

HAVANT BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

Scope of Responsibility

Havant Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Havant Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Havant Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Havant Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Code can be found in the council's Constitution which can be found on our website at <http://www.havant.gov.uk/council-and-government/democracy>. This statement explains how Havant Borough Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Havant Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Havant Borough Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The six key elements of good governance are:-

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Governance Framework at Havant Borough Council is designed to reflect the six core principles of effective corporate governance. The way in which the Council meets these principles is outlined below.

1. Purpose and Vision

Following appropriate consultations Havant Borough Council has laid out its purpose, direction, vision and objectives in its Council Strategy 2015 - 2020. This document can be obtained either on the Council's website (<http://www.havant.gov.uk/council-and-government/policies-and-strategies>) or from the Council's offices. Cluster business plans are prepared to support the Corporate Strategy. The Council's vision is clearly set out in the Strategy.

The Corporate Strategy, which is comprehensively reviewed regularly, sets out its priorities of Financial Sustainability, Economic Growth, Environmental Sustainability, Creativity and Innovation, and Public Service Excellence.

The Council's operational services are divided into Services. Business plans are agreed annually and identify objectives and targets for all services. There is a close link between business planning and budgeting, with financial plans for the year being costed from business plan outcomes. 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 and informally to the Cabinet.

The Council has a Medium Term Financial Strategy, which is used to align resources to key priorities. The Financial Strategy is reviewed annually and forms the basis of the annual budgeting process. Quarterly financial forecasts are submitted to the Executive Board and then informally to the Cabinet.

2. Members and Officers Purpose, Functions and Roles

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 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, and Councillor remuneration is reviewed and agreed by an independent remuneration panel.

All leadership roles, the roles of key officers and the Council's Scheme of Delegation are set out within the Council Constitution.

The Council has a Governance and Audit Committee to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council's Annual Accounts. The Committee also oversees risk management.

All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions. The first phase of a review of the Council's terms and conditions of employment was completed at the end of 2014/15 and implemented on 1st April 2015. Consultation on the second phase of the review will commence in quarter 1 2016/17.

The Council has a joint management team with East Hampshire District Council. Between April 2015 and February 2016 the management team was made up of the Chief Executive, two Executive Directors, and five Executive Heads. The Council employed shared Service Managers, covering all services except Coastal Protection and Waste Collection. A resourcing review took place during late 2015 and a new management structure implemented on 1 March 2016. The structure now consists of a Chief Executive, three Executive Directors and 14 Heads of Service; following the merging the roles of Executive Heads and Service Managers. The Council continues to have shared roles, covering all services except Coastal Protection, Waste Collection and Planning. The costs of all shared management posts are shared equally between the two Councils. The senior officers meet weekly as the Executive Board to lead the executive functions of the Council.

Statutory officer roles are the Chief Executive, as Head of Paid Service, the shared S151 Officer, who carries overall responsibility for the Council's financial administration and is a member of the Executive Board, and a shared Monitoring Officer, who carries responsibility for legal compliance.

The Council's Constitution contains the standing orders, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti fraud & corruption, anti bribery, and whistle blowing.

The Council has a performance management framework. This includes induction and performance appraisal processes for all employees including a competency framework that focuses on encouraging effective behaviours. Individual performance appraisals link to cluster business plans and the Corporate Strategy and are based on the Council's competency framework.

Performance indicators clearly link individual clusters to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to business plans and the Corporate Strategy.

3. Values and Conduct

There are codes of conduct in place for all Councillors and Officers, and there is a requirement for Councillors to make any Declarations of Interest. The Governance & Audit Committee monitors the Code of Conduct for Councillors, and receives reports from the Council's appointed independent persons who investigate any allegations of misconduct.

The Council has in place a complaints procedure, including weekly reminders to managers responsible for the work. There are clearly defined disciplinary procedures for Officers.

4. Robust Decision Making

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. The Governance & Audit Committee approves the Statement of Accounts.

The Cabinet operates within the policy framework set by 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.

The Governance & Audit Committee also acts as the Council's Audit 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 agreement by Cabinet.

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.

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.

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.

5. Skills and Training

Following the Borough Council Elections, all new Councillors are required to undertake a comprehensive and compulsory training programme. This includes Development Management 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. 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.

Officers are asked to identify their training needs and professional development requirements as part of the performance appraisal process. The Council invested in Leadership and Management training for managers across the authority during the year.

6. Public Accountability

We value the views of borough residents. We use a wide variety of methods to establish the views of stakeholders, and are working to understand our customers better using customer insight tools.

The Council Strategy is formulated following the results of a survey which seeks feedback from the public, Councillors, staff and other key stakeholders.

An important aspect of the Council Strategy is the building of partnerships with various sectors including other local authorities, statutory agencies, voluntary groups, action groups, contractors and our citizens.

All decision making meetings are held in public, 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. Complaints are regularly monitored and reported to the Executive Board.

The Council subscribes to the Government's transparency agenda and publishes information on remuneration for senior management, and information on items of expenditure over £500.

A conclusion on the arrangements the Council puts in place to provide value for money to its residents is made as part of the External Audit process. A positive Value for Money conclusion was reported in November 2015

The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

The Council is subject to independent audit 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 & Audit Committee undertakes the core functions of an audit committee. The Council appointed the Executive Head of Governance and Logistics as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs, this has been replaced by the Head of Finance and Assets following the review.

Compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010)

The CIPFA Statement on the role of the Chief Finance Officer was published during 2010 and outlines the governance requirements of the role. These governance requirements are divided into the following five key principles:

1. The Chief Finance Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and delivers the authority's strategic objectives sustainably and in the public interest.
2. The Chief Finance Officer in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
3. The Chief Finance Officer in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
4. The Chief Finance Officer in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
5. The Chief Finance Officer in a local authority must be professionally qualified and suitably experienced.

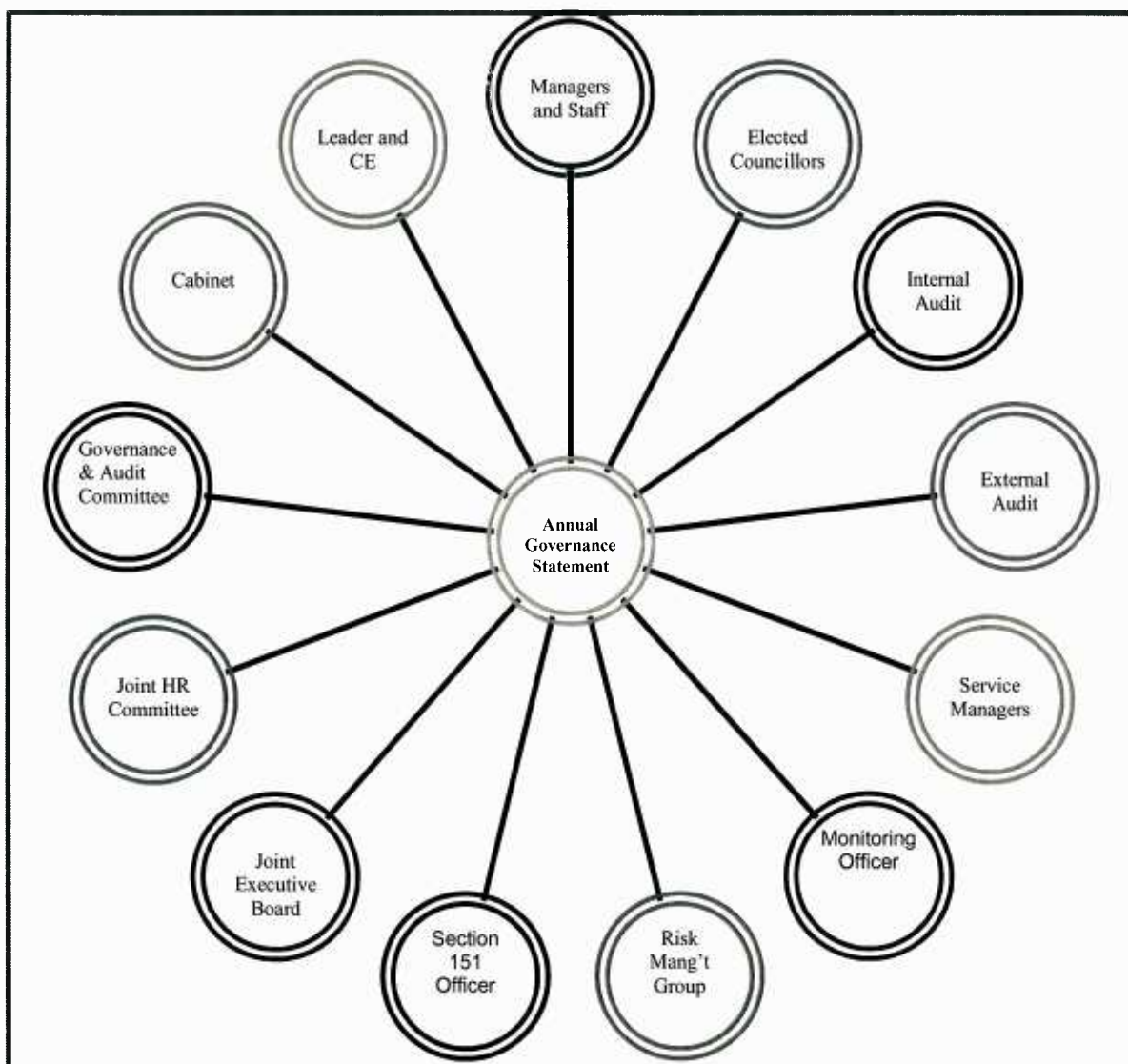
A new consultation draft has been issued by CIPFA, to advise the role of the Chief Finance Officer in the financial administration of the Local Government Pension Scheme and, if agreed, is to be used in conjunction with the 2010 Statement.

Havant Borough Council shares a Chief Finance Officer with East Hampshire District Council. The Chief Finance Officer role complies with 32 of the 33 requirements. The post did not report direct to the Chief Executive. The Chief Finance Officer reports to an Executive Director. The Chief Finance Officer has direct access to the Chief Executive through regular executive meetings.

Review of effectiveness

Havant Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements includes wide input:-

INPUTS TO THE ANNUAL GOVERNANCE STATEMENT



The **Executive** bodies are the **Council**, which is responsible for deciding policies and budgets including approval of the constitution, and the **Cabinet**, which is responsible for day to day decisions. In order to ensure transparency in the decision making process, decision making meetings are normally open to the public, a forward plan of decisions to be taken is published, and agendas and minutes of all meetings are available.

The **Governance & Audit Committee** meets four times per year as the Audit Committee for Havant Borough Council. The Audit Committee is responsible for monitoring and ensuring risk management arrangements are adequate; receives reports from Internal and External Audit; and ensures that the Internal and External Audit reports are robust.

The **Scrutiny Board** meets between five and six times per year and it has a formal work programme in place. The board delegates its functions to five scrutiny panels, each have their own work programme and report back to the Scrutiny Board.

The **Joint Human Resources Committee** is responsible for setting policy direction on employee related matters, agree termination payments and oversee appeals and dismissals, noting appointment of chief executive and supporting the appointment process for executive directors.

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. 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.

Other governance arrangements include:

- **The Council Constitution.** This is a document which includes the roles, responsibilities, terms of reference and reporting arrangements of the Council and its committees, and the Council's Scheme of Delegation.
- **The Monitoring Officer** – This is a statutory role, shared with East Hampshire District Council, which has a duty to ensure legal compliance and to monitor and review the operation of the constitution to ensure its aims and principles are given full effect. The Monitoring officer also provides training and advice on the Councillor code of Conduct, and will investigate instances where the Code is not complied with.
- **The Section 151 Officer** – This is a statutory role, shared with East Hampshire District Council, which has a duty to make arrangements for the proper financial administration of the Council.
- **Joint Risk Management Group** – The Risk Management Group ensures that all corporate and service risks have been identified and recorded, and that mitigations are in place to address risk. The Joint Corporate Governance Group has been abolished and the function has been taken on by JEB.
- **Policies and Procedures** – key areas of the Council's administration are covered by specifically approved policies which are reviewed appropriately. These include Treasury Management Policies and Practices and an annual review of Reserves and Balances and the Constitution.

Issues arising during 2015/16

The review of the effectiveness of internal control during 2015/16 was structured around the core principles of the Code of Local Governance. The table below outlines issues which have arisen during the year and progress/actions taken and where relevant any governance activities for development in 2016/17:

Governance Subject	Actions Required	Actions Taken/Progress in 2015/16	Actions for 2016/17
Procurement Review	Implement review of procurement processes.	The Council employed a procurement specialist in partnership with East Hampshire District Council. The procurement specialist has been supporting major procurement projects undertaken by the Council during 2015/16 such as the 5 Councils Project	The procurement specialist will continue to support major procurement projects being undertaken by the Council between 2016/17.
Succession Planning	Further development of succession planning.	The People Plan has been developed to include a Talent Management process. The position of each employee has been identified on a talent matrix by management. The Service Manager HR held a moderation meeting with management in July to ensure consistency of the ranking	Talent Matrix training for all line managers will be rolled out in quarter 1 2016/17 and will feature in all staff appraisals in 2016/17.
IT Systems	Shared systems/databases where appropriate	Implementation of the Finance system in October 2015. In 2015 there was a review of IT service provision and the decision made that IT will form part of the 5 Councils Project.	Discussions will take place with Capita on the best solution for a replacement Customer Relationship Management system. Meridio document management system will be replaced by team(s) specific Electronic Document Management System. The Executive Board approved the DMS strategy in 2015 and replacement will be by business case basis during 2016/17. Work underway to develop a digital strategy and explore future service delivery options

Financial Climate	Uncertainty over the future of local government funding	Medium term financial framework currently assumes total loss of Revenue Support grant by 2020 and continuation of New Homes Bonus	Review of financial assumptions behind medium term financial planning; monitoring government policy and in particular Universal Credit and Revenue Support Grant
External Audit Reports	Limited Assurance Audit Report received Procurement failures at the Depot and HR around Right to work	A number of recommendations were made on both audit reports and all actions have been reported by Audit as cleared on both reports.	No Further Action
Governance Groups	Instigation of HR Procedures without approval	JEB action tracking and weekly review of actions now in place. Confirmation received that all Governance Groups operate similarly.	No Further Action

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



Sandy Hopkins
Chief Executive
Havant Borough Council
Dated 30th June 2016

Signed



Councillor Michael Cheshire MBE
Leader of the Council
Havant Borough Council
Dated 30th June 2016