

HAVANT BOROUGH COUNCIL  
PUBLIC SERVICE PLAZA  
CIVIC CENTRE ROAD  
HAVANT  
HAMPSHIRE P09 2AX



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## GOVERNANCE, AUDIT AND FINANCE BOARD AGENDA

**Membership:** Councillor Kennett (Chairman)

Councillors Bains, Briggs, Crellin, Hart, Rees, Robinson, Shimbart, Smith K and Wade

**Meeting:** Governance, Audit and Finance Board

**Date:** Wednesday 20 June 2018

**Time:** 5.00 pm

**Venue:** Hollybank Room, Public Service Plaza, Civic Centre Road,  
Havant, Hants PO9 2AX

The business to be transacted is set out below:

Nick Leach  
Monitoring Officer

12 June 2018

Contact Officer: Mark Gregory 023 92446232  
Email: [mark.gregory@havant.gov.uk](mailto:mark.gregory@havant.gov.uk)

	Page
<b>1 Apologies</b>	
To receive apologies for absence.	
<b>2 Minutes</b>	<b>1 - 4</b>
To confirm the minutes of the Governance and Audit Committee held on 14 March 2018.	
<b>3 Matters Arising</b>	
<b>4 Declarations of Interest</b>	

<b>5</b>	<b>Chairman's Report</b>	
<b>6</b>	<b>Corporate Governance Policy, Local Code of Corporate Governance &amp; Draft Annual Governance Statement 2017-18</b>	<b>5 - 50</b>
<b>7</b>	<b>External Audit Progress Report</b>	
	To receive verbal updates from the External Auditors.	
<b>8</b>	<b>Internal Audit Progress Report</b>	
	To consider updates from the Internal Audit Team (if any)	
<b>9</b>	<b>Monitoring Officer's Report</b>	
	To receive verbal updates from the Monitoring Officer.	
<b>10</b>	<b>Review of Councillor Allowances</b>	<b>To Follow</b>

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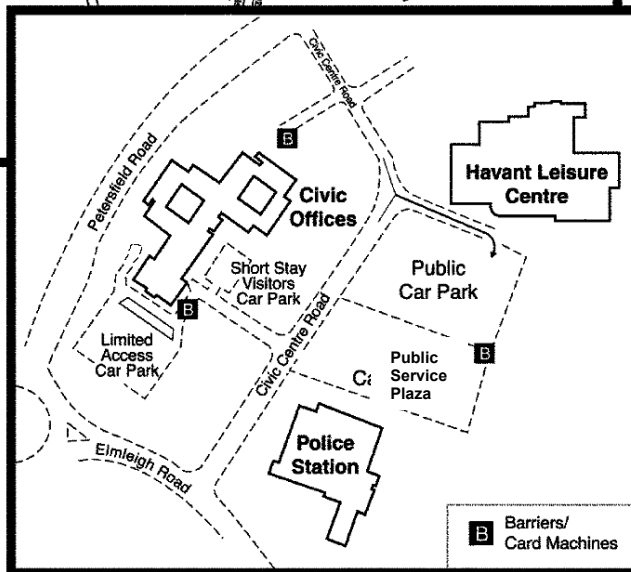
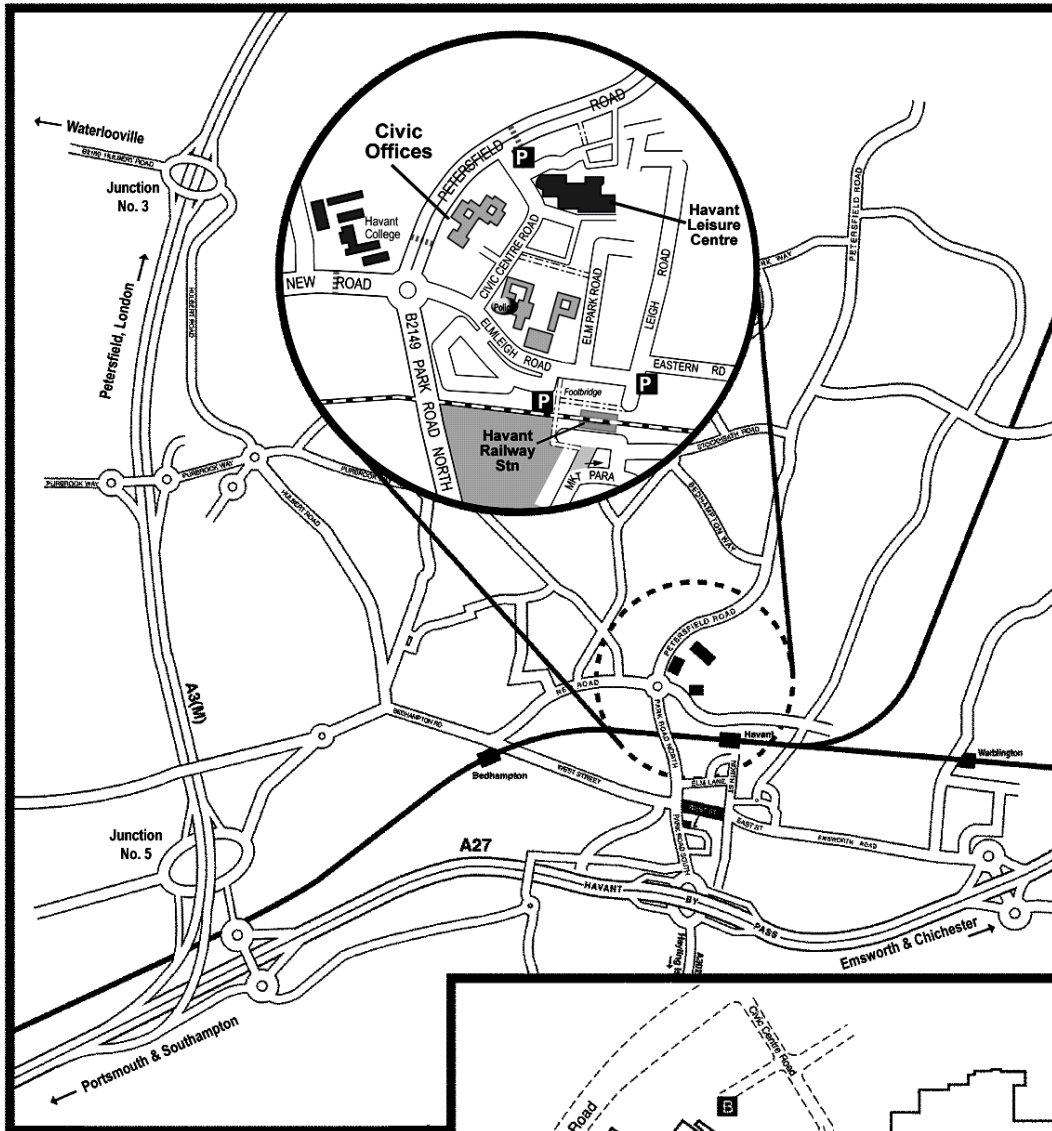
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## HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 14 March 2018

Present

Councillor Smith K (Chairman)

Councillors Davis, Rees and Sceal

### **9 Apologies**

Apologies for absence were received from Councillors D Smith and Lenaghan.

### **10 Minutes**

RESOLVED that the minutes of the Governance and Audit Committee held on 10 January 2018 be approved as a correct record.

### **11 Declarations of Interest**

There were no declarations of interest.

### **12 Chairman's Report**

There were no matters that the Chairman wished to report.

### **13 External Audit - Audit Plan 2017/18**

The Committee considered the Audit Plan 2017/18 as presented by Ernst and Young LLP. Andrew Brittain and Jason Jones of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Audit Plan 2017/18 set out the external auditor's proposed approach and scope for the 2017/18 audit. The Plan also highlighted the key risks identified and outlined the planned audit strategy in response to these risks.

RESOLVED that;

- a) The Audit Plan 2017/18 be noted; and
- b) The Committee confirm its understanding of, and agreement to, the materiality and reporting levels as set out on page 23 of the agenda pack.

**14 External Audit - Certification of Claims and Returns Annual Report 2016/17**

The Committee considered the Certification of Claims and Returns Annual Report 2016/17 as presented by Ernst and Young LLP. Andrew Brittain and Jason Jones of Ernst and Young LLP joined the meeting for the debate on this item and answered member's questions in connection with the report.

The report summarised the results of the external auditor's work on Havant Borough Council's 2016-17 claims and returns. The errors reported had not resulted in adjustments to the Council's 2016-17 claim.

The Chief Finance Officer passed on her thanks to Revenues and Benefits Officers, for their hard work in ensuring minimal errors.

RESOLVED that the Certification of Claims and Returns Annual Report 2016/17 be noted.

**15 Internal Audit Progress Report 2017-18 (February 2018)**

The Committee considered the report presented by Amanda Chalmers and Antony Harvey of the Southern Internal Audit Partnership, who joined the meeting for the debate on this item and answered member's questions in connection with the report.

The paper provided an update on the progress of internal audit activity completed in accordance with the approved audit plan, and summarised the status of 'live' reports.

The Committee were informed that the internal auditors remained confident that all outstanding work would be completed within agreed timescales.

RESOLVED that the Internal Audit Progress Report 2017-18 (February 2018) be noted.

**16 Internal Audit Plan 2018-19**

The Committee considered the Internal Audit Plan and the Fraud and Corruption Risk Plan 2018-19, as presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership.

The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The Plan reflected the Council's Corporate Strategy, ensuring focus is given to the associated risks to commissioning services.

The Fraud and Corruption Risk Plan set out the proactive and reactive initiatives to detect fraud, and demonstrate assurance that fraud has not taken place. The Plan also summarised the scheduled activities to be undertaken in relation to this.

RESOLVED that the Internal Audit Plan and the Fraud and Corruption Risk Plan 2018-19 be approved.

#### **17 Internal Audit Charter 2018-19**

The Committee considered the Internal Audit Charter 2018-19, as presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership.

The Internal Audit Charter formally defined the purpose, authority and responsibilities for internal audit activity.

RESOLVED that the Internal Audit Charter 2018-19 be approved.

#### **18 Changes to Corporate Surveillance Policy and Procedure**

The Committee considered a report from the Deputy Monitoring Officer detailing updates to the Corporate Surveillance Policy and Procedure.

The updates included clearer indication of the Council's responsibilities in relation to CHIS informants and consideration of the usage of social media for the gathering of evidence. These areas had been highlighted in a review of the Council's policy, undertaken by the Office of Surveillance Commissioners.

In addition, the Committee were advised that the designated Senior Responsible Officer needed to be updated to reflect staff changes.

RECOMMENDED to Council that the amended Corporate Surveillance Policy be adopted by the Council, subject to the following amendment on Page 4 of the Policy document:

- a) 'Tom Horwood, Executive Director' be updated to read 'Gill Kneller, Executive Director'.

#### **19 Amendments to the Constitution**

The Committee considered a report from the Democratic Services Assistant recommending changes to the Constitution.

RECOMMENDED that the Council amends Standing Orders 1.11 and 6.14 of the Constitution as follows:

*Standing Order 1.11*

*Every member of the Council must within twenty eight days from the start of each municipal year sign a declaration on a form supplied by the Democratic Services Team, that she or he has read **and understood** the Council's latest version of the Constitution.*

*Standing Order 6.14*

*Every member of the Council must within twenty eight days from being appointed to a Committee, Sub-Committee or Board sign a declaration on a form supplied by the Democratic Services Team, that he or she has read **and understood** the terms of reference for each committee, sub-committee or board he or she has been appointed to. A failure to comply with this standing order will be considered as a breach of the adopted Councillor's Code of Conduct.*

\* amendments shown in bold

## **20 Monitoring Officer's Update**

The Deputy Monitoring Officer informed the Committee that there were no outstanding Code of Conduct complaints.

**The meeting commenced at 5.00 pm and concluded at 6.25 pm**



**NON EXEMPT**

## **HAVANT BOROUGH COUNCIL**

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**GOVERNANCE, AUDIT & FINANCE BOARD**

**20 JUNE 2018**

### **CORPORATE GOVERNANCE POLICY, LOCAL CODE OF CORPORATE GOVERNANCE & DRAFT ANNUAL GOVERNANCE STATEMENT 2017-18**

Will Jackson, Transformation Project Manager, Performance

#### **FOR DECISION**

**Portfolio: Deputy Leader of the Council and Cabinet Lead for Finance and Regeneration. Councillor Tim Pike**

**Chief Finance Officer: Lydia Morrison**

**Key Decision: No**

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#### **1.0 Purpose of Report**

**1.1** Good business practice is to ensure robust policies and systems are in place and that annual reviews of governance arrangements take place. This report is submitted to the Governance, Audit & Finance Board for decision and comment on three interlinked documents which are required to be reviewed annually:

- (a) Corporate Governance Policy
- (b) Local Code of Corporate Governance
- (c) Draft Annual Governance Statement 2017-18

**1.2** The Local Code of Corporate Governance and Corporate Governance Policy will be published on our website and will be reviewed annually.

**1.3** Subject to comments received, a final version of the Annual Governance Statement 2017-18 will be submitted to the Board for approval on 25th July 2018 alongside the Statement of Accounts 2017-18 for Havant Borough Council.

#### **2.0 Recommendation**

**2.1** Governance, Audit & Finance Board is recommended to approve the Corporate Governance Policy at Appendix A, the Local Code of Governance at Appendix B and provide comments on the draft Annual Governance Statement 2017-18 at Appendix C. The final version of the Annual Governance Statement will be shared for approval at the July Board meeting.

### **3.0 Executive Summary**

- 3.1 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code of Corporate Governance, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.2 The Corporate Governance Policy outlines the Council's approach to managing risk. Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to the council's ability to deliver public services and as a custodian of public funds.
- 3.3 The Local Code of Governance is based on the CIPFA/SOLACE publication entitled "Delivering Good Governance in Local Government: Framework 2016 Edition". This revised framework emphasises the importance of considering the longer term and the links between governance and public financial management. The Local Code specifically identifies the actions and behaviours taken by the council in relation to each of the core and associated sub-principles as set out in the code. The Governance, Audit and Finance Board is responsible for approving the code and it is recommended that it is annually reviewed and updated accordingly.
- 3.4 The Annual Governance Statement 2017/18 at Appendix C details the Governance Framework, including the key elements of the Council's governance arrangements, the review of framework outlining the annual review process and overall opinion, and further improvement areas.
- 3.5 In terms of overall corporate governance it is the Chief Executive's and Chief Finance Officer's opinion that, although there are a few areas of work to be completed, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the principles by the Transformation Project Manager - Performance, the work of Internal Audit and External Audit. The Havant Borough Council Annual Governance Statement 2017-18 will be published as part of the Annual Statement of Accounts.
- 3.6 Part of the Governance and Audit Board's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions

required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'<sup>1</sup>

#### **4.0 Additional Budgetary Implications**

4.1 None

#### **5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan/s**

5.1 Corporate Governance comprises the systems and values by which Havant Borough Council is directed and controlled and through which it is accountable. To demonstrate compliance with the principles of good corporate governance, Havant Borough Council must ensure that it does the right things and in the right way. The Council must also ensure that this is done in a timely, inclusive, open, honest and accountable manner.

5.2 An annual review of the Corporate Governance Policy, Local Code of Corporate Governance and production of the Annual Governance Statement must be completed each year in order to evidence compliance with the principles of good corporate governance.

#### **6.0 Options considered and reasons for the recommendation**

6.1 A new 'CIPFA/SOLACE Framework' was published in 2016 to ensure it remains fit for purpose, which applies to Annual Governance Statements prepared for the financial year 2017/18 onwards. The revised Framework defines the seven core principles of good governance.

6.2 The Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code of Corporate Governance and prepare a governance statement and report compliance on an annual basis.

#### **7.0 Resource Implications**

7.1 Financial Implications - none

7.2 Human Resources Implications - none

7.3 Other Resource Implication - none

#### **8.0 Legal Implications**

8.1 None. The publication of the Corporate Governance Policy, Local Code of Corporate Governance and Annual Governance Statement details

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2013)

the Governance Framework, including the key elements of the Council's governance arrangements

## **9.0 Risks**

- 9.1 These documents are a vital part of ensuring that Council 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.
- 9.2 Failure to produce and report these documents would carry the risk that the Council was failing in its duty to evidence that it was operating in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

## **10 Consultation**

- 10.1 The draft Corporate Governance Policy, draft Local Code of Corporate Governance and draft Annual Governance Statement have been shared with relevant Heads of Service and Executive Board. The draft of the Annual Governance Statement has also been shared with External Audit. The Board is also being consulted on the draft Annual Governance Statement prior to review of the final version which will be shared at the July Board meeting.

## **11 Communication**

- 11.1 The Corporate Governance Policy, Local Code of Corporate Governance and Annual Governance Statement will all be published on the website alongside the final version of the Statement of Accounts 2017-18.

Appendices:

Appendix A – Corporate Governance Policy

Appendix B – Local Code of Corporate Governance

Appendix C – draft Annual Governance Statement 2017-18

Background Papers: *None*

Agreed and signed off by:

Monitoring Officer: 7 June 2018

S151 Officer: 7 June 2018

Portfolio Holder: 11 June 2018

**Contact Officer:** Will Jackson

**Job Title:** Transformation Project Manager: Performance

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## Corporate Governance Policy

Version	Author	Date	Summary of Changes
V0.1	Cheryl Lincoln	01/09/2016	First Draft
V0.2	Cheryl Lincoln	04/01/2018	Amended and updated following review of Corporate Governance Arrangements
V0.3	Cheryl Lincoln	25/01/2018	Executive Board Approved the Policy
V0.4	Will Jackson	08/06/2018	Review and final comments incorporated

<b>Adopted by Governance, Audit &amp; Finance Board [tbc – June 2018]</b>	Review - June 2019
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## **Introduction by the chief executive**

The council provides a diverse range of services to our customers, residents, businesses and visitors to the borough. It is essential that we protect and preserve the ability for customers to receive these services and that the council is able to deliver against our long-term strategic goals for the place. The council works to the principles set out in the Local Code of Corporate Governance and aims to achieve its intended outcomes whilst acting in the public interest at all times.

We recognise that risks are inherent within our service delivery, and that these risks must be appropriately managed, whether they arise at a strategic or an operational level. Uncontrolled risks can result in a drain on resources that could be better directed to front line service provision, and to the meeting of the council's objectives. A culture of managed risk can therefore enhance our drive for value for money and quality in the provision of services, and support the achievement of corporate goals. It is noted that the management of risk is equally concerned with managing upside potential and downside threats.

Only by adopting a holistic approach to risk management will the council properly recognise the concept of risk. Risk management must be an integral part of all aspects of the council's business, embedded throughout the organisation. A structured and focussed approach is facilitated through the council's risk management framework. This policy has the full support of the elected councillors and the paid Executive Board responsible for managing and delivering services. It is recognised that the co-operation and commitment of all employees and councillors is required to ensure that council's resources are utilised effectively.

**Sandy Hopkins**  
**Chief Executive**



## **1. What do we mean by governance?**

Governance is about how local government bodies ensure that they are 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 and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities. Ultimately, corporate governance is the system by which we direct and control our functions, and how they relate to our community.

## **2. The council's commitment**

The council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the communities we serve.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of the place for future generations and local people and makes the best use of resources
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the council operates.

## **3. The Corporate Governance Framework**

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to the council's ability to deliver public services and as a custodian of public funds.

The council is legally required to have risk management arrangements in place. The council's approach to managing risk is explained in this Corporate Governance Policy and has been approved by Governance, Audit & Finance Committee.

The Policy:

- Sets out the council's objectives for the management of risk at a strategic and operational level, within projects, within partnerships and its suppliers;
- describes the risk management framework that is in place by defining a systematic approach to how risk will be managed across the council; and
- ensures that associated thinking and practice is embedded in everyday processes, policies and activity.

In order to ensure the fulfilment of its commitment the council operates a governance framework which provides a structure to support the council's approach to governance.

The council has based its governance framework on the guidance produced in the publication “Delivering Good Governance in Local Government” produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE).  
The Accounts and Audit Regulations 2015 state:

A relevant authority must ensure that it has a sound system of internal control which

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective arrangements for the management of risk.

This Corporate Governance Policy is fully supported by councillors, the chief executive and the Executive Board which is accountable for the effective management of risk within the council. On a daily basis all officers of the council have a responsibility to recognise and manage risk in accordance with this policy.

## **4. How we will ensure that we deliver on these principles of good governance**

### **4.1 Maintain a local code of corporate governance**

In accordance with best practice requirements, the council maintains a Local Code of Corporate Governance which sets out the key systems, policies and procedures that comprise the authority’s governance framework. This document will be reviewed and updated regularly as required and approved by the Executive Board and Governance and Audit Committee, to reflect any changes in governance arrangements.

### **4.2 Undertake an annual review of governance arrangements**

The Southern Audit Partnership<sup>1</sup> is responsible for undertaking an annual review to evaluate the position against the commitments set out in the Council’s Local Code of Corporate Governance, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Governance Board<sup>2</sup>. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

### **4.3 Report publicly on compliance with governance arrangements in the Annual Governance Statement**

The Authority will produce an Annual Governance Statement (AGS) in accordance with the Accounts and Audit (England) Regulations 2015. This will be published and will

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<sup>1</sup> <https://www.hants.gov.uk/business/siap>

<sup>2</sup> The Corporate Governance Board provides a layer of assurance to the business, ensuring the organisation develops and implements an effective approach to Corporate Governance

accompany the council's Annual Statement of Accounts. It will state what arrangements the council has in place to ensure the effectiveness of its governance framework and how the council has followed its stated governance principles. It will also highlight any areas the council considers requiring significant improvement; and outline the actions planned to address them.

Governance and Audit Committee will review the robustness of the AGS. The chief executive and the leader are required to sign off the AGS.

## **5. Risk management objectives**

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the council's governance framework.

The council will operate an effective system of risk management which will seek to ensure that risks which might prevent the council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice this means that the council has taken steps to ensure that risks do not prevent the council achieving its corporate priorities or objectives.

## **6. Risk management principles**

- I. The risk management process should be consistent across the council. The process should also be clear and straightforward and result in timely information that helps informed decision making.
- II. Risk management should operate within a culture of transparency and openness, where risk identification is encouraged. Risks are escalated where necessary to the level of management best placed to manage them effectively.
- III. Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment.
- IV. The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing; i.e. the concept of proportionality.
- V. Risk management should be embedded in everyday business processes.
- VI. Officers of the council should be aware of and operate the council's risk management approach where appropriate.
- VII. Councillors should be aware of the council's risk management approach and of the need for the decision-making process to be informed by robust risk assessment, with councillors being involved in the identification of risk on an annual basis.

## **7. Appetite for risk**

As an organisation with limited resources, it is inappropriate for the council to seek to mitigate all of the risk it faces. The council therefore aims to manage risk in a manner

which is proportionate to the risk faced, based on the experience and expertise of its senior managers.

The council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at **appendix A** (for corporate priority risks).

## 8. Benefits of risk management

The benefits of active risk management should alert councillors and officers to the key risks which might prevent the achievement of the council's plans, in order that timely mitigation can be developed to either prevent the risks occurring or to manage them effectively if they do occur.

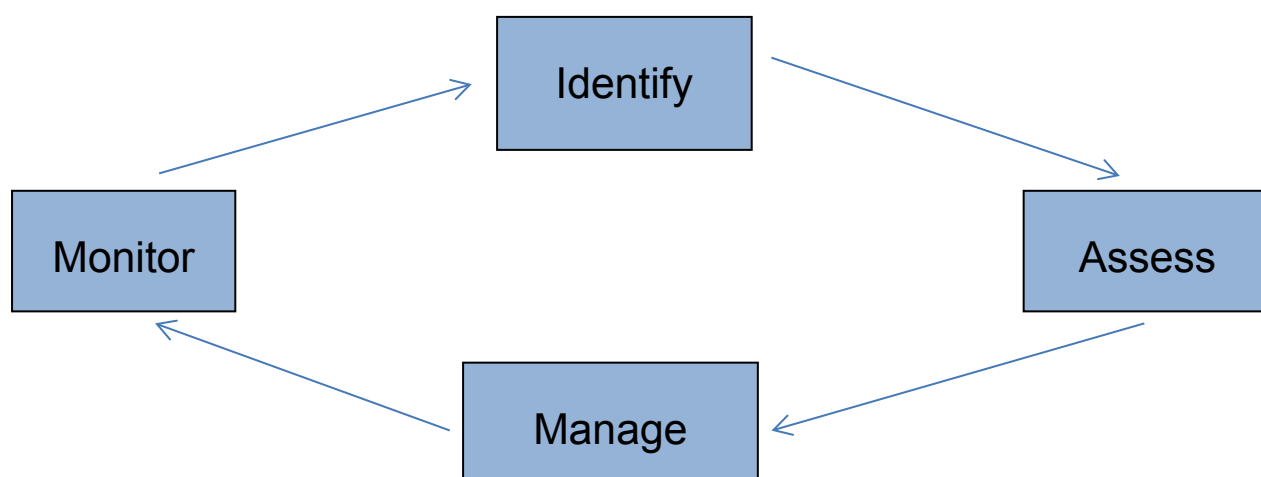
Risk management at the point of decision making should ensure that councillors and officers are fully aware of any key risk issues associated with proposals being considered.

Active risk management should lead to greater risk awareness and an improved and cost-effective control environment, which should mean fewer incidents and other control failures and better service outcomes. In addition, it will provide assurance to councillors and officers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.

Finally, active risk management allows the council to take informed decisions about exploiting opportunities and innovation, ensuring that we get the right balance between rewards and risks.

## 9. Risk management approach

The risk management approach adopted by the council is based on identifying, assessing, managing and monitoring risks at all levels across the council:



The detailed stages of the council's risk management approach are recorded in the Risk Management Framework. This framework or guide provides managers with detailed guidance on the application of the risk management process.

The guide can be located on the intranet.

Additionally, individual business processes, such as decision making and project management will provide guidance on the management of risk within those processes.

## **10. Responsibilities**

Every member of staff and councillor has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The chief executive and leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

## **11. Awareness and development**

The council recognises that the effectiveness of its risk management approach will be dependent upon the degree of knowledge of the approach and its application by officers and councillors.

The council is committed to ensuring that all councillors, staff and partners, where appropriate, have sufficient knowledge of the council's risk management approach to fulfil their responsibilities for managing risk. This will be delivered through a variety of methods for example formal training programmes, risk workshops, briefings and internal communication channels.

## **12. Communication**

The Local Code of Corporate Governance and Annual Governance Statement will be reported publicly with a copy available on the authority's website.

## **13. Conclusion**

The council will face risks to the achievement of its plans. The risk management approach detailed in this policy should ensure that the key risks faced are recognised and effective measures are taken to manage them in accordance with the defined risk appetite.

The Corporate Governance Board will ensure that the Local Code of Corporate Governance is reviewed regularly to reflect ongoing developments and planned

improvements to the framework; and authorise any amendments. Significant changes will be referred to the Executive Board for approval.

## Appendix A

The Table illustrates how risks are scored and the Council's risk appetite:

<b>Impact</b>	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Very Rare	Unlikely	Possible	Likely	Very Likely
<b>Likelihood</b>							

Colour	Score	Detail
Red	16 and above	<b>This is in excess of the council's risk appetite. Action is needed to redress, with regular monitoring. In exceptional circumstances residual risk in excess of the risk appetite can be approved if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to Corporate Governance Board.</b>
Amber	5 to 15	<b>Likely to cause the council some difficulties - six monthly monitoring</b>
Green	1 to 4	<b>Low risk. Monitor as necessary</b>

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# **HBC**

## **Local Code of Corporate Governance**

**Created by: Will Jackson**

**Approved by: Governance, Audit and Finance Board**

**Approved Date:**

**Review Date:**

## 1. Introduction

The council's Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled "Delivering Good Governance in Local Government: Framework 2016 Edition." This revised framework emphasises the importance of considering the longer term and the links between governance and public financial management.

## 2. What do we mean by governance?

'The International Framework: Good Governance in the Public Sector' defines 'governance' as **comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved**. Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management which leads to better service delivery and ultimately, better outcomes.

The Local Code of Corporate Governance is the document which sets out the framework within which the council conducts its business and affairs.

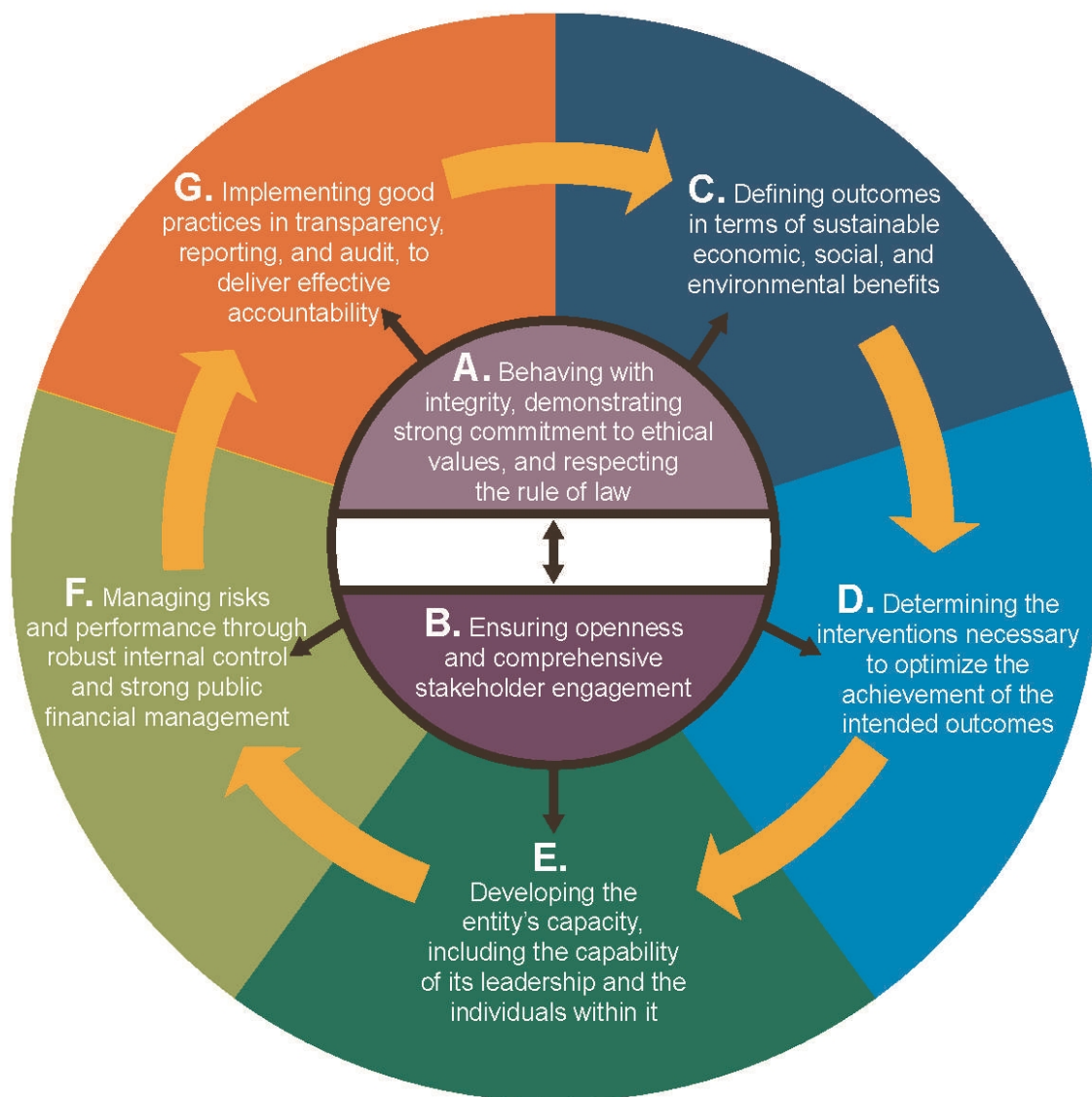
## 3. Core principles

There are seven principles of good governance as set out in the framework which are:-

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'), illustrates the various principles of good governance in the public sector and how they relate to each other.

**Achieving the intended outcomes while acting in the public interest at all times**



The Local Code specifically identifies the actions and behaviours taken by the council in relation to each of these core principles and associated sub-principles. These are summarised within Appendix A. Appendix B sets out the Local Corporate Governance Framework.

The Governance, Audit and Finance Board is responsible for approving this code and it is recommended that this is annually reviewed and updated accordingly. This code was approved by the committee at its meeting on **[insert date]**.

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>			
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>	
<b>A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	Behaving with integrity	<ul style="list-style-type: none"> <li>• Ensure that councillors and staff behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the council;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Ensure that councillors take the lead in establishing specific standard operating principles or values for the council and its staff and that they are communicated and understood. These will build on the <i>Seven Principles of Public Life</i> (The Nolan Principles);</li> </ul>	
		<ul style="list-style-type: none"> <li>• Lead by example and use the above standard operating principles or values as a framework for decision-making and other actions; and</li> </ul>	
		<ul style="list-style-type: none"> <li>• Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.</li> </ul>	
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• Seek to establish, monitor and maintain the council's ethical standards and performance;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Underpin personal behaviour with ethical values and ensure they permeate all aspects of the council's culture and operation;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and</li> <li>• Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the council.</li> </ul>	
	Respecting the Rule of Law	<ul style="list-style-type: none"> <li>• Ensure councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Create the conditions to ensure that the statutory officers, other key post holders and councillors are able to fulfil their responsibilities in accordance with legislative and regulatory provisions;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders;</li> </ul>	
		<ul style="list-style-type: none"> <li>• Deal with breaches of legal and regulatory provisions effectively; and</li> </ul>	
		<ul style="list-style-type: none"> <li>• Ensure corruption and misuse of power is dealt with effectively.</li> </ul>	
			<ul style="list-style-type: none"> <li>• Ensure an open culture through demonstrating, documenting and communicating the council's commitment to</li> </ul>

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
<b>Ensuring openness and comprehensive</b>	Openness	openness;
		<ul style="list-style-type: none"> <li>• Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. <i>If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided;</i></li> </ul>
		<ul style="list-style-type: none"> <li>• Provide clear reasoning and evidence for decisions in both public records and explanation to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the council will ensure that the impact and consequences of those decisions are clear; and</li> </ul>
		<ul style="list-style-type: none"> <li>• Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action.</li> </ul>
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably;</li> </ul>
		<ul style="list-style-type: none"> <li>• Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</li> </ul>
	Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> <li>• Establish a clear policy on the type of issues that the council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of the intended outcomes;</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure that communication methods are effective, and that councillors and staff are clear about their roles with regard to community engagement;</li> </ul>
		<ul style="list-style-type: none"> <li>• Encourage, collect and evaluate the views and experiences of customers, communities, citizens, service users and organisations of different backgrounds including reference to future needs;</li> </ul>
		<ul style="list-style-type: none"> <li>• Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account;</li> </ul>
		<ul style="list-style-type: none"> <li>• Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and</li> </ul>
<ul style="list-style-type: none"> <li>• Take account of the interests of future generations of tax payers and service users.</li> </ul>		

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
<b>(C) Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	Defining outcomes	<ul style="list-style-type: none"> <li>Have a clear vision, which is an agreed formal statement of the council's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the council's overall strategy, planning and other decisions;</li> </ul>
		<ul style="list-style-type: none"> <li>Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer;</li> </ul>
		<ul style="list-style-type: none"> <li>Deliver defined outcomes on a sustainable basis within the resources that will be available;</li> </ul>
		<ul style="list-style-type: none"> <li>Identify and manage risks to the achievement of outcomes; and</li> </ul>
		<ul style="list-style-type: none"> <li>Manage customers/service users' expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision;</li> </ul>
		<ul style="list-style-type: none"> <li>Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the council's intended outcomes and short-term factors such as the political cycle or financial constraints;</li> </ul>
		<ul style="list-style-type: none"> <li>Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits through consultation where possible, in order to ensure appropriate trade-offs; and</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure fair access to services.</li> </ul>
	<b>(D) Determine</b>	

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>			
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>	
ing the intervent ions necessar y to  (E) Deve	Determining interventions	<p>ensuring best value is achieved regardless of how services are provided; and</p> <ul style="list-style-type: none"> <li>• Consider feedback from customers, citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	
	Planning interventions	<ul style="list-style-type: none"> <li>• Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets;</li> <li>• Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered;</li> <li>• Consider and monitor risks facing each partner when working collaboratively, including shared risks;</li> <li>• Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances;</li> <li>• Establish appropriate Key Performance Indicators (KPIs) as part of the planning process, in order to identify how the performance of services and projects is to be measured;</li> <li>• Ensure capacity exists to generate the information required to review service quality regularly;</li> <li>• Prepare budgets in accordance with organisational objectives, strategies and the medium-term financial plan; and</li> </ul>	
		<ul style="list-style-type: none"> <li>• Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>	
		<ul style="list-style-type: none"> <li>• Ensure the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints;</li> <li>• Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer-term;</li> <li>• Ensure the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and</li> <li>• Ensure the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community... over and above the direct purchasing of goods, services and outcomes".</li> </ul>	
		Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness;</li> <li>• Improve resource use through appropriate application of techniques such as benchmarking and other options</li> </ul>
		Developing the	



<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
<b>Supporting the council's capacity, including the</b>	council's capacity	in order to determine how the council's resources are allocated so that outcomes are achieved effectively and efficiently;
		<ul style="list-style-type: none"> <li>• Recognise the benefits of partnerships and collaborative working where added value can be achieved;</li> </ul>
		<ul style="list-style-type: none"> <li>• Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.</li> </ul>
	Developing the capability of the council's leadership and other individuals	<ul style="list-style-type: none"> <li>• Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained;</li> </ul>
		<ul style="list-style-type: none"> <li>• Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body;</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the council in implementing its strategy and managing the delivery of services and other outputs set by councillors and each provides a check and a balance for each other's authority;</li> </ul>
		<ul style="list-style-type: none"> <li>• Develop the capabilities of councillors and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:               <ul style="list-style-type: none"> <li>➤ ensuring councillors and staff have access to appropriate induction tailored to their role and that ongoing training and development that matches individual and organisational requirements is available and encouraged;</li> <li>➤ ensuring councillors and staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and</li> <li>➤ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure that there are structures in place to encourage public participation</li> </ul>
		<ul style="list-style-type: none"> <li>• Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections;</li> </ul>

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
		<ul style="list-style-type: none"> <li>• Hold staff to account through regular performance reviews which take account of training or development needs; and</li> <li>• Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>
<b>(F) Managing risks and performance through robust internal control and strong public financial management</b>	<b>Managing risk</b>	<ul style="list-style-type: none"> <li>• Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making;</li> </ul>
		<ul style="list-style-type: none"> <li>• Implement robust and integrated risk management arrangements and ensure that they are working effectively; and</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure that responsibilities for managing individual risks are clearly allocated.</li> </ul>
	<b>Managing performance</b>	<ul style="list-style-type: none"> <li>• Monitor service delivery effectively including planning, specification, execution and independent post implementation review;</li> </ul>
		<ul style="list-style-type: none"> <li>• Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the council's financial, social and environmental position and outlook;</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made - thereby enhancing the council's performance and that of any organisation for which it is responsible;</li> </ul>
		<ul style="list-style-type: none"> <li>• Provide councillors and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and</li> </ul>
	<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>• Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</li> </ul>
		<ul style="list-style-type: none"> <li>• Align the risk management strategy and policies on internal control with achieving objectives;</li> </ul>
		<ul style="list-style-type: none"> <li>• Evaluate and monitor the council's risk management and internal control arrangements on a regular basis</li> <li>• Ensure effective counter fraud and anti-corruption arrangements are in place;</li> </ul>

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
		<ul style="list-style-type: none"> <li>• Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor;</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure an Audit Committee which is independent of the executive and accountable to the council: <ul style="list-style-type: none"> <li>➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and</li> <li>➢ that its recommendations are listened to and acted upon.</li> </ul> </li> </ul>
<b>(G)(F) Managing risks and performance through Implementing robust internal control and strong public financial management</b>	Managing data	<ul style="list-style-type: none"> <li>• Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data;</li> </ul>
		<ul style="list-style-type: none"> <li>• Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and</li> </ul>
		<ul style="list-style-type: none"> <li>• Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;</li> </ul>
	Strong public financial management	<ul style="list-style-type: none"> <li>• Ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance</li> </ul>
<ul style="list-style-type: none"> <li>• Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</li> </ul>		
<b>(G)</b> Implementing good practice in	Implementing good practice in	<ul style="list-style-type: none"> <li>• Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and</li> </ul>

<b>Appendix A - Actions and behaviours taken by the council that demonstrate good governance</b>		
<b>Principle</b>	<b>Sub Principle</b>	<b>Council's Actions and Behaviours</b>
ing good practices in transparency,	transparency	<ul style="list-style-type: none"> <li>Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous and ensuring the information is easy for users to understand.</li> </ul>
	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way;</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure councillors and senior management own the results;</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement);</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure that the framework is applied to jointly managed or shared service organisations as appropriate; and</li> </ul>
	Assurance and effective accountability	<ul style="list-style-type: none"> <li>Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure that recommendations for corrective action made by external audit are acted upon;</li> </ul>
		<ul style="list-style-type: none"> <li>Ensure an effective internal audit service with direct access to councillors is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon;</li> </ul>
		<ul style="list-style-type: none"> <li>Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations;</li> </ul>
		<ul style="list-style-type: none"> <li>Gain assurance on risks associated with delivering services through third parties and evidence this in the Annual Governance Statement; and</li> </ul>
<ul style="list-style-type: none"> <li>Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</li> </ul>		

## Appendix B – Council’s Corporate Governance Framework evidence

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the council’s objectives while acting in the public interest at all times.

### (A) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- Constitution
- Financial Governance documents
- Procurement Governance documents
- Councillor Induction
- Contracts, SLAs and MoUs
- Policies and procedures
- Councillor Development Programme
- Schemes of delegation / decision making protocols
- Audit Committee
- Behaviours in performance management
- Scrutiny framework
- Meeting minutes
- Coaches and training
- Statutory officers roles:- Chief Executive, Chief Financial Officer, Monitoring Officer
- Councillor and staff Codes of Conduct
- Councillors / staff Register of Interests / Register of Gifts and hospitality
- Protocol for councillor/staff relations
- Anti-Fraud and Corruption Strategy
- Confidential Reporting Code (whistleblowing)
- Corporate Governance Policy
- Complaints Procedure
- IT Acceptable Usage Policy

### (B) Ensuring openness and comprehensive stakeholder engagement

- Portfolio Holder meetings
- Business cases
- Locality Board
- New councillor induction programme
- Scrutiny Panels
- Committee Reports
- Openness is delivered by chairing formal board meetings in an open and inclusive manner
- Statement of Community Involvement
- Annual programme of councillor workshops on Local Plan, community infrastructure levy and development Management topics
- Legislative requirements to be fulfilled in advertising planning applications and other development proposals

**(C) Defining outcomes in terms of sustainable, economic, social and environmental benefits**

- Energy Strategy
- Environmental Services business plan
- DFG returns
- FSA returns
- Corporate Governance Policy (including risk management)
- Business Plans
- Appraisals and monthly 1-2-1s
- Local Plan complies with national legislation and policy which requires development to be sustainable – i.e. blending social, environmental and economic issues. Adopted Local Plan and emerging draft Local Plan and put sustainable development principles at the heart
- Community Infrastructure Levy Spending Protocol provides transparency on what funds will be spent – annually reviewed

**(D) Determining the interventions necessary to optimise the achievement of the intended outcomes**

- Fees and Charges (statutory and discretionary)
- Procurement management documents
- Consultations
- Contract management – Strategic Commissioning team
- Performance management quarterly reviews
- The success of the annual business plans per service will also contribute towards evidencing The Client Team’s success in delivering outcomes whilst using appropriate behaviours
- KPI and PI outcomes and annual business plan success
- Monitoring of policies through ongoing review to understand policy effectiveness
- Government housing targets for HBC determine performance
- National planning application performance targets determine if interventions are required

**(E) Developing the council’s capacity, including the capability of its leadership and the individuals within it**

- Service reviews/redesign
- Matrix management
- Capacity analysis
- Leadership Conference
- Partnerships/Shared services
- External secondments to other local authorities
- 360 degree feedback
- Appraisals
- Succession Planning
- Talent Management/Talent matrix reviewed annually
- Personal Development Plans
- Staffing policies
- Coaching and training opportunities

**(F) Managing risks and performance through robust internal control and strong public financial management**

- Budget setting
- Budget challenge sessions
- Internal Audit Annual Plan
- Corporate Risk Register
- Scrutiny Panel
- 5C Risk Register – managed by Client Relationship Director
- Authorities escalate from the 5C Risk Register into their corporate registers via the JTB and or SMB boards
- Transition and transformation programme risks are assessed through a RACI process and reported per service via weekly dashboards to all T&T Members.

**(G) Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- Audit Plans
- FSA returns
- DFG returns
- Annual Parking Report
- Annual Statement of Accounts
- Annual Governance Statement
- Audit programme is in place and includes the contract which the auditors and authority has agreed
- Local Plan: councillor workshops, public consultation, scrutiny panels, Cabinet, Full Council, independent public examination
- Audit of S106 and community infrastructure payments and spending
- Publication of planning performance statistics for national league tables



## DRAFT Annual Governance Statement 2017/18

*Havant Borough Council*

### **Introduction**

The Leader of the Council (Councillor Michael Wilson) and Chief Executive (Sandy Hopkins) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant Borough. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working.

This AGS is in respect of 2017/18. The Council also publishes an Annual Report which provides further information on the opportunities and challenges faced by the Council.

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

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

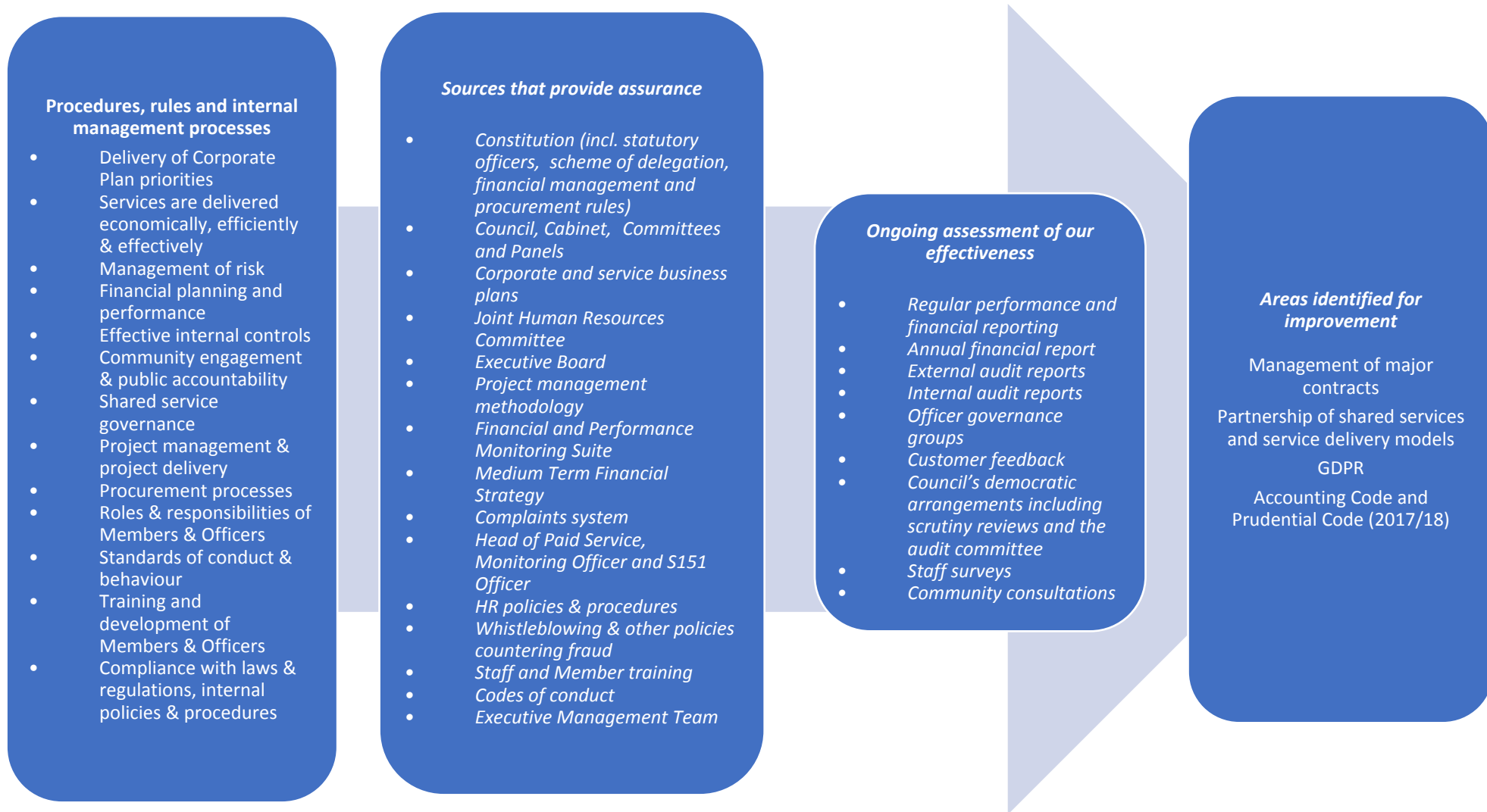
The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities.

The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Executive Board which comprises the Chief Executive, Executive Directors, Chief Finance Officer (Section 151 Officer) with advise and guidance provided by the Monitoring Officer. The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives.

**How we do we know it is working**

The annual process that we use to maintain and review effectiveness of our governance arrangements include a wide input.



### How we apply the Governance Framework

The Council aims to achieve effective corporate governance and the way in which the council meets the principles of good governance is outline below:

1. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

There are codes of conduct in place for all Councillors and Officers. The Council has appointed independent persons to investigate any allegations of misconduct, and the Governance, Audit and Finance Committee receives regular reports from the Monitoring Officer on complaints regarding Councillors.

The Council's Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing.

All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions.

There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period.

Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion in, or vote on, the matter in relation to which the member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality and minutes show declarations of interest were sought and appropriate declarations made.

The Council has in place a complaints procedure including weekly reminders to relevant managers responsible. The Council has a shared Monitoring Officer with East Hampshire District Council and as a member of the Executive Board he is kept appraised on the Council's projects and actions and is ultimately responsible for legal compliance.

Statutory officer roles are the Chief Executive, as Head of Paid Service, the S151 Officer, who carries overall responsibility for the Council's financial administration and is a member of the Executive Board, and the Monitoring Officer, who is to ensure that the Council, its officers and elected Councillors, maintain the highest standards of conduct in all they do.

All three roles are shared with East Hampshire District Council.

### 2. Ensuring openness and comprehensive stakeholder engagement

The Council has laid out its purpose, direction, vision and objectives in its Council Strategy which can be obtained either on the Council's website<sup>1</sup> or from the Council's offices. The Council Corporate Strategy is comprehensively reviewed regularly, and is underpinned by the key themes of: Financial Sustainability; Economic Growth; Public Service Excellence; Environmental Sustainability; and Creativity and Innovation. Business plans are prepared to support the Corporate Strategy.

The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government's transparency agenda and publish information such as remuneration for senior management, and information on items of expenditure over £500.

The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually.

The Council carried out a residents' survey in 2016 the results of which were shared with Service Heads to inform their services to residents. The next residents survey is due to take place in summer 2018. In addition to the publication of the residents' magazine, called 'Partners', the Council has a Facebook page and Twitter feed which is actively promoted and used.

The Council has a Joint Venture with Norse (Norse South East) for waste collection which is governed by the Norse South East Board which has members from Norse Commercial Services and the Council on the Board. Norse South East is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated service facilities for the treatment and disposal of residual waste.

### 3. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Financial Management Strategy is reviewed annually and forms the basis of the annual budgeting process. The Council's operational services are divided into Directorates. Business plans for each directorate are agreed annually and identify objectives and targets for all services. The Directorate Key Performance Indicators are monitored corporately. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Performance Indicator information.

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<sup>1</sup> <http://www.havant.gov.uk/corporate-strategy-2015-20>

The Council's budget report contains a summary of the budget that has been set for Havant Borough Council for 2017/18, as approved by the Council on the 22nd February 2017. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next three years, taking into account changes in government funding, other income and spending.

The Council uses evidence based on insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the Community.

#### 4. **Determining the interventions necessary to optimise the achievement of the intended outcomes**

Public Accountability is the way in which the Council engages with local stakeholders to ensure robust public accountability. The Council's Corporate Strategy is formulated following the results of a survey which seeks feedback from the public, Councillors, staff and other key stakeholders. The Council has a Medium Term Financial Strategy which is available on the Council's website, which is used to align resources to key priorities. The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the portfolio holder.

All decision-making meetings are held in public and decisions made by Cabinet members and officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings. The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.

#### 5. **Developing the Councils capacity, including the capability of its leadership and the individuals within it**

The Council has a joint management team with East Hampshire District Council. This management team is made up of the Chief Executive, Chief Finance Officer, two Executive Directors and the Heads of Services, most of which are shared with East Hampshire District Council. The Waste Collection service is provided in a Joint Venture with Norse (Norse South East). The costs of all shared management posts are shared between the Councils.

A number of the Council's corporate services are delivered through the 5 Councils Partnership with Capita which is governed via a shared Client Team.

The Council has a performance management framework, this includes induction and performance appraisal processes for all employees. Training programmes are identified for officers as part of the performance appraisal process. This information is fed into the Corporate Training Programme. In 2017-18 mandatory e-learning for staff on data protection and fraud awareness, safeguarding and equalities and diversities has been undertaken.

Following the Borough Council Elections, all Councillors are required to undertake a comprehensive and compulsory training programme. This includes Planning training, Code of Conduct training and Licensing training. Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken. The training programme ensures that they have an understanding of the procedures and protocols of the Council.

In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme, during the course of a Councillor's four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.

### 6. **Managing the risks and performance through robust internal control and strong public financial management**

The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.

There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key officers and the Council's Scheme of Delegation are set out within the Council Constitution.

The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan is published on the Council website. Decisions made by Cabinet can be called in for review by the Governance, Audit and Finance Committee. Decisions can also be made by officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.

Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly healthcheck). The Council has a wide range of performance indicators, which are used to measure progress against the Council's priorities. Performance indicators are reported quarterly to the Executive Board and informally to the

Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to directorate business plans and the Corporate Strategy. Performance Indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.

Establishment of Corporate Governance Board with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks.

The Council utilises the LG Inform tool which allows for benchmarking and data sharing against other local authorities across the country.

The Council has in place a number of policies and procedures to ensure decisions made are robust. These are included in the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all officers.

### 7. **Implementing good practices in transparency reporting, and audit to deliver effective accountability**

The Council produces an annual report which can be found on the Council's website<sup>2</sup>. The report not only shows the council's successes of the last financial year, but highlights the direction of travel for our future. The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance.

The Council has a Governance, Audit and Scrutiny Committee to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council's Annual Accounts. Risk management is controlled through the corporate governance board and reported to Executive Board through the corporate governance report and quarterly healthcheck. Risks rated as above the risk threshold are reported as part of the quarterly healthcheck to Councillors.

Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Governance, Audit and Finance Committee approves the Statement of Accounts.

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<sup>2</sup> <https://www.havant.gov.uk/annual-report>

The Council is subject to independent external audit currently by Ernst & Young. The External Audit plan outlines the work undertaken and the timing of external audit reports. The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The Governance, Audit and Finance Committee undertake the core functions of an audit committee.

The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs. The Internal Audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust.

### 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. The review of effectiveness is informed by:

- The Council's Internal Audit provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. Progress against the audit plan is reported quarterly to the Governance, Audit & Scrutiny Committee. Any outstanding high risk actions are addressed as a matter of priority.
- The Council's External Audit requirement provided by Ernst & Young LLP. The role of External Audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims.
- Regular reporting arrangements on the financial affairs of the Council. The budget for 2017/18 was agreed by Full Council in 22<sup>nd</sup> February 2017 and financial performance reported on a quarterly basis to Members.
- The Corporate Governance Board quarterly report to the Executive Board on governance matters covering risk, health and safety, business continuity, emergency planning, information risk and financial risk and updates are provided to Members through the quarterly healthcheck.
- Effective operation of the Performance Management Framework throughout the year. Monitoring information on key areas of performance has been provided by the Programme Office for review and action.
- The Council's Monitoring Officer's legal responsibility to look into matters of potential unlawfulness within the Council. In 2017/18 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support.



- The monitoring role of the Governance, Audit and Finance Committee to monitor standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.
- Ensuring alignment with the Code of Practice on Local Authority Accounting for 2016/17. Havant Borough Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).
- The maintenance of the Council's Constitution which was last reviewed in 2016/17 and approved at the start of the 2017/18 municipal year. The Constitution is reviewed on an annual basis.
- The Governance, Audit and Finance Committee review of the elements of the governance framework to ensure they are in place and effective. In 2018/18 they also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council.

The Council's Governance, Audit and Finance Committee is also responsible for monitoring, scrutinising and holding the decision makers to account. It meets five times per year as the Council's official audit committee. The committee ensures that the Internal and External Audit reports it receives are robust. In addition the Committee's scrutiny function provides the Council with a mechanism to challenge decision makers and hold them to account. The Development Policy and Affordable Housing Panel is responsible for advising on Council Policy.

[The Southern Internal Audit Partnership delivered 20 review areas over the course of the year ending 31 March 2017 including all carry forward reviews. The Chief Internal Auditor's opinion of East Hampshire's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice.]

During 2017-18 a Corporate Governance Board was set up providing assurance to the Executive Board on all risk matters including regulatory, e.g. Health and Safety, Business Continuity, Emergency Planning, Information Risk and Financial Risk. The Board also ensures internal controls are in place and monitored effectively and it provides quarterly reports to Executive Board on its findings.

[In September 2016 the Council's external auditor (Ernst & Young LLP) provided the Council with an unqualified opinion on the Council's accounts within their Audit Results Report. Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money]

### **Responsible Finance Officer**

The Chief Finance Officer is the Responsible Financial Officer and is a member of the Executive Board. They are responsible for delivering and overseeing the financial management arrangements of the Council. Havant Borough Council shares a Chief Finance Officer with East Hampshire District Council. The Chief Finance Officer reports directly to the Chief Executive.

**Last year’s key improvement area**

In the 2016/17 Annual Governance Statement, four key issues were identified. Below are the issues and actions taken during 2017/18.

Improvement area	Issue of concern	Action taken
Preparation for General Data Protection Regulation (GDPR)	The Council needs to ensure it can demonstrate compliance for GDPR by May 2018	<ul style="list-style-type: none"> <li>• Information Data Audit for all Council Services carried out and a Register of Processing Activities created</li> <li>• Website pages under construction relating to GDPR and Privacy Service Specific Privacy Notices under construction by each service</li> <li>• Role of the Data Protection Officer (DPO) to be appointed by 25 May 2018</li> <li>• Training for all staff on Data Protection, Data Security carried out in 2017/18</li> <li>• GDPR E-Learning will be rolled out to all staff early in 2018/19</li> <li>• Audit by Internal Audit has indicated that Council’s implementation is sound and the 12 steps as advised by the ICO are appropriately covered</li> </ul>
As a result of an internal audit on the Information Governance Function the audit report was deemed ‘Limited Assurance’	A number of actions were identified including staff training and a review of key policies	<ul style="list-style-type: none"> <li>• Follow up audit completed in 2017/18 to review actions from 2016/17 audit. 13 of 19 management actions complete. There are six actions outstanding, none of which are classified as high priority. All actions still outstanding are directly linked to implementation process and timescales of GDPR</li> <li>• FOI/EIR training for key staff took place in October 2017</li> <li>• Website updated with key information</li> <li>• Intranet updated with guidance for staff</li> <li>• Data Protection Policy updated</li> </ul>
The Council’s Local Code of Corporate Governance needs to be reviewed in line with the new principles	To ensure that it describes the Council’s governance framework and the arrangements through which this is delivered	<ul style="list-style-type: none"> <li>• Local Code of Corporate Governance drafted and shared with Heads of Service</li> <li>• Heads of Service provided input on evidence against principles</li> <li>• Executive Board approved the Local Code of Governance</li> <li>• [Governance, Audit &amp; Finance Board approved the Local Code of</li> </ul>

		Corporate Governance on [insert date]]
Six-Councils	The Council’s shared service arrangements are still developing and the project is strategically important – both in terms of improving service outcomes and the delivery of financial savings	<ul style="list-style-type: none"> <li>• All management actions were progressed and completed during the year with respect to governance arrangements</li> <li>• Further review by Internal Audit scheduled to take place in 2018/19</li> </ul>

**Shared Services**

In 2016 the Council agreed to work (through its partnership with Havant Borough Council) with Hart District Council, Mendip District Council, South Oxfordshire District Council and Vale of White Horse District Council to secure better value for money services for residents through shared contracts. Whilst no issues arose for inclusion in the 2015/16 AGS during the period 2016 a number of issues were identified with regard to governance. A review took place and a new governance structure has been put in place to mitigate the issues.

This is a key project for the Council and the Councils will manage the contracts through a new joint monitoring team, which will see staff from across the organisations working together. Locally, programme governance is through a Steering Group established to oversee the delivery of the contract, comprising members of the Executive team. A Director and Head of Service have specific responsibility for programme delivery. There is a comprehensive audit programme in place during pre and post service transfer.

The first phase of this programme became operational in October 2017, and involves shared services for ICT, Finance, Procurement, Land Charges and HR. Staff employed within these service areas will be transferred to the appropriate employer and will be managed by them.

**Identified key improvement areas**

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2018/19

Issue of concern	Key improvement	Lead officer	Action required
<p>Management of major contracts:</p> <ul style="list-style-type: none"> <li>• 5-Councils Contract/6-Councils Partnership</li> <li>• Norse South East</li> </ul>	<p><b>5-Councils Contract/6-Councils Partnership</b>                      Movement towards the new target operating models (TOMs) have been delayed. As a result, transition is delayed and has required independent mediation in some areas. Initial issues have been resolved. Significant resource is still required to ensure that the council transitions smoothly to the new service TOMs.</p> <p>Changes were also agreed on Capita contract which improved terms for the Council's and although savings derived reduced, they become more deliverable</p> <p><b>Norse South East</b>                      The Council has a Joint Venture with Norse (Norse South East) for waste collection which is governed by the Norse South East Board which has members from Norse Commercial Services and the Council on the Board.</p>	<p>Head of Strategic Commissioning</p>	<p><b>5-Councils Contract/6-Councils Partnership</b></p> <ul style="list-style-type: none"> <li>• Work with supplier to ensure that systems move to TOM as soon as possible</li> <li>• Ensure that governance arrangements are fully embedded and operational – further Internal Audit scheduled for 2018/19</li> <li>• Following renegotiation of there remains aspects that need to be addressed. The Inter-Authority Agreement remains outstanding and will be dealt with in early 2018/19</li> </ul> <p><b>Norse South East</b></p> <ul style="list-style-type: none"> <li>• Ensure the Norse South East is delivering its financial targets and service delivery</li> <li>• Appropriate governance in place to manager contract and appropriate reporting from Norse South East board back to the Council.</li> </ul>

Partnership of shared services and service delivery models	The Council has a number of complex models of delivery for its public service including our shared management team and our Coastal Partnership	Chief Finance Officer	<ul style="list-style-type: none"> <li>Ensure that we have appropriate governance in place to manage various service delivery models including SLAs, business plans and appropriate reporting structures</li> </ul>
GDPR	The Council needs to ensure completion of works to be compliant and the embedding of the principles of GDPR across the Council's services	Information Governance Manager	<ul style="list-style-type: none"> <li>Progress activity as per the stage 3 plan of the implementation project</li> </ul>
Accounting Code and Prudential Code (2017/18)	CIPFA introduced a number of minor amendments to the 2017/18 Accounting Code and published a new version of the Prudential Code.	Chief Finance Officer	Full impact of changes will need to be reviewed and reflected in the 2018/19 accounts

**Opinion**

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

CEO

Leader