

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.

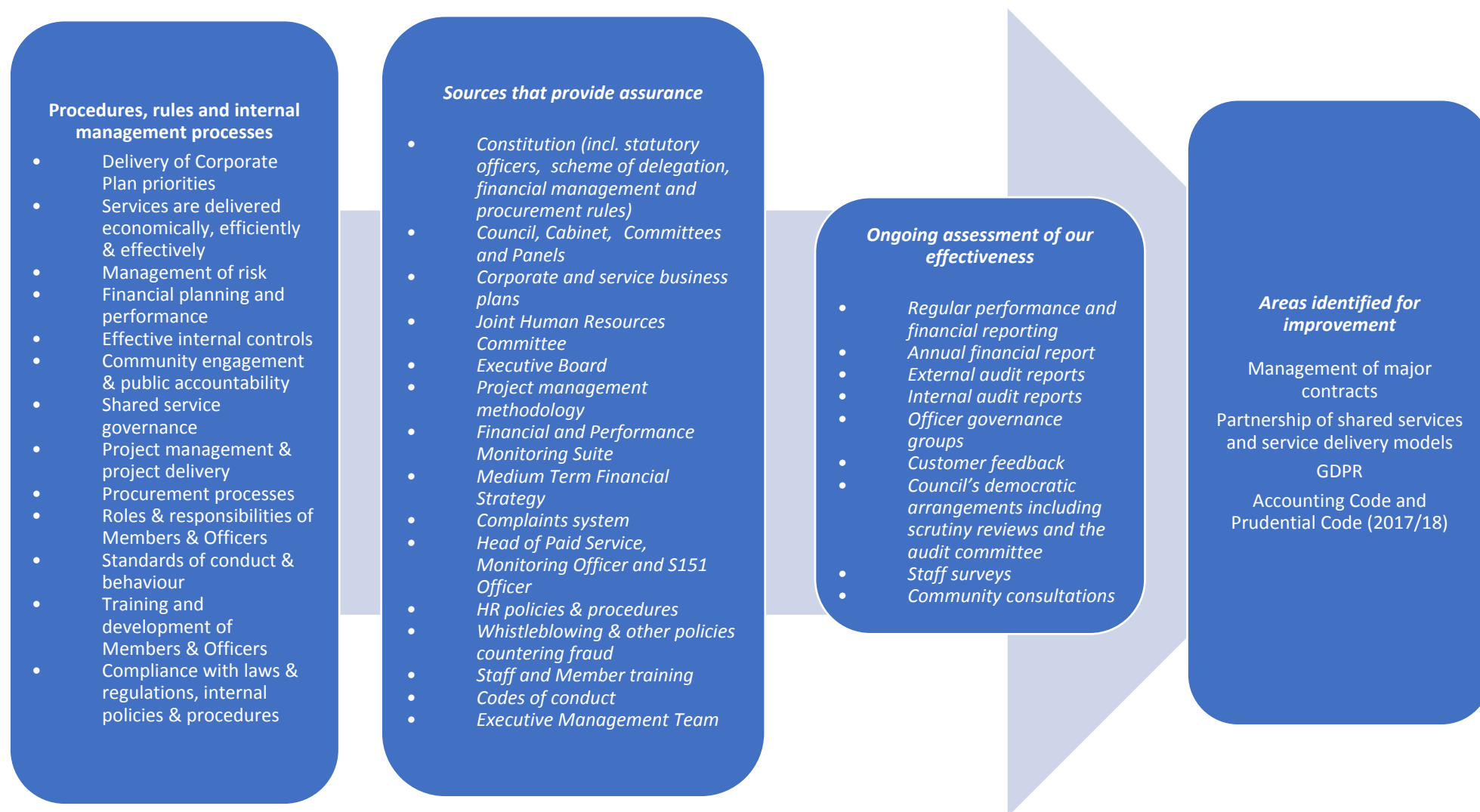
The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and seeks to provide reasonable rather than absolute assurance of effectiveness. The system 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 advice 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 website¹ 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.

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

Appendix C

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.

Appendix C

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

Appendix C

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 website². 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.

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

Appendix C

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 22nd 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.

Appendix C

- 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.

Appendix C

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"> • Information Data Audit for all Council Services carried out and a Register of Processing Activities created • Website pages under construction relating to GDPR and Privacy Service Specific Privacy Notices under construction by each service • Role of the Data Protection Officer (DPO) to be appointed by 25 May 2018 • Training for all staff on Data Protection, Data Security carried out in 2017/18 • GDPR E-Learning will be rolled out to all staff early in 2018/19 • Audit by Internal Audit has indicated that Council's implementation is sound and the 12 steps as advised by the ICO are appropriately covered
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"> • 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 • FOI/EIR training for key staff took place in October 2017 • Website updated with key information • Intranet updated with guidance for staff • Data Protection Policy updated
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"> • Local Code of Corporate Governance drafted and shared with Heads of Service • Heads of Service provided input on evidence against principles • Executive Board approved the Local Code of Governance • [Governance, Audit & Finance Board approved the Local Code of

Appendix C

		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">• All management actions were progressed and completed during the year with respect to governance arrangements• Further review by Internal Audit scheduled to take place in 2018/19

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

Appendix C

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"> 5-Councils Contract/6-Councils Partnership Norse South East 	<p>5-Councils Contract/6-Councils Partnership</p> <p>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>Norse South East</p> <p>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>	Head of Strategic Commissioning	<p>5-Councils Contract/6-Councils Partnership</p> <ul style="list-style-type: none"> Work with supplier to ensure that systems move to TOM as soon as possible Ensure that governance arrangements are fully embedded and operational – further Internal Audit scheduled for 2018/19 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 <p>Norse South East</p> <ul style="list-style-type: none"> Ensure the Norse South East is delivering its financial targets and service delivery Appropriate governance in place to manager contract and appropriate reporting from Norse South East board back to the Council.

Appendix C

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"> Ensure that we have appropriate governance in place to manage various service delivery models including SLAs, business plans and appropriate reporting structures
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"> Progress activity as per the stage 3 plan of the implementation project
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

Appendix C

CEO

Leader