

# Havant Borough Council

## Annual Governance Statement 2016-17

### Introduction

The Leader of the Council (Councillor Michael Cheshire MBE) and Chief Executive (Sandy Hopkins) both recognise the importance of have good systems in place to manage and deliver services to the residents of Havant. 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 2016/17. The council also publishes an annual report which provides further information on the opportunities and challenges faced by the Council.

### What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- has effective arrangements for the management of risk
- secures continuous improvements in the way that it operates.

This statement is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016. This statement explains how Havant Borough Council has met the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

## **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, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on going 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 of the goals set out in the Strategic Plan. 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, Section 151 Officer and 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.

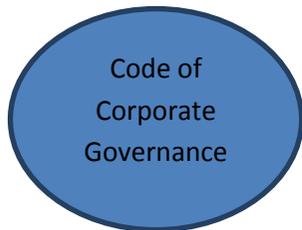
# How do we know our arrangements are working?

## Governance Framework

- Delivery of Corporate Plan priorities
- Services are delivered economically, efficiently & effectively
  - Management of risk
    - Financial planning and performance
    - Effectiveness of internal controls
    - Community engagement & public accountability
    - Shared service governance
    - Project management & project delivery
    - Procurement processes
    - Roles & responsibilities of Members & Officers
    - Standards of conduct & behaviour
    - Training and development of Members & Officers
    - Compliance with laws & regulations, internal policies & Procedures



- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panels
  - Corporate and service plans
  - Joint Human Resources Committee
  - Strategic Management Board
  - Project management methodology
  - Financial and Performance Monitoring Suite
  - Medium Term Financial Strategy
  - Complaints system
  - Head of Paid Service, Monitoring Officer and S151 Officer
  - HR policies & procedures
  - Whistleblowing & other countering fraud arrangements
  - Staff and Member training
  - Codes of conduct
  - Corporate Management Team



= Assurance  
Required Upon

= Sources of  
Assurance

- 
- Regular performance and financial reporting
  - Annual financial report
  - External audit reports
  - Internal audit reports
  - Officer governance groups
  - Customer feedback
  - Council's democratic arrangements incl, scrutiny reviews and the 'audit' committee
    - Staff surveys
    - Community consultations

= Assurances  
Received



- Information Governance
- Continued development of effective governance and reporting arrangements for shared services
- Code of Corporate Governance
- Demonstrating compliance with GDPR

= Opportunities  
to Improve



## **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 outlined 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 which were reviewed and updated during 2016/17. The Council has appointed independent persons to investigate any allegations of misconduct, and the Governance and Audit 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 whistle-blowing. The Constitution was reviewed in 2016/17.

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 apprised 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 or from the Council's offices. The Council 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 by 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 Councils democratic function is responsible for ensuring agendas and key decisions are published with regard to 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's scrutiny processes encourage public engagement in the development of the Council's policies and the scrutiny of services and decisions.

The Council carried out a resident's survey in 2016 and results shared with Service Heads to inform their services to residents. In addition to the publication of the residents' magazine, called 'Serving You', the Council has a Facebook page and Twitter feed which is actively promoted and used. There is a central email database which is used by Service Heads to actively engage with stakeholders.

## **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 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 KPI's are monitored corporately. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Performance Indicator information.

The Council's budget report contains a summary of the budget that has been set for Havant Borough Council for 2016/17, as approved by the Council on the 17<sup>th</sup> February 2016. 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 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 Framework which is available on the Councils 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, 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 with regard to the statutory legal requirements, although some items are considered as exempt under the Access to Information Act. 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. In January 2017 the Council held staff training on Social Value Engine Tool and has been used in two service areas on a trial basis with a view to developing further for all service areas. Reporting on the use of the tool will be used going forwards.

#### **5. Developing the Council's<sup>1</sup> 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, three Executive Directors and the Heads of Services, most of which are shared with East Hampshire District Council. It also has a flagship Coastal Partnership with Fareham, Gosport and Portsmouth Councils. The costs of all shared management posts are shared between the Councils.

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. 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

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<sup>1</sup> Referred to as Entity in the CIPFA/SOLACE guidance notes

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 under the Access to Information Act. 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 Scrutiny Board.

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 agreement by Cabinet or Council. Risk is considered and recorded as part of the business planning process. 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, Governance and Audit Committee 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.

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. 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 and Audit Scrutiny Committee to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council's Annual Accounts. As part of this review the Committee has not recently taken on direct a role in risk management whilst risk management arrangements were being reviewed, and this will become part of the work programme for 2017/18. 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 and Audit Committee approves the Statement of Accounts.

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 team. The Governance and Audit Committee undertakes the core functions of an audit committee. The Council has appointed the Head of Finance as the Section 151 Officer with the statutory responsibility for the proper administration of the Council's financial affairs. The Internal Audit function 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** is 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 and Audit Committee. Any outstanding high risk actions are addressed as a matter of priority.
- The Council's **External Audit** is 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.
- The Council has in place regular reporting arrangements on the financial affairs of the Council. The budget for 2016/17 was agreed by Full Council in February 2016 and financial performance reported on a quarterly basis to Members.
- The Council has a Budget Scrutiny Panel which shadows the budget and financial planning processes, reviews policy priorities and outcomes and challenges the Executive about its actions in the context of the overall policy goals. The findings of the Panel feed into the corporate budget process
- The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided by the Corporate Programme Office for review and action.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2016/17 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 Governance and Audit Committee has monitored 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.

- In accordance 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).
- During 2016/17 the Council's Constitution has undergone a review and was approved at the start of the 2017/18 municipal year. The purpose of the review was to ensure that it:
  - remained up to date (with legislation and case law) and fit for purpose
  - allowed decision making to be carried out effectively and in an efficient and timely manner
  - provided greater clarity on the roles of Officers and Members, and
  - was easier to understand and so become more accessible to the public.

The Governance and Audit Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2016/17.

The Council's Governance and Audit Committee is responsible for monitoring. It meets four times per year as the Council's official audit committee. The committee ensures that the Internal and External Audit reports it receives are robust.

The Council's Scrutiny Board and its panels provides the Council with a mechanism to: challenge decision makers and hold them to account; check on strategic thinking around funding – helping to explore new ways for the Council to fund its priorities and accurately assess risk and to; enable non-executive members and the public to play an active role in developing the policies and strategies of the Council.

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 Havant's of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. During 2017/18 a separate Risk Management Group will be established to carry out a full review of the Corporate and Operational Risk Registers

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 Annual Audit and Inspection letter. Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money.

## **Responsible Financial Officer**

The Head of Finance 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 to an Executive Director and has direct access to the Chief Executive through regular executive meetings.

## **Dealing with last year's key improvement areas**

In the 2015/16 Annual Governance Statement, three key issues were identified. Below are the issues and the action taken during 2016/17.

- IT Systems – implementation of desktop upgrades to enable greater flexibility of working
  - ✓ Action taken = DMS Strategy was approved in 2015 allowing for new/replacement DMS systems on a business case basis during 2016/17 informed through an independent review of corporate wide document management requirements completed in Quarter 4. Alongside this, a digital framework was developed in 2016/17 and approved in October 2016 which now forms the foundation of service transformation plans. Priorities in 2017 are the transformation of regulatory services; customer services and insight driven service design through improved understanding of customer need.
- Financial Climate – Review of financial assumptions behind medium term financial planning; monitoring government policy and taking account of Universal Credit and Revenue and Support Grant and New Homes Bonus and the pledge to be grant free.
  - ✓ Action taken = Medium Term Financial Planning; a number of initiatives introduced including zero based budgeting, robust finance challenge by the cabinet to each service head.
- Succession Planning – Talent matrix and training for all line managers in 2016/17 and will feature in 2016/17 appraisals.
  - ✓ Action taken = Training was undertaken and a talent matrix for all staff completed enabling a snapshot of talent as reported by line managers. This helps to identify the risks to the organisation of losing key talent and the risks to service delivery of underperforming members of staff. All this information enables the OD function in conjunction with managers to define further development interventions and ensure robust performance management processes are in place. The

talent management processes also provide a platform for managers to talk to staff about their performance, their potential and their career aspirations.

## **Shared Services**

In 2015 the Council agreed to work in partnership with Hart District Council, Mendip District Council, South Oxfordshire District Council, Vale of White Horse District Council, and more recently East Hampshire 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 will become operational in October 2017, and involves shared services for ICT, Finance, HR, Licensing, Facilities Management, Print and Post Services. Staff employed within these service areas will be transferred to the appropriate employer and will be managed by them.

## Key improvement areas for 2017/18

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.

1. Preparation for General Data Protection Regulations (GDPR)
  - The Council needs to ensure it can demonstrate compliance for GDPR by May 2018  
The lead officers are the Head of Customer Services and the Governance and Information Manager for delivery by May 2018
2. 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. The action plan spans 2016/17 through to 2018/19 and action taken to date include mandatory staff training and policy review  
The lead officer is Head of Customer Services / Governance and Information Manager
3. The Council's Code of Corporate Governance needs to be reviewed in line with the new principles
  - A review of the Council's Code of Corporate Governance to be undertaken to ensure that it describes the Council's governance framework and the arrangements through which this is delivered  
The lead officers are the Head of Customer Services and the Governance and Information Manager for delivery by March 2018
4. 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 therefore the continued development of post implementation governance and reporting arrangements for shared services will remain for 2017/18.  
The lead officer is the Head of Strategic Commissioning

Approval of the  
Annual  
Governance  
Statement

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

Signed

Sandy Hopkins  
Chief Executive  
Havant Borough Council  
Dated TBA

Councillor Michael Cheshire MBE  
Leader of the Council  
Havant Borough Council  
Dated TBA