Mid Suffolk services progresses. The Constitutions include protocols covering councillor/officer relations and a planning code of good practice and sets out the scheme of delegation and the Contract Procedure Rules and guidance.

61. The Constitutions define the roles of and relationships between the Full Council, the Strategy Committee (at Babergh) / Executive Committee (at Mid Suffolk) and the Overview and Scrutiny /Scrutiny and other Committees in the policy and decision making process, and sets out their legal requirements. The Councils appoint (on an annual basis) committees to discharge the Council's functions - regulatory and otherwise - and the Constitutions set out what responsibility each has for particular

types of decisions or for decisions relating to particular areas or functions. The Constitutions require that all decisions taken by, or on behalf of the Council, be made in accordance with the principles set out in the Constitution in order to ensure compliance with relevant laws and regulations, internal policies and procedures.

62. The Councils have adopted principles of open government. The Councils' governance arrangements ensure that:

- Decisions taken by the Strategy and Executive Committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
- The decisions of regulatory committees, subject to limited exemptions, are made in public and that information relating to those decisions is made available to the public;
- Rules and procedures which govern how decisions are made, including how appropriate financial, legal and professional advice is provided, are regularly reviewed and publicly available;
- All Committee agendas are published in advance and available to the public;
- Agendas, reports and minutes are made available on the Council's website; and
- The Council's spending data over £500 and data on high earners are published on the Council's website in accordance with the Government's open data recommendations

63. The Councils have arrangements to ensure that decision makers can be held to account. The Councils' Scrutiny Committees play an important role in that they hold decision takers to account by scrutinising their activities. During 2011/12, they provided challenge to the Councils in a number of ways: their role includes policy development and service reviews and they advise the Strategy/Executive Committee on policies, budget and service delivery. They also hold the Strategy/Executive Committee to account by looking at how and why decisions are made, how services are functioning and whether there is scope for improvement; and they have call-in powers as set out in the Councils' Constitution.

64. The Councils received annual reports on the work of the Scrutiny Committees.

65. Task Groups and Panels, with Member and Officer joint working, are established to deal with key areas and issues, including for example, Strategic and Financial Planning, Housing and Procurement Task Groups at Babergh, and the Community Policy Panel (CPP) at Mid Suffolk. There are also joint HR and IT Panels. The outcomes of the Panels' work are reported to the Councils annually.

66. Members and officers work together to achieve a common purpose with clearly defined functions and roles. Operational management of the Councils is essentially a partnership between the Strategy/Executive Committee and the Management Board. Babergh has a Political Leaders' Group that meets to consider key issues which, although it is not a decision-making body, is an invaluable tool for a Council with no

overall political control. Closer working relationships have been further encouraged during 2011/12 by the remodelling of the Corporate Suite of offices at Babergh as an open-plan area where members of Management Board and Councillors can share facilities in a “hot-desking” arrangement.

67. Council and Committee meetings are supported by experienced and knowledgeable staff. Report writing advice and guidelines have been provided to enable report authors to provide good quality information in Plain English to promote transparent, accessible decision-making. The guidance is applied in both Babergh and Mid Suffolk Councils.
68. The Councils aim to ensure that Members and staff have the skills, knowledge and capacity that they need to discharge their responsibilities and recognise the value of well-trained and competent people in effective service delivery.
69. All new Members and staff undertake a comprehensive induction to familiarise themselves with protocols, procedures, values, aims and priorities of the Councils. The Councils also deliver an ongoing training and development programme for Members throughout the year based on the skill requirements as assessed by Members themselves and on topical issues suggested by senior officers. Following the 2011 elections, a new Member induction programme was held which included training on the Code of Conduct, equality and diversity, IT, financial, risk and performance management arrangements, licensing, overview and scrutiny, planning and the integration of the two Councils. There are also regular Members' Seminars and Briefings where topical issues can be discussed.
70. The Councils have made preparations for a governance review to be undertaken in 2012/13 to ensure that the Constitutions remain robust and the political arrangements continue to provide the necessary efficacy, probity and challenge, particularly in relation to the changed environment within which elected Members will operate upon the passage of the Localism Act 2011 and the ongoing need to engage stakeholders and local people in future partnerships and service delivery. Other challenges will entail the transformation of the way that the Councils operate as the integration of services progresses and a significant reduction in resources and loss of key, experienced members of staff proceeds.
71. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in her opinion, a proposal, decision or omission by the Council, its Members or Officers is, or is likely to be, unlawful; and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the new integrated officer structure reserves a place for the Monitoring Officer at Management Board meetings. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2011/12.
72. Member behaviours are governed by a Code of Conduct which is set out in the Councils' Constitutions. A revised Code of Conduct was adopted by both Councils and all councillors have signed an undertaking to abide by its provisions and have completed a register of their personal interests. Copies of guidance produced by the Standards Board for England on the revised code have been provided to every Member and they have also received training from the Monitoring Officer. Specific training has been provided for Members of regulatory committees on the Code's requirements for declaring interests.

73. A procedure was adopted in 2008 for dealing with complaints to the Standards Committee that councillors had breached the Code of Conduct. This has been updated to reflect the renaming of Standards for England. A new complaints procedure is currently being developed in the light of changes to the system contained in the Localism Act 2011.
74. On 20 September 2010, the Coalition Government announced that the current standards regime consisting of the Code, standards committees and Standards for England would be abolished. These proposals are partially embodied in the Localism Act 2011 which continues to impose a statutory obligation on local authorities to promote and maintain high standards of conduct by Members and co-opted members. The Councils have deliberated how this may be most effectively discharged and as a consequence proposals to continue with a smaller Joint Standards Committee with an option to appoint co-opted members are being progressed ready for the anticipated start date of 1 July 2012. In pursuing this option the Councils will be able to build upon the specialist knowledge that has been acquired by its current Joint Standards Committee.
75. On 7 December 2011 a Joint Standards Committee was established between Babergh District Council and Mid Suffolk District Council to reflect the joint working arrangements, including the appointment of a joint Monitoring Officer serving both Councils, and to provide added resilience for the procedure for dealing with complaints. The Joint Standards Committee is responsible for operating a locally-based system for the initial assessment of complaints that a Member of either district council, or of one of the parish councils within their areas, may have breached the Code of Conduct for Members; and it has established sub-committees, each chaired by an independent member, to undertake the assessment of allegations that the Code has been breached; to consider any request made by a complainant for a review of a decision to take no action; and to discharge the function of holding hearings in connection with investigations. The Joint Standards Committee submits an annual report to the constituent Councils which includes details of its activities to promote the ethical framework across both Councils, along with statistical information regarding allegations of breaches of the Code of Conduct and their respective outcomes.
76. The Localism Act will require Councils to adopt a Code of Conduct consistent with the seven 'Nolan principles' of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. A draft Code has been compiled by the Monitoring Officers employed by Suffolk councils with the intention of achieving the adoption of a local Code of Conduct applicable to all local authorities in the county. The Localism Act also anticipates reform of the system for dealing with complaints which involves a role for "independent persons", and preparations are currently being made to recruit a pool of suitable people to serve in that capacity for the county.
77. A revised complaints procedure has been prepared by the Monitoring Officer to deliver a far more streamlined approach to complaint handling, and which will achieve a quicker and more flexible outcome in the interests of both councillor and complainant. This will maximise engagement with the "independent person" to ensure that complaints are assessed objectively and that appropriate criteria are applied. The new procedure has been debated by the Joint Standards Committee in readiness for adoption by the new Committee under the new arrangements.
78. The Monitoring Officer's assessment, overall, is that both Councils have complied with their Constitution. Where appropriate, Members have attended briefings and training. The values embedded in the Code of Conduct define the standards of behaviour for

all Councillors. The Joint Standards Committee and Scrutiny Committees have played a role in ensuring that systems and processes within each Council conform to standards.

Opinion of the Head of Corporate Organisation and Interim Head of Programme Delivery

79. During 2011/12, Babergh and Mid Suffolk District Councils have been integrating their management and service delivery arrangements, in line with the Integration and Transformation Business Case and a high-level Transformation Plan. There has been regular monitoring against the Business Case cost models, scenarios and objectives and deliverables.
80. A joint Chief Executive, Management Board and Heads of Service have been appointed including an interim Transformation Unit to drive through the changes and capability to transform. Capacity to undertake this challenging and ground breaking project was a key risk to its success, this was mitigated through funding support (£396k) from the RIEP. There has also been a significant amount of shared learning including taking advantage of the LGA's 'Taking the Lead Programme' with the first tranche of a LGA Group Peer Challenge taking place in May 2012.
81. There are robust performance and risk management arrangements in both Councils, include regular monitoring activity and exception reporting.
82. During 2011/12 a joint set of aligned strategic priorities has been approved to provide the basis for financial planning and operational team development and integration during 2012/13. Alongside this work, a joint Significant Business Risk Register was developed, collating and monitoring the integration risks with specific risks. Reporting mechanisms have been in place to ensure a strong challenge with an emphasis on performance improvement. Work also commenced on testing, aligning and integrating policies to support the delivery of the Councils' priorities.
83. The individual Scrutiny functions in each authority are evolving with greater awareness and challenge of outcomes and impacts on the community. Joint base-lining reviews have been undertaken into NEETS (those Not in Education, Employment and Training), and further joint reviews are planned.
84. Governance architecture for the integration programme identified the need for additional arrangements to be put in place, with more emphasis on 'business change, benefits realisation' outcomes. Regular review and engagement of Members was built in, through monthly meetings of JMIB and regular oversight from Joint Scrutiny. In addition Member Representatives from each Council have provided an oversight and supporting role for each of the significant work streams associated with the overall project.
85. An independent review of the current individual governance and constitutional arrangements in both Councils is planned for the summer 2012, to further review and strengthen the arrangements in place.

86. The opinion from the Head of Corporate Organisation and the Interim Head of Programme Delivery is that arrangements during 2011/12 for Business Development were sound, with effective management arrangements in place to mitigate risks.

Opinion of the IT Manager, Information and Project Manager, and Head of Democratic and Legal Services

87. The effective selection, use and management of technology will be a key enabler as the Babergh and Mid Suffolk integration gathers momentum. Alongside efforts to support the major changes brought about, will be the ongoing need to maintain effective control over existing operational systems and compliance with the many legislative and industry-based standards relating to systems and services currently provided.
88. In addressing the above, progress has been achieved across a number of themes during the 2011/12 year and has included:
- The recognition that a comprehensive Information Management strategy needs to be designed that ensures the ongoing security and integrity of data as the sharing of information between Councils and other public sector bodies becomes more frequent as Public Service Network take up grows. This will in turn establish a much greater understanding of our information assets and promote more informed business decision making;
 - The migration to a new website for Mid Suffolk (with Babergh to follow in the early part of 2012/13) that, as the use of related technology is developed, will improve on-line access to information, offer greater scope to automate integration with business applications and increase potential for greater interaction with citizens online;
 - The joining together of Babergh and Mid Suffolk IT networks via a secure private connection enabling greater collaboration, the ability for officers and Members to work from either site and is a key enabler in developing a Public Service Network with similarly connected partners;
 - Continuing the move away from physical processing platforms to 'virtual' equivalents. Extending this concept to the remaining IT system platforms will significantly improve the Councils' business continuity and disaster recovery capability;
 - Extending the Councils' security platforms to increase protection against the dangers posed from unauthorised portable media devices being attached to the corporate network. A further extension currently being configured will provide the ability to significantly reduce the potential for accidental or unauthorised data loss;
 - Establishing the ICT Work Stream as arbiter in respect of proposals brought forward for new or replacement ICT solutions. This will avoid a fragmented approach with the resulting proliferation of stand alone systems, ensure compatibility with the overall integration programme and generally afford greater governance;

89. Looking forward, further reviews of Council compliance under the terms of the Data Protection Act, Freedom of Information legislation and code of connection controls in respect of GCSx (and more recently GCF) membership will emphasise the need to properly enforce ICT related policies and to have in place sufficiently robust data sharing agreements. The rationalisation of such policies at Babergh and Mid-Suffolk in to a single set as integration progresses with improved enforcement via the appropriate technology will support improved governance of shared information between partners.
90. The above reviews, together with the aforementioned Information Strategy, will highlight some further needs to be addressed on the general understanding and awareness amongst users on information sharing, and the steps necessary to protect that information from, not just a practical perspective, but also by understanding the potential dangers and resulting implications that can arise. The responsibility for ensuring this is undertaken will fall to the newly created Information Management and ICT Manager as part of the Corporate Managers' tier within the integrated workforce.
91. The IT Manager's assessment, overall, is that the Councils have achieved all the required technical controls and are well placed to consider new and innovative approaches to supporting the Councils in the future.
92. Babergh had 496 Freedom of Information (FOI) requests in 2011/2012, a 20% increase from the previous year. Four complaints were made to the Information Commissioner (ICO) in respect to 4 requests during the year. One is still awaiting a decision, two required no further action by the Council and the other complaint was not upheld. The Council was involved in one Information Tribunal hearing, where the ICO's decision was upheld.
93. Mid Suffolk had 464 FOI requests in 2011/12, a 26% increase from the previous year. Three complaints were made to ICO in respect to three requests during the year. With all three complaints, no further action was required by the Council.

Opinion of the Corporate Manager – Organisational Development (including HR)

94. Significant progress has been made on the development and implementation of a single integrated workforce for the two Councils. Following informal and formal consultation which invited and attracted many responses, the management structure has been established, with new roles clearly defined. Following rigorous selection processes, appointments have been made to the 3 Strategic Directors and 1 Interim Director role and 6 Head of Service posts, supplemented by 1 interim Head of Service role. This new senior management team (including the two interim posts) represents a 37% reduction on the collective senior management teams that served the two Councils. 34 Corporate Manager posts have been established; replacing the 59 managerial posts across the two Councils and selection is currently underway to fill these. The next integration phase will be the establishment of integrated operational delivery teams.
95. A new single pay and grading structure is being developed following a comprehensive job evaluation process, and a new appraisal and performance/competency based

incremental reward policy and process will be developed to support this. Local union representatives have been actively engaged in this work.

96. Tailored training and development has been offered to support colleagues across both Councils working through this period of considerable change, enabling them to prepare positively for their future, and more than 50% of the staff across both Councils have attended these workshops to date.
97. Sickness management has been closely managed and continued to drop with average sickness levels across both Councils at between 4.5 and 5 days per annum, well below the national average for public sector workers of 9.6 days.
98. A harmonisation programme to align the terms and conditions of service, policies and procedures across both Councils is underway and critical policies have been successfully harmonised in 2011/12 year including key change management policies.
99. Overall, the assessment of the Corporate Manager – Organisational Development is that there are sound HR processes, procedures and plans in place to ensure that the HR work is supporting and contributing to effective governance and the successful delivery of the integration and transformation programme for both Councils.

Opinion of the Head of Contract and Asset Management

100. Procurement and commissioning at Babergh is undertaken by officers who, together with five Members also form the Procurement Task Group. The Task Group reports annually to the Council on procurement activity.
101. Mid Suffolk does not have such a group, but there are rules which govern whether a contract award would need to be reported to a portfolio holder or a committee.
102. Progress during 2011/12 has been measured against key functions and can be summarised as follows:
 - Increased collaboration and joint working with others to achieve more joint procurement activity through continued membership of the Suffolk-wide Collaborative Procurement Strategy Group (of Directors/Heads of Service) to improve strategic links, and of the County-wide Procurement Group (of Procurement Managers) to improve joint operational working.
 - In order to expand procurement activity to further support the local economy and the opportunities for local suppliers to bid for contracts (within legal constraints) the approved supplier list has been reviewed to ensure an appropriate focus on small and medium enterprises (SME's) and local businesses. Full use is made of the Suffolk Chamber of Commerce B2B website. Full use is also made of the Supply2Gov website.
 - Further development of the shared services agenda between Babergh and Mid Suffolk through the creation of a Joint Contracts Register followed by the joint

procurement of contracts for fire alarm maintenance, supply of car parking wardens, Business Rates review and Out-of-Hours Services.

- The embedding of procurement within the business planning and processes for both Councils, including implementation of the Contracts Finder portal, the county-wide E-Tendering and Contract Management modules, and the recording of procurement savings activity.
- The continuation of the Babergh procurement savings target of £50,000, together with a 'stretched' procurement savings target of £100,000.

103. Officers with responsibility for procurement in both authorities have identified key activities for 2012/13, and also identified risks where appropriate. These can be summarised as follows:

- To develop an integrated Procurement Strategy between Babergh and Mid Suffolk (together with an Action Plan) and to prepare Joint Contract Procedure Rules and Terms and Conditions. The identified risk is that elected Members from one, or both Councils do not approve the integrated approach.
- Continued collaboration and joint working with others to achieve more joint procurement activity, and maintain membership of the Collaborative Procurement Strategy Group and the Countywide Procurement Group. The identified risks are that these groups will be unable to generate substantive countywide initiatives for procurement savings, and that not all Suffolk authorities will participate to the required, which could result in procurement savings being lost for those authorities.
- To ensure that procurement is embedded in our business planning and processes by:
 - Continuing to contribute to the Suffolk-wide Contracts Finder portal
 - Fully supporting the county-wide E-Tendering and Contract Management modules
 - The recording of procurement savings activity
 - Improvement of the Procure to Pay process
 - Introducing a joint procurement savings target.

104. The Head of Contract and Asset Management's assessment, overall, is that the procurement and commissioning arrangements in place at this current time are adequate.

Third Line of Defence

External Audit

105. The External Audit Annual Governance Reports and Audit Letters for the financial year 2010/11 included unqualified opinions on both Council's Accounts and unqualified value for money conclusions.
106. In respect of the Mid Suffolk's accounts there is an unfinished objection, the outcome of which is awaited from the Audit Commission.
107. In addition, in both cases, External Audit were able to place reliance on Internal Audit's work for the testing of the effectiveness of specific controls.

Joint Internal Audit Service

108. The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources.
109. The effectiveness of both Council's internal controls is examined in detail through the work of Internal Audit who identify and evaluate risks, and make plans to audit those risks. Senior Management and other key officers, representing the oversight functions, and the relevant Scrutiny Committees from both Councils have been consulted for their views on risks and audit priorities.
110. Audit findings, together with recommendations for improvement are reported to those officers whose responsibility is to consider them and act accordingly. Checks are undertaken by Internal Audit to ensure high risk recommendations have been implemented. Progress reports on the work of Internal Audit are reported to the relevant Scrutiny Committees.
111. A 'light touch' review into the effectiveness of the system of Internal Audit was undertaken by both Councils and considered against the self assessment standards produced by the CIPFA Code of Practice on Internal Audit.
112. The self assessment of both internal audit functions confirmed substantial compliance with the standards. There is however, a recognition that both Councils need to combine their Audit Strategy, Terms of Reference, Audit Manual and working practices that will incorporate best practice. This will take place during 2012/13 and the aligned Audit Strategy and Terms of Reference will be presented to the appropriate Scrutiny Committees of both Councils.
113. The work of Internal Audit and the wider financial aspects of corporate governance are examined each year by each Council's external auditors.

Opinion of the Audit Manager

114. Management are responsible for establishing and maintaining appropriate risk management processes, systems of internal control, accounting records and governance arrangements: Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. This is achieved by undertaking audits across the full range of the Councils' functions in accordance with a risk based Audit Plan, approved annually by the Overview and Scrutiny (Stewardship) Committee – Babergh, and the Scrutiny Committee – Mid Suffolk.
115. Internal Audit carries out the work to satisfy this legislative requirement, reporting the outcome of its work to the Scrutiny Committees named above. These committees in their role as the Council's Audit Committee have a responsibility for reviewing the Council's corporate governance arrangements, including internal control and for scrutinising the Annual Governance Statement. The work carried out is therefore a key source of assurance that the internal control environment is operating efficiently and effectively.
116. A wide number of reviews of both Council's operations were carried out last year, ranging from main financial systems to corporate and governance reviews. Each was critically evaluated and where appropriate, recommendations made to further improve the internal control environment, including best practice. Internal Audit follow up all high-risk recommendations to ensure that these are dealt with in a timely manner. It is management's responsibility to ensure that agreed recommendations are implemented.
117. Financial control is a key element of the Council's overall control environment and as such it is recognised that the core financial systems must be considered in the risk based audit plan. During 2011/12, Internal Audit carried detailed reviews of the financial systems in operation and all areas were found to have effective systems and controls in place.
118. This opinion relies on the key financial controls being in place and the Corporate Governance Framework operating effectively. Based on the work undertaken during the year and assurances by other external bodies, Internal Audit can provide reasonable assurance that the systems of internal control within these areas of the Council are operating effectively.
119. The one caveat to this assurance surrounds the audit review of the Shared Revenues Partnership (SRP). The SRP used existing legacy computer systems from each Council until November 2011 and moved to a single platform, Northgate, in December 2011. The external auditors for Babergh and Mid Suffolk, (PKF and the Audit Commission respectively), requested that audits were carried out on the part of the year the existing Civica systems were in use and on the data migration process to the new system. The auditing of the Civica system and data migration has been carried out by the joint Internal Audit Service team and the audit of Northgate has been carried out by the Ipswich Borough Council (IBC) auditors.

120. A management response is awaited for the work completed on the Civica systems and data migration to Northgate. The indicative findings and audit opinion are that the controls around Benefits, Council Tax and Non Domestic Rates are 'Effective', however, there are some outstanding issues to be clarified around the data migration work. The final position will be considered and discussed with external audit with any issues reported to Members as part of their Annual Governance Report.
121. It should be noted that with limited resources available assurance can never be absolute.
122. In arriving at this opinion, the following have been taken into account:
- All audits completed;
 - All necessary audit testing undertaken;
 - Audit recommendations made and remedial action consequently agreed;
 - Audit resources available;
 - The risk assessment undertaken in preparing audit plans; and
 - External Audit findings.
123. Looking forward, as the public sector continues through a period of severe financial constraint there will be a need to ensure that appropriate and efficient controls remain in place to maintain the governance and internal control standards within each Council, commensurate with their risk appetite.

The Future

124. The governance issues identified in the 2010/11 AGS around the integration of staff and services; the need to transform the way we work; and the complexity of partnerships needed for setting local strategies and plans continue to be worked on as demonstrated in this year's AGS.
125. In April 2012, Members from Mid Suffolk's Executive Committee and Babergh's Strategy Committee approved the aligned strategic priorities, supported by a joint Delivery Plan 2012/13.
126. The Delivery Plan contains a joint set of objectives and associated outcomes for each of the community focused priorities that clearly identify what the Councils are aiming to achieve during the year, and they form the basis for the joint Delivery Plan for 2012/13.
127. Overall the Governance Framework will provide Members with the information they require to ensure that policy decisions are being carried out and communities are being well served. They will be able to ensure that the Councils:

- Concentrate on what matters most, prioritising what gets done and ensure there are sufficient resources to do it, making sure that processes are integrated to enable community and strategic priorities to be delivered;
 - Assess whether goals are successfully achieved and unblock the underlying cause of poor performance at an early stage, learn from past performance and improve future performance;
 - Review plans and policies to ensure they are focussed on achieving the right outcomes;
 - Make informed decisions e.g. there is a need to shift resources to change the way services are delivered;
 - Provide value for money by focusing on the right things in the right way and are looking for better ways of working, understand what works best under what conditions;
 - Listen to customers and increase satisfaction;
 - Motivate staff by making sure they know how they contribute and what is expected of them; and
 - Are accountable through transparent reporting systems.
128. During May 2012 a Peer Review was undertaken across both Councils. The Peer Review team were made up of councillors and senior local government managers and were selected for their extensive range of shared service and joint district council experience.
129. The team collected evidence and met with a range of partner organisations, staff and Members from both Councils with their findings being reported back to JMIB.
130. The overall focus of the review concentrated on the development and delivery of the vision for an integrated organisation. A follow up review to assess the effectiveness of the delivery of the overall programme will be undertaken in 18-24 months time. Feedback will help inform and develop thinking and plans for further improvement.
131. A review of the Councils' governance arrangements will take place during summer 2012 onwards. This will include a consideration of the joint and individual governance and constitutional arrangements in both Councils to determine whether those arrangements are workable. It will also facilitate integration of management and delivery whilst retaining sovereignty of both Councils and will review the governance, constitutional and member support arrangements and the associated management and member work programming and agenda management arrangements (including an appraisal of the operational capacity across the two districts).
132. Key risks and challenges moving forward (including those reported in the individual assurance statements):

- The heavy workload and information that Members and officers have to absorb is growing steadily. Creating an effective agenda management process linked to forward planning and priorities will therefore be crucial for a problem free workflow.
- Members have a central part to play in making sound decisions and setting policies that have an impact on their ward and across the whole area covered by their Council. The process of sound decision making alongside strong, timely and effective political leadership will play a vital role in driving both Councils forward to meet their strategic priorities.
- The integration of staff will be challenging for both officers and Members alike. The need to maintain good working relationships will be vital if the Councils' priorities are to be fully realised and implemented.
- The reduced central government funding to support the Councils' revenue and capital programmes will affect service delivery unless budgets are carefully managed to avoid front line services being reduced and overall damage to reputation.
- As we look to maintain both HQs for the next 3-5 years it is crucial that adequate power protection is implemented to protect Babergh's main IT suite from effects of significant disruption to power suppliers. Mid Suffolk has a generator which is sufficient to maintain its services.
- The need to transform the way we work to achieve the desired savings and efficiencies whilst maintaining and improving performance.

133. Proposals to address these risks and challenges are currently in hand with engagement from Members and staff. The Peer Review undertaken in May (together with the planned follow up) and the review of both Councils' governance arrangements in particular will help towards the development and delivery of the vision for an integrated organisation.

Conclusion

134. The Annual Governance Statement provides an assurance of the effectiveness of each Council's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to each Council's overall governance framework.

135. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

Signed.....

Charlie Adan, Chief Executive

Date.....

Signed.....

Jennie Jenkins, Chairman of
Strategy Committee – Babergh
DC

Date.....

Signed.....

Tim Passmore, Leader of the
Council – Mid Suffolk DC

Date.....

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