

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker</b>	Audit Committee
<b>Date of Decision</b>	25 June 2015
<b>Decision Title</b>	Annual Governance Statement
<b>Decision Reference</b>	6690
<b>Report From:</b>	Director of Policy and Governance and Director of Corporate Resources – Corporate Services

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## 1. Executive Summary

- 1.1 Annex 1 to this report contains the draft Annual Governance Statement which, pursuant to the Accounts and Audit (England) Regulations 2011, must be approved by the Audit Committee before the end of September 2015 in order for it to accompany the signed and dated Statement of Accounts. The Annual Governance Statement must subsequently be signed by the Leader of the County Council and the Chief Executive

## 2. Contextual Information

- 2.1 The County Council is required pursuant to the Accounts and Audit (England) Regulations 2011 to produce a broad based Annual Governance Statement. The Annual Governance Statement has replaced the Statement of Internal Control.
- 2.2 Once approved by this Committee the Annual Governance Statement must be signed on behalf of the County Council by the Leader of the County Council and the Chief Executive.
- 2.3 The Annual Governance Statement is an important and integral part of the County Council's Corporate Governance regime.
- 2.4 The Annual Governance Statement provides a review of the effectiveness of the County Council's internal control systems and gives assurances about how effectively they operate.
- 2.5 Guidance supplied by the Finance Advisory Network of the Chartered Institute of Public Finance and Accountancy (CIPFA) has been considered in the preparation of the draft Annual Governance Statement.

### **3. Methodology**

- 3.1 In early 2015 Departmental Self Assessment Questionnaires were sent out to all Departments seeking assurances about performance management arrangements and Corporate Governance in the Departments.
- 3.2 In March 2015 Officers performing key corporate roles on behalf of the County Council were asked to produce an appropriate position statement based on the CIPFA Financial Advisory Network Guidance.
- 3.3 A copy the emerging Annual Governance Statement has been sent to all Chief Officers, officers undertaking key corporate roles on behalf of the County Council and the Leader of the County Council for comment. The comments received have been taken into account in preparing the draft Annual Governance in Annex 1.

### **4. Draft Annual Governance Statement**

- 4.1 The content of the draft Annual Governance Statement follows the CIPFA Finance Network Guidance. Members of this Committee now have the opportunity to comment upon it and to indicate whether or not they wish to see any amendments made.

### **5. Outline of Options**

#### **5.1 Option 1**

Approve the Annual Governance Statement as drafted.

#### **5.2 Option 2**

Approve the Annual Governance Statement with amendments proposed by this committee.

#### **5.3 Option 3**

Reject the Annual Governance Statement.

### **6. Recommendations**

It is recommended that this Committee approves the draft Annual Governance Statement for signature by the Leader of the County Council and the Chief Executive, subject to any amendments that this Committee may wish to make.

**CORPORATE OR LEGAL INFORMATION:**

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because: The preparation of an Annual Governance Statement is a statutory requirement.

**OTHER SIGNIFICANT LINKS:**

**Links to Previous member decisions:**

Title	Ref	Date

**Direct Links to Specific Legislation or Government Directives**

Title	Date
Accounts and Audit (England) Regulations	2011

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
CIPFA Finance Advisory Network –Rough Guide to the Annual Governance Statement	
Departmental Self Assessment Questionnaires	

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

- a) There are no identified equality impacts deriving from this report.

**2. Impact on Crime and Disorder:**

N/A

**3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

N/A

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A

**ANNUAL GOVERNANCE STATEMENT  
2014/2015**

**FOR**

**HAMPSHIRE COUNTY COUNCIL**

**AND**

**HAMPSHIRE PENSION FUND**

# **Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund**

## **1. Scope of Responsibility**

Hampshire County Council is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards.
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
- there is a sound system of internal control which facilitates the effective exercise of the County Council's functions and which include arrangements for the management of risk.

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel. The Panel, which meets regularly, is comprised of County Councillors, representatives of Unitary and District Councils, pensioners and pension contributor's representatives. The Panel is also advised by an external independent adviser.

This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement during 2014-2015

## **2. The purpose of Corporate Governance**

The governance framework comprises the systems and processes, and cultures and values, by which the County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievements of the County Council's 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 the 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 on going process designed to identify and prioritise the risk to the achievement of the County 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 Hampshire County Council for the year ending 31 March 2015 and up to the date of approval of the annual report and the statement of accounts.

The County 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' A copy of the Code is available on the County Council's Web site.

One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance. This has included:

- a detailed self assessment questionnaire being sent every year to all Departments
- consultation with other relevant officers throughout the County Council.

The questionnaires cover a wide range of Corporate Governance and performance issues. They refer to the existence, knowledge and application within departments of governance policies generally, but also concentrate on specific issues which have been identified as having greater significance to the County Council.

In line with the Internal Audit Charter adopted by the County Council in December 2013 and which is available on the County Council's website, the key elements of the Corporate Governance framework are risk assessed and reviewed periodically by Internal Audit.

The Internal Audit Team's work forms the basis of a report to the relevant Chief Officer or Key Corporate Manager for any follow up work necessary, and feeds into this Annual Governance Statement.

Departmental Corporate Governance and self assessment questionnaires were sent out to Departments in 2015.

### **3. Establishing principal statutory obligations and organisational objectives**

#### **3.1 Mechanisms established to identify principal statutory obligations**

The County Council's Constitution sets out the processes by which the County Council's policies are made and decisions taken. It sets out clearly the role of:

- the County Council
- the Leader
- Cabinet
- arrangements for the performance of regulatory functions
- arrangements for scrutiny

- the Conduct Advisory Panel
- the role of the Audit Committee
- key roles of the Chief Officers and Statutory Officers

The Constitution also contains arrangements for the delegation of decision making to the above bodies and also to Chief Officers and others.

In addition, Appendices to the Constitution contain a range of Codes and Protocols including

- rules on Financial Regulations
- rules on Contract Standing Orders
- Codes of Conduct for Members and Officers
- Protocol for Member/Officer relations
- Planning Code of Conduct

In order to ensure compliance with policies, procedures and statutory requirements the County Council has a range of controls and processes in place, as set out and reviewed below. These processes also help the County Council ensure the efficient, effective and economical use of resources, to secure continuous improvement in the exercise of its functions, and to provide effective performance management and reporting.

The Audit Committee receives regular reports from both external and internal audit.

All County Council decisions are made in accordance with the County Council's Constitution and Decision Making Protocol. The Protocol requires all reports for decisions, whether by the Executive or by Committee to be submitted in advance for both legal and financial consideration.

All reports are considered by appropriately qualified legal and finance staff with expertise in the particular function area. Senior lawyers within the service have regular meetings with Chief Officers and senior clients to assess performance, review future demands, and identify new legislative demands.

An Officer group comprising the Head of Governance and representatives from Democratic and Member Services, Legal Services and the Policy and Performance Unit has been established to specifically monitor new legislation. The Legislation Implementation and Review Group meets quarterly and provides an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.

Hampshire Children's Services Department is formed in strict compliance with the Children Act 2004 and revised Statutory Guidance on the Role of the Director of Children's Services and the Lead Member. This encompasses the lead role of the Local Authority as the principal agency in ensuring and coordinating services for the protection of the most

vulnerable children and the safeguarding of a broader group of children in need. This is conducted through internal operational activities especially with regard to Section 47 of the Children Act 1989.

Hampshire Adult Services Department undertook a significant programme of work to ensure compliance with various elements of Care 2014, which were implemented in April 2015. These include new duties to Carers, Self-funders and provision of Advocacy services as well as reinforcing the Safeguarding responsibilities. Work is also underway to prepare for the enactment of Care Cap and Appeals process in April 2016.

The Care Act 2014, created a legislative framework for Safeguarding work in Adults Services which previously was based on the 'No Secrets' guidance (Department of Health 2000). Whilst Hampshire Adult Services Department adhered to the 'No Secrets' guidance, the department is also compliant with the Care Act 2014 which confirms the duty of partnership working for statutory health and social care organisations to work together to put in place services which act to prevent abuse of vulnerable adults, provide assessment and investigate allegations of abuse.

The guidance gives the Local Authority a leadership and co-ordination role to ensure that all those who commission and provide services for our citizens work together to address the safeguarding agenda in Hampshire and this is fully recognised as a corporate responsibility.

Adult Services are working closely with external partners through the Safeguarding Adults Board, which is chaired by an Independent Person. In addition, work to focus all internal Hampshire County Council departments in relation to the broader safeguarding agenda, is being delivered through the Cross Departmental Safeguarding Group chaired by the Deputy Director of Children's Services.

The County Council operates a system of Finance Business Partners who work closely with the relevant Chief Officer and report through to the Head of Finance. The Director of Corporate Resources, Head of Finance and Finance Business Partners work together to ensure that both corporate and departmental financial perspectives are taken into account in all papers for decision, and attend meetings to advise further as appropriate. The senior team are supported by an Operational Finance Team who undertake day to day finance activity and a Corporate Accounting Team who deal with technical accounting, budgeting and the Capital Programme. A clear process of escalation for major issues that arise is in place within the Department ensuring that strategic issues are dealt with at the appropriate level.

### **3.2 Mechanism in place to identify principal organisational obligations**

The County Council remains committed to the three overall priorities set out in the corporate strategy: Hampshire safer and more secure for all, maximising wellbeing and enhancing our quality of place. Priorities are

clearly communicated on the County Council website and through various communications.

In 2013, Cabinet agreed a new strategic narrative *Shaping Hampshire: modern, public services for the future* to signal the Authority's intent to further transform and shape services for the future, while meeting the challenges of significant Government grant reductions. The *Shaping Hampshire* Plan provides an operating model for business planning and a framework for reporting organisational progress to Cabinet.

The *Shaping Hampshire* Plan brings together key priorities for the Council into a coherent shared strategy. In addition to the *Transformation to 2015* and *Transformation to 2017* work streams, it also integrates departmental priorities, the Health and Wellbeing Strategy; Children and Young People's Plan; Workforce Development Strategy; and other key policy areas.

The Performance Management Framework complements the strategic narrative and business planning approach. An internal audit of service planning and performance management in 2012/13 (reported to the Audit Committee in 2013/14), provided the Council with 'substantial assurance' that policies and procedures are operating effectively. The Framework was updated in 2013/14 following the approval of the *Shaping Hampshire* Plan.

Activities, key performance measures and targets are drawn from work stream plans and department level business plans; and cascaded through service plans and Individual Performance Plans (currently transitioning to the *Valuing Performance* system). Progress against the Plan is monitored on a quarterly basis, with an annual report to Cabinet providing a full evaluation of performance.

*Shaping Hampshire* has been informed by analysis of Census data (2011), the Joint Needs Assessment (2013 refresh), and the Hampshire Economic Assessment (2011). Within the Plan, areas of work are organised by four coherent themes, reflecting the breadth of the Council's responsibilities: health and wellbeing, communities, economy and efficiencies.

Priorities are communicated internally and externally through full integration with all communications activity.

Business and financial planning takes into account the views of those impacted by any service changes, and the budgetary or service demand impact on external partners. For instance, the Council consults residents on its strategic budget-setting at appropriate intervals, and on many of its proposals to change service delivery. In the last year, the Council has consulted on various changes to service provision, including:

- Bus subsidies
- Short breaks
- Household Waste and Recycling Centres
- Libraries
- Youth support
- Older people's day opportunities

- Services for children with autism
- Education services for children aged 11 to 18 on the Isle of Wight.

The findings from these consultations are fully analysed and reported alongside other considerations to Executive Members and/or Cabinet to support decision-making.

The Hampshire Partnership provides a constructive forum for collaborative working across key partners, with the aim of providing a strategic overview for public sector organisations across Hampshire. The Partnership is a voluntary collaboration made up of: the County Council Leader, Leaders of most of the Hampshire district, borough and city councils, Chief Constable of Hampshire Police, the Chairman of Hampshire Fire Authority, and Chief Fire Officer of Hampshire Fire and Rescue Service. The Chairman of NHS Hampshire, the Hampshire Association of Local Councils and the New Forest National Park Authority are also members. In addition, there are seats for Southampton and Portsmouth City Councils, the South Downs National Park Authority, the voluntary and community sector, the Armed Forces, the Enterprise M3 and Solent Local Enterprise Partnerships (LEPs), and the Federation of Small Businesses (Wessex region).

The Hampshire Partnership has established governance arrangements with clear roles and responsibilities. For example, the Hampshire Civilian Military Partnership has reviewed its governance arrangements and refreshed its action plan, and enabled partners to liaise about the welfare of veterans, Ghurkha and Nepalese community issues, and rebasing plans.

A strategic partnership for delivering Children's Services on the Isle of Wight was formed between the Council and Isle of Wight Council in early 2014, pursuant to a statutory direction from the Secretary of State and accordance with an agreement lasting for five years. The Council's support is showing demonstrable improvement to outcomes for children who live on the Island. Inspection of the Isle of Wight Council's arrangements for supporting school improvements moved from '*ineffective*' in June 2013, to '*effective*' in June 2014. In 2014, Ofsted's inspection of services for *children in need of help and protection, children looked after and care leavers*, judged services as '*requires improvement*', against previous inspections of child protection which were judged to be '*inadequate*' in November 2012.

As part of its work with statutory partners the County Council is involved in supporting the activity of the two Hampshire Local Enterprise Partnerships to help businesses adapt and the economy to grow. In the north of the county, the Council has worked with the Enterprise M3 LEP to secure funding from the Regional Growth Fund to go towards a £25 million total investment in a permanent world-class exhibition, conference and hospitality venue at Farnborough Airport.

The Council also engages with key stakeholders through the hosting of high-level conferences. In 2014/15, the Council hosted two major conferences: the 'Better health, better care' conference, and the 'Public Sector Transformation, working beyond boundaries'. Both events were

attended by delegates from local and national professional public sector bodies. Both events provided an opportunity to engage with key stakeholders on the strategic vision for Hampshire, and to promote the work of the County Council to transform local services.

A key part of the strategic partnership has been the delivery of the first phase of the Integrated Business Centre, providing transactional and business support services to the three organisations. This long-term investment is designed to create additional financial security and stability as the Council sells the 'platform' to more public sector organisations. The initiative also lays the foundation for greater productivity - reducing business processes and costs.

Legislative change has been monitored and implemented where appropriate. The Council has tracked and responded to these national changes as they emerged, and proactively prepared for implementation. Notable policy changes have included changes to statutory provisions within Children and Families services, the rehabilitation of offenders and in tackling anti-social behaviour. The Council has also integrated the Public Health service into the organisation, and is building relationships with key partners, including the Hampshire Clinical Commissioning Groups.

Business and Financial Planning take into account the service and budgetary impact of working with external partners. The County Council has recognised that this is an area of increasing risk for the future as partnerships expand and as greater reliance is placed on securing and maintaining partner contributions to support service provision. One of the most significant areas is the work with the Clinical Commissioning Groups to progress the Better Care Fund (BCF) initiative which looks to transform the way that Health and Adult Social Care work together to improve outcomes for individuals and to improve the use of resources across the sectors.

Progress against the Better Care Fund action plan has been relatively slow throughout 2014/15 reflecting some of the complexities of joint working between six organisations in what is a very difficult and demanding environment.

This position was recognised very early on and therefore a 'risk sharing' agreement has been put in place that supports the County Council's financial position in 2015/16 and 2016/17, providing additional time to release ongoing savings from operational changes across health and social care.

Joint working with Hampshire Constabulary and Hampshire Fire and Rescue Service went live in 2014/15 for all three strategic partners and are underpinned by robust governance arrangements and cost and benefit sharing methodologies which have been tailored to the support service areas to which they relate. Sensible protections around liabilities and assets have been incorporated into the overall agreement and individual accession agreements drawn up by the three authorities.

This work has helped inform the future model for on-boarding other partners and has been used to produce documentation and cost share percentages with a new partner who is due to join the partnership in 2015/16. The addition of new partners helps to secure contributions to overheads of the existing partners whilst also realising savings for the new partners.

### **3.3 Effective Corporate Governance arrangements are embedded within the County Council**

The County Council's Code of Corporate Governance complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior managers (SOLACE) guidance.

The Head of Governance (Monitoring Officer) and the Chief Internal Auditor (for the Section 151 Officer) have close working relationships both between themselves, and with the Conduct Advisory Panel, and the Audit Committee.

The Conduct Advisory Panel has responsibility for maintaining high standards of probity amongst Members through the provision of advice and training and by carrying out investigations of complaints received.

The Audit Committee has audit focused terms of reference and in accordance with CIPFA/SOLACE guidance the Chairman of the Audit Committee is not a member of the Executive. In addition no other members of the Audit Committee are members of the Executive.

Responsibility for overseeing Corporate Governance is formally delegated and documented through the Constitution to the Audit Committee. The terms of reference for the Audit Committee are contained within the Constitution.

During 2014-15 Internal Audit were required to comply with the Public Sector Internal Audit Standards. Assurance that these Standards are met is provided through annual self-assessment and ISO quality accreditation. In accordance with the Standards an external assessment (required every five years) has been commissioned for September 2015

The Audit Committee approved the Internal Audit Charter and Plan for 2014-15 (June 2014). The internal audit plan is aligned to the County Council's three key priorities, as such ensuring assurance work adds maximum value in the effective delivery of its planned outcomes.

The Audit Committee continues to monitor performance and the progress of significant issues, including the implementation of management actions.

The Chief Internal Auditor submitted an Annual Audit Report and Opinion to the June 2015 Audit Committee on the effectiveness of the control framework

### **3.4 Performance management arrangements are in place**

As outlined above, the Council's Performance Management Framework (PMF) provides a robust and coherent way to manage and improve services across the organisation. It is based on a cycle of continuous improvement.

Key components are:

(a) Planning:

- County Council priorities (the three corporate aims)
- The *Shaping Hampshire* Plan

(b) Doing:

- Department Business Plans

(c) Monitoring

- Quarterly reporting on performance against the *Shaping Hampshire* Plan to CMT
- Half yearly reporting on performance against the *Shaping Hampshire* Plan, to Cabinet
- Half-yearly safeguarding children and vulnerable adults to CMT and Cabinet
- Annual Departmental Self-Assessment Reports
- County Council's Annual Performance Report.

Transparent processes are in place for regular reporting to CMT and Cabinet. CMT are responsible for providing support and challenge, in order to manage performance against the *Shaping Hampshire* Plan.

In addition, departments have robust mechanisms for performance management.

Performance management arrangements are enhanced by a thorough and fully embedded system of budget forecasting and monitoring which focuses on:

- Annually updated three year budget projections and a three year capital programme
- Quarterly budget monitoring reports on revenue and capital to the relevant executive Member
- Additional capital investment part of the 2013/14 budget process targeting key capital theme areas, worth over £750 million over four years
- A risk based approach to budget monitoring ensuring that reduced resources within the Finance Department are targeted to high risk areas
- Ability of Select Committees to scrutinise monitoring reports
- Overall budget monitoring report concentrating on key corporate financial issues to Cabinet on a quarterly basis.

Performance information is published online and easily accessible for staff, partners and the public. The way performance information is presented online was improved through the use of infographics in 2014/15.

Performance information is sited alongside transparency and financial data which is compliant with Government guidance.

Children's Services Department activities are governed by the operational structures and the Scheme of Delegations. They are controlled through a range of supervisory and quality assurance arrangements. They are validated through a range of performance data and particularly by the external inspection from Ofsted.

Hampshire Safeguarding Children Board (HSCB) oversees external responsibilities for working together to safeguarding child, with roles and responsibilities governed by its Constitution. The Director of Children's Service is held to account for effective working of the HSCB by the Chief Executive and is challenged, where appropriate, by the Lead Member. The Lead Member has participant observer status on the HSCB and attends board meetings. The independent chair is accountable to the Chief Executive, whilst maintaining a direct link to the Director of Children's Services. Hampshire Children's Trust has a Children's Trust Board Governance Framework and Terms of Reference which set out clear roles, responsibilities and accountabilities for all levels of the Trust, to ensure that it fulfils its purpose and achieves intended outcomes. The HSCB scrutinises and holds to account the work of the Children's Trust Board with regards to safeguarding.

The Adult Services Department activities are also governed through an operational scheme of delegations, supported by quality control systems. The departmental management team has oversight of key performance indicators, with performance scorecards providing integrated reporting mechanisms and facilitating continuous improvement. The quality of care is validated externally by the Care Quality Commission, and data returns by the Health and Social Care Information Centre. External statutory responsibilities are governed through the Hampshire Safeguarding Adults Board (HSAB) and through the joint responsibilities of the Health and Wellbeing Board. Both of which report to Cabinet, CMT, the Lead Member for Adult Services and Public Health, and the respective executive arrangements of other statutory partners.

The budget for 2015/16 was set in February 2015 and incorporated the savings proposals that had already been approved one year before. This forward planning provided the time and capacity for the County Council to fully implement the savings prior to the start of the financial year and to carry out public consultations where necessary on the detailed proposals. The final budget included the withdrawal of some savings proposals following the consultation that had taken place.

Programme Management and reporting arrangements are also a key feature of the Transformation to 2017 Programme underpinned by DMT level leads for taking the programme forward, supported by our private sector partners.

#### **4.1 Focusing on the purpose of the County Council and on outcomes for the community and creating and implementing a vision for the local area**

The County Council has a clear vision and purpose, articulated through the three corporate priorities and the *Shaping Hampshire* Plan. The Plan (described above) provides a coherent, shared vision for the organisation. Implementation of these ambitions is through department business plans and efficiency/transformation work streams.

The County Council develops its understanding of local needs through established strategic and tactical approaches, including: Equality Impact Assessments, Joint Strategic Needs Assessment, Child Poverty Needs Assessment, and regular engagement with stakeholders and partners through established forums, such as the Children's Trust and the Health and Wellbeing Board. As described above, the Council also builds an understanding of resident opinion through regular consultation activity.

Partnerships are underpinned by a common vision, which is understood and agreed by all partners. Clear governance structures are also in place. For example, the Hampshire Partnership brings together all key partners in Hampshire to continue to build on the successes of voluntary collaborative and co-operative working that is already taking place in many areas. The Hampshire Partnership aims to promote and facilitate better cross-agency working and find greater ways for them to work together in a more efficient, targeted and rationalised way to deliver better outcomes at lower costs for Hampshire taxpayers.

Other examples include the:

- Health and Well-being Board
- Children's Trust
- Hampshire Safeguarding Children Board
- Multi-agency Safeguarding Hubs
- Early Help Hubs
- Hampshire Safeguarding Adults Board.

The Performance Management Framework establishes how the quality of services for users is to be measured and reviewed on a regular basis. This includes quarterly reporting of progress against the *Shaping Hampshire* Plan and an annual self-assessment, to be completed by departments. The County Council's Annual Performance Report is published on the website and performance achievements publicised through targeted communications activities. The report includes key achievements and a summary of performance.

The County Council has an effective and comprehensive department and corporate complaints system which allows for any failures in service delivery to be properly dealt with; and lessons learnt. Areas for improvement identified through service user feedback and complaints are addressed through the department and service planning processes.

The Council considers that the achievement of value for money in the delivery of its services is fundamental. The Council's performance against this criterion can be demonstrated by the following factors:

- Benchmarking of spend compared with service quality (i.e. lower quartile Council Tax – keeping it at the same rate for six years in a row)
- The successful delivery of £240 million in efficiency savings, improvement in performance across a number of service areas, and increasingly effective collaborations since 2008
- The largest ever capital investment programme which shows that short term gains are not pursued at the expense of long-term value for money

The Local Government Association carried out a Peer Review of the Council in early 2014. The Peer Review recognised the County Council as being *a strong and successful local authority. It is a well-managed and high performing organisation with a good professional pride and ethos, and one that benefits from political stability, visible leadership, and prudent financial stewardship.* The Peer Review acknowledged that the County Council is a well-led, well managed and highly successful organisation with great (particularly financial) resilience and enormous capacity.

Children's Services were rated by Ofsted as having *good* and *outstanding* services for vulnerable children following an inspection in February 2014 as part of a new, tougher regime. Leadership and governance was judged *outstanding* across all areas of child protection and children in care services. Ofsted acknowledged the Council's strong leadership and self-awareness: *The Local Authority knows itself well through good performance management and reporting arrangements...This enables swift and decisive action to be taken to ensure that quality is maintained and improved, providing a very sound basis for management decision-making.* Further to this, arrangements with the Children's Trust were reported by Ofsted as having: *planning (which) is robust and targeted at the most vulnerable children and young people. The resulting partnership work has led to some very positive outcomes for children.* Ofsted also praised the: *very good partnership arrangements with the police and health agencies...This has led to highly effective planning and the use of pooled budgets.*

The Annual Audit Letter – Year Ending 31 March 2014 was circulated to all Members of the Audit Committee concluding:

Financial Statement Audit – We issued an unqualified audit report on 29 September 2014

Value for Money – We issued an unqualified Value for Money conclusion on 29 December 2014

Annual Governance Statement – No areas of concern

#### **4.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

The County Council has a comprehensive Constitution, accessible on its website, which sets out the roles of the Council, Cabinet, Executive Members, Committees, the Chief Executive who is allocated the role of Head of Paid Service, Chief Officers and other senior Officers.

The Constitution also allocates the statutory roles of Section 151 Officer to the Director of Corporate Resources and that of the Monitoring Officer to the Head of Governance. Details and descriptions of both roles and their responsibilities are contained within the Constitution.

In 2010 the Chartered Institute of Public Finance and Accountancy issued a Statement on the Role of the Chief Financial Officer in Local Government, outlining the principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. A self-assessment confirms that the County Council's financial management arrangements conform with the governance requirements of the CIPFA Statement as outlined below:

- the Director of Corporate Resources is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives sustainably and in the public interest
- the Director of Corporate Resources is 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 Medium Term Financial Strategy
- the Director of Corporate Resources leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- the Director of Corporate Resources leads and directs a finance function that is adequately resourced to be fit for purpose
- the Director of Corporate Resources is professionally qualified and suitably experienced.

The relationship between Members and Officers is enforced by an established Member/Officer Protocol.

A Scheme for Member remuneration and allowances has been effectively maintained during 2014-15 in accordance with legislative provisions and established robust governance practices. The current Scheme was approved by the County Council in February 2014 for the years 2014/15, 2015/16, 2016/17 and 2017/18.

The Scheme is included in the County Council's Constitution and published on the web

<http://www3.hants.gov.uk/constitution.htm/>

The IRP have met informally on several occasions during 2014-15 and continue to attend formal committee meetings for the purpose of observation on an ad hoc basis. Advice to the IRP is provided as and when required by the Head of Democratic & Member Services and the Head of Governance. The IRP has been appointed for a four-year term of office which is due to expire in February 2018.

For Officers, all issues relating to remuneration and terms and conditions are managed by the Council's Employment in Hampshire County Council Committee (EHCC) which is advised by the Chief Executive and the Director of Corporate Resources.

#### **4.3 Promoting values for the County Council and demonstrating the values of good Governance through upholding high standards of conduct and behaviour**

The County Council's Constitution is founded on it operating in an open and transparent way, and for the Leader of the County Council and the Chief Executive to set the tone for the organisation by creating a climate and culture of openness, support, and respect.

The County Council is committed to the highest ethical standards and has adopted a wide range of policies to re-enforce this philosophy as well as procedures to investigate them should the need arise. These policies and procedures include:

- Members and Officers Codes of Conduct
- Planning Code of Conduct
- Member/Officer Protocol
- Anti Bribery Policy
- Conduct Advisory Panel
- Complaints Procedures
- Anti Fraud and Corruption Policy
- Standing Orders governing the conduct of Council business
- Contract Standing Orders
- Financial Regulations
- Performance Management system
- A system of individual performance plan appraisal.

An effective Conduct Advisory Panel is in place, which is responsible for the initial assessment (and where appropriate investigation and determination) of complaints against Members of the County Council. A Member's Code of Conduct was adopted by the County Council in July 2012. The Code contains provisions in respect of the mandatory registration and disclosure of Disclosable Pecuniary Interests, required by law, together with provisions for voluntary registration and disclosure of non pecuniary interests and gifts and hospitality.

Major corporate partnerships have terms of reference and receive regular performance updates.

#### **4.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

The County Council's Constitution together with its Decision Making Protocol ensures that appropriate legal and financial advice is given and also that decisions made are open and transparent. The County Council's Constitution requires that openness in individual Executive Members decision making goes beyond the minimum statutory requirements by ensuring that, subject to confidential items, all such decisions are made in public.

A Report Writing Guide and Decision Making Guidance are available on the intranet which informs those preparing reports. All decision reports whether to the Executive or to a committee are submitted in advance for both legal and financial consideration. A decision making record clearly documents the decision(s) made together with other considerations in accordance with legislative requirements. All decision reports and decision records are published on dedicated pages on the web in accordance with well established business practices. Executive Decisions made by Officers are now published in accordance with statutory requirements. Exemptions from publication in the case of confidential or exempt reports are approved by the Head of Governance.

All decisions are made in accordance with the County Council's Decision Making Protocol. A corporate decision making report template is available to download to ensure that a consistent approach is taken across all departments in terms of report preparation together with the inclusion of timely and relevant information/evidence to inform the decision maker. All reports go through a robust QA process. Within portfolios/areas of service responsibility, Executive Members, Committee Chairmen and Vice-Chairman, Minority Group Spokespersons and local members are routinely briefed in relation to pending business.

Advice is available to Members from the Head of Governance and Deputy Head of Governance on any aspects of the Members Code of Conduct or conflicts of interest that may arise either before or at the point where a decision is to be made.

Within their own areas of responsibility, Executive Members, Committee Chairmen and Vice Chairmen, Minority Group Spokespersons and Local Members are routinely briefed in relation to pending business.

All Members take part in a comprehensive New Member Induction Programme, both generic and specific, to support them in the exercise of their duties as County Councillors. The Members' Induction Programme includes a module on decision making. On going training is additionally available through the County Council's own established monthly Briefing Programme, and via external seminars and briefings.

Hampshire County Council has a well-developed and respected scrutiny function, which is resourced effectively to ensure that Members are able to robustly challenge decision-making, play an active role in policy review and

development, and monitor the performance of the Authority as a whole. This structure is formalised through the Council's Constitution.

The County Council has five scrutiny 'Select Committees', arranged thematically, which are independent of the Executive functions of the County Council. All agendas and papers are published in accordance with legislative requirements on transparency, and each Select Committee is responsible for managing its own work-programme, determining which decisions they wish to scrutinise, including the utilisation of call-in procedures. Additionally, any Member can make a request for an issue to be added to a Select Committee's Agenda through 'Councillor Call for Action'.

Members are able to make recommendation to improve the Council's performance through items heard during formal meetings, working groups held to discuss selected topics, and in-depth scrutiny reviews. The Scrutiny function is reviewed regularly with the relevant Chairmen to ensure resources focus on those issues that have the most significant impact. There is a well established Reporting Concerns at Work (whistle blowing) Policy in place which is published on the County Council's Web site.

The role of the Head of Governance, as Monitoring Officer, supported by members of Legal Services, is also critical in ensuring that all decisions made are legally and soundly based.

There is a comprehensive risk management framework in place with effective processes for managing risk. The Risk Management Board, chaired by the Director of Policy and Governance, reviews arrangements for managing risk in accordance with the Council's Risk Management Strategy. Risk is considered and presented to Members as part of the reports that authorise significant projects/activity and included in progress reports on the Council's major change programmes.

#### **4.5 Developing the capacity and capabilities of Members and Officers to be effective**

All new Officers and Members joining the County Council undergo an Induction Programme.

The capacity and capability of Members and officers is directly aligned to the shaping Hampshire Plan 2013-17. This is driven through the compilation of People Priority Plans by HR Bops in conjunction with Departmental Management Teams which are updated on a regular basis and shaped by emerging health and wellbeing together with workforce development themes.

From a workforce development perspective, key themes are:

- Leadership and management development
- Driving change
- Raising performance

The County Council is committed to safeguarding and enhancing the health and wellbeing of its staff to optimise their contribution to the Council and its customers and to improve their quality of life. Current strategic focus is around identifying hot spot areas where indicators demonstrate specific needs e.g. high turnover, low attendance. A key focus of the strategy is to build overall workforce resilience and embed preventative measures. This is undertaken through a range of measures working with managers and empowering staff to seek help.

All elements of the workforce development offer, stem from these core elements and are delivered in a wide variety of methods including bespoke team development, visioning sessions for senior teams, coaching and mentoring, utilisation of public and private sector partnership expertise.

The County Council has in place a Member Development Group (MDG) which is a cross-party forum that supports and oversees the development of Members by a variety of means, i.e. internal and external training courses, induction programme for new Members, an established and well received monthly Member Briefing Programme and ad hoc departmental briefings. The MDG is supported by the Head of Democratic & Member Services and the Head of Workforce Development.

Members are encouraged to complete a development and training assessment form from which skills development can be identified and appropriate support provided. The MDG has recently reviewed and updated the assessment form which has been sent to all Members. The County Council's internal training and development team provide professional advice to all Members.

A Corporate Governance e-learning module was developed and launched in July 2010. The e-learning module is available to all County Council staff and forms part of the mandatory corporate induction programme.

The Hampshire Pension Fund Governance Policy Statement confirms that Members of the Pension Fund Panel have opportunities to attend training courses and seminars on pension fund matters when necessary and appropriate. A training plan for Members of the Panel has been prepared and training logs for individual Members are maintained.

#### **4.6 Engaging with local people and other stakeholders to ensure robust public accountability**

In February 2015, Cabinet approved the Council's Consultation Policy. The Policy establishes five principles for carrying out consultations, and governs all consultations undertaken in the name of the Council. The five principles are:

1. We will consult on key issues and proposals
2. We will consult in good time
3. We will be inclusive but within clear and appropriate limits
4. We will consult using clear, simple information

5. We will ensure responses are taken into account when decisions are made.

The County Council undertakes a programme of consultation with residents, business and other key organisations on a wide range of issues.

In its communications, the Council draws on a number of channels and approaches to engage and communicate with residents:

- Hantsweb (the County Council's website) and other online social media
- Encouraging residents to sign up for email updates
- *Hampshire Now* publication
- Public meetings and events (where applicable)
- Printed media (where appropriate)
- Targeted communications plans, campaigns and strategies, including press activity.

The Council's website, Hantsweb, is the most-visited local authority website in the UK, with approximately 60 million page views from 8 million visits last year alone.

Annual updates on the County Council's budget and related performance information is published in the Council's magazine *Hampshire Now* and on Hantsweb.

Advance notice of public engagement opportunities in service decisions are provided in the 'Shaping services for the future' engagement schedules, published in the 'Have your say' area of the County Council's website.

A wide range of documents are published to ensure that the County Council can be held to account:

- County Council and partnership strategies and plans
- *Shaping Hampshire* Plan performance updates and annual performance report
- *Transformation to 2015* update reports
- *Transformation to 2017* update reports
- Financial statements and accounts
- Select Committee reports
- Audit reports
- The publication of transparency and other open data.

The Council recently published the Organisational Management Chart as required under recent Government Transparency Regulations. Plans are in place to continue to develop this chart to include the 'extended organisation', to better explain how the Council delivers key services for, or works in partnership with, to deliver projects.

The County Council has made a public commitment to openness, accountability and transparency through its Transparency Policy Statement, which it publishes on its website. It has published a wide range

of information in accessible formats as “open data”, including details of salaries, spending and contracts

## **5 Identify principal risks to achievement of objectives**

### **5.1 The County Council has robust systems and processes in place for the identification and management of strategic and operational risk**

There is a comprehensive risk management framework in place with effective processes for managing risk. The Risk Management Board, chaired by the Director of Policy and Governance, reviews arrangements for managing risk in accordance with the Council’s Risk Management Strategy.

Major transformation programmes have been initiated in response to key risk areas identified by CMT. Opportunity assessments have been undertaken to assist in prioritisation. Risks to the delivery of the objectives to these change programmes are identified and managed as part of programme and project management processes.

Performance standards are used to improve the delivery and effectiveness of risk management, using a maturity matrix. The latest assessment provides assurance that:

- there is top down commitment to embedding and integrating risk management as routine business practice
- risk policies and strategies are communicated effectively and made to work through a framework of processes
- a core group of people have the skills & knowledge to manage risk effectively
- risk with partners is managed consistently for all key areas and across organisational boundaries
- there is clear evidence that risk management is being effective and leading to the production of good results.

The County Council benchmarks the performance of its risk management arrangements with other public sector organisations through participation in the CIPFA/Alarm benchmarking club.

The County Council largely self-insures against risk, subject to the availability of catastrophic insurance. The system of self insurance is subject to internal audit, review by external insurers and oversight by the Risk Management Board.

Performance risks are identified and mitigated in line with the established corporate risk management framework. In addition, the Performance Management Framework establishes a transparent cycle of reporting, including quarterly reporting of progress against the *Shaping Hampshire* Plan and an annual self-assessment, completed by departments.

## **6 Identify key controls to manage risk**

### **6.1 The Authority has robust systems of internal control which includes systems and procedures to mitigate principal risks.**

The financial management of the County Council is led by the Director of Corporate Resources, and is integrated with and influenced by the processes set out above. It includes processes for forward planning and expenditure, consultation on budget proposals, setting and monitoring income and budgets, and completion of final accounts. All are intended to be accurate, informative, timely and within statutory requirements.

The Cabinet and County Council approve the annual Treasury Management and Investment Strategy together with the mid year review and outturn report and Arlingclose Limited, the County Council's Treasury Management advisors have confirmed that the County Council fully complies with the Prudential Code. The Audit Committee is responsible for challenging and scrutinising treasury management activity and practices.

Financial Regulations and Contract Standing Orders are regularly reviewed and Changes to these will be taken to County Council in July 2015 and will reflect a subtle change in emphasis from traditional control mechanisms to those that are more fit for purpose within the current working environment. This is linked to the implementation of the Integrated Business Centre that aligns and standardises HR, financial and procurement authorisation limits across the organisational structure which reflects the new processes that have been introduced. The changes that have been introduced seek to reduce the burden of authorisation processes but at the same time ensure that trust and personal accountability are highlighted as key principles within the new systems.

Financial Procedure Rules will also be updated to reflect changes in Financial Regulations and Contract Standing Orders and also to ensure that they stay in line with the new systems and procedures following the introduction of the integrated business centre.

There has been significant activity associated with the introduction of the integrated business centre during 2014/15, in particular the challenges to the business and suppliers related to compliance to the control framework. In control terms, there are two main issues which have resulted affected performance: firstly whilst the County Council had always had in place three-way matching since SAP was introduced back in 2001, this was never robustly managed in a way that forced users and suppliers to comply 100% with the three-way matching process, secondly the standard invoice payment terms historically are a standard 30 days, informal arrangements were in place to amend these for particular invoices this has been

regularised through the use of new standard payment terms where appropriate.

The new Vendor Invoice Management (VIM) system Introduced as part of the IBC suite of systems, requires full compliance with the three-way matching principles, in particular, if there is no purchase order, there is no payment. This, together with a lack of understanding of how the new system operates between users and suppliers and enforcement of the 30 day payment period have caused some disruption to the payment of suppliers, the majority of which were caused by user or supplier error or misunderstanding rather than issues with the system itself.

However, following a review a renewed focus has commenced on supplier and user education along with the release of system enhancements released at the start of April.

As indicated, there is a Reporting Concerns at Work (whistle-blowing) Policy and Anti-fraud and Corruption Policy embedded into the County Council and fully accessible on the County Council's website.

The dedicated Governance section headed by the Head of Governance (Monitoring Officer) brings together the County Council's functions relating to the Monitoring Officer and Corporate Law, Corporate Compliance, Member Support and Scrutiny and Emergency Planning and Business Continuity. The Section has facilitated a more integrated approach to Corporate Governance across the County Council.

Registers of gifts and hospitality for both Members and Officers are maintained and the Member's register is available for public inspection and on the County Council's web site. The Head of Governance will provide any advice required on whether specific gifts or offers of hospitality should be accepted or politely declined. Any acceptance of hospitality by a member of staff must be subject to discussion and the agreement of that person's Line Manager. The processes in place for maintaining these Registers are monitored.

A revised Members Code of Conduct was adopted by the County Council in 2012. Training sessions on the new Code were offered by the Monitoring Officer to all Members including co-opted Members.

A high level scheme of delegation is contained within the Constitution, and this is supplemented within each Department whereby the Chief Officer authorises other senior Officers to carry out allocated functions on their behalf.

The County Council's current Corporate Procurement Strategy (CPS) (formally approved by Cabinet) is complimented by a comprehensive Best Practice Guide. The Guide is regularly updated and includes information on the implementation of the Public Contracts Regulations 2015. The Team held a workshop on the new Regulations in March 2015 as part of its wider commitment to a formal programme of training and development intended to improve capacity and performance. The Council has also made a further investment in its capacity for procurement improvement

within the Transformation Team (Strategic Procurement and Category Management). Relevant information on policy and practice is maintained on both the County Council's internal and external websites at:

[http://intranet.hants.gov.uk/corporate\\_procurement.htm](http://intranet.hants.gov.uk/corporate_procurement.htm)

<http://www3.hants.gov.uk/procurement>

The Corporate Procurement Network includes representation from the Council's Legal Services Team, which provides appropriate advice and support across departmental procurement teams and contributes to the content of the Best Practice Guide. Progress on corporate procurement and key issues continues to be considered by Members of the Buildings, Land and Procurement Panel.

The Council has further developed the role of the External Spend Group (chaired by the Director of Policy and Governance) to include the review of contract strategy for key areas of corporate expenditure. Local (departmental) arrangements have been established to review other procurement spend.

Internal Audit continues to maintain its focus on procurement within the County Council.

The County Council supports collaborative procurement with local, regional and national partners. A formal shared procurement service between the County Council, Hampshire Constabulary (HC) and Hampshire Fire and Rescue Service (HFRS) is in place as part of a wider programme of joint working. Other collaboration includes construction (regional frameworks) and commodity goods and services (through the Central Buying Consortium (CBC) and the Hampshire & Isle of Wight Procurement Partnership). CBC is engaged with the Crown Commercial Service on a number of contracts.

Business continuity arrangements are in place for all critical services against guideline criteria described in the Civil Contingencies Act 2004.

The Corporate Risk Register is reviewed and reassessed on a quarterly basis by the Risk Management Board. Departmental risks are subject to an annual reassessment. In addition, risk is reported through the Corporate Performance Framework.

A professional lead for Health and Safety is in place, along with a suite of policies and guidance covering all aspects of Health and Safety, which are available to all staff. The Corporate Health and Safety policy and supporting policies are covered in health and safety induction and other relevant training courses.

The County Council has an established Complaints Policy and Procedure, with details of the complaints procedures published on the County Council's website.

Information risk and governance arrangements are in place to ensure the appropriate balance between openness and confidentiality in the management and use of information. The County Council has a nominated Senior Information Risk Officer (SIRO), with a framework for information governance in place, reporting to the Risk Management Board. The County Councils IT service holds ISO27001 compliance for its information security management system.

Data Sharing Agreements are in place for major partnership arrangements that involve the sharing of personal information. For example the joint working between Hampshire County Council, Hampshire Constabulary and Hampshire Fire and Rescue is supported through an Overarching Data Sharing Protocol, which in turn is supported by Operational Agreements and Privacy Impact Assessments, in accordance with Information Commissioner's Office guidance.

Performance risks are considered within the Performance Management Framework. In addition, the Performance Management Framework establishes a transparent cycle of reporting, including quarterly reporting of progress against the County Council Business Plan and an annual self-assessment, to be completed by Departments.

It is a management responsibility to develop and maintain the internal control framework, and to ensure that the County Council's resources are properly applied. Internal audit is an assurance function that primarily provides an independent and objective opinion to the County Council on the control environment by evaluating its effectiveness in achieving the County Council's objectives. Within the County Council, internal audit assists managers by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

The internal audit charter and terms of reference for internal audit, approved by the Audit Committee, require the regular assessment and review of risks, controls and governance processes and also the provision of an annual report and opinion from the Chief Internal Auditor. This is a key element of the assurance available to the Monitoring Officer in drafting the Annual Governance Statement.

The Southern Internal Audit Partnership continues to attract new partners from around the county and has been successful in taking on new clients, to the extent that it now provides services to well over 20 different organisations. The Partnership provides for the delivery of an innovative and collaborative internal audit service, benefiting from strengthened resilience, efficient use of resources across participating authority's and economies of scale in service delivery.

The Anti Fraud and Corruption Policy and Strategy have been revised and endorsed by the Chief Executive and Leader of the County Council. The Audit Committee approved the revised procedures in December 2013 which are available on the website and form part of the 'Corporate Governance' e-learning tool.

During 2014 the DCLG made available £16m to assist Councils in developing innovative and holistic initiatives to tackle the fight against fraud. A successful bid from the Southern Internal Audit Partnership has resulted in funding being awarded to support initiatives in respect of fraud detection and prevention.

Funding acquired will contribute to the development of a generic fraud risk assessment framework to inform and educate of key fraud risks and a programme of proactive fraud initiatives. This will be supported by the use of data analytics to more strategically analyse higher risk areas of fraud.

The Chief Internal Auditor's Annual Report and opinion for the Hampshire Pension Fund states that " Based on internal audit work completed 'Substantial Assurance' can be placed on Hampshire County Council (Pension Services) framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice".

## **7 Obtain assurances on the effectiveness of key controls**

### **7.1 Appropriate assurance statements are received from designated internal and external assurance providers**

Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed. This assurance is given to each manager in respect of the controls they are responsible for in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and opinions.

External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections of adults social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.

## **8 Evaluate assurances and identify gaps in control/assurance**

### **8.1 The County Council has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.**

The County 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 work of the officers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Head of Governance and the Chief Internal Auditor have evaluated the reports from the internal and external assurance providers which have also been reported to the Audit Committee. This Annual Governance Statement sets out the County Council's arrangements for receiving reports and identifying weaknesses in Internal control.

## **9 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance**

- Continued focus during 2015/16 to support suppliers and users in the adoption of business change coupled with ensuring that the enhancements support this strategy.
- Governance arrangements in respect of joint working will continue to be reviewed in light of the on-boarding of new partners and the introduction of the Operational Forum into the formal governance arrangements.
- A review of Financial Regulations and Contract Standing Orders will be carried out to ensure that these are in keeping with the more modern practices that the County Council is currently introducing.
- The Information Governance Framework of the County Council will be reviewed and updated, including the role of the SIRO, the Risk Management Board, the Information Data Security Group and the guidance available to officers
- A review will be undertaken of the County Council's Risk Management Strategy
- The County Council will publish further open data in line with any changes arising from the Code of Recommended Practice for Local Authorities on Data Transparency published by the Department for Communities and Local Government
- Progress against the Transformation to 2015 and 2017 programmes will continue to be monitored throughout the year, representing the two single biggest change programmes the County Council has ever implemented.
- New arrangements for effective public consultation on budget proposals and supporting documentation will be developed and implemented during the year.
- To maintain a clear overview and focus the County Council is developing a combined assurance model which will be a record of

assurances against critical activities and risks. It will provide an overview of assurance provided across the whole of the County Council making it possible to identify where assurance is present, its source, and where there are potential assurance 'unknowns or gaps'.

- Customer access and digital strategy development. Plans include: the re-writing of selected corporate policies relating to consultation and resident engagement; the potential re-design of Hantsweb; learning from Hantsdirect and Hantsdirect Local Services to inform customer experiences of using the Council's services; and exploring the potential of social media to enhance public engagement and customer service delivery. Plans for regular research-based engagement are also being developed for potential roll-out in 2015.
- The County Council has a high performing cadre of leaders who have driven delivery of the County Council's strategy over the last few years and continue to do so. However, the context of the Council is evolving and the leadership challenges faced by senior officers are changing. As a result, the County Council is facing a critical point where it needs to build new capabilities as leaders. In recognising the importance of developing our staff, a unique investment is being made to refresh the County Council's Leadership development approach. This will result in a redesign of existing offers, and launching new opportunities that align to the changing context.
- The Digital strategy is key to a range of initiatives underway across the County Council. A review of the Council's IT function has taken place and as part of this a skills assessment will be undertaken in the autumn. This will facilitate a targeted development plan to be put in place, with a focus on the technologies and skill sets required.

**10 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.**

In response to the Action Plan identified in the 2012-2013 Annual Governance Statement;-

- A review of the government's and financial arrangements in respect of the joint working arrangement with Hampshire Constabulary and Hampshire Fire and rescue service was undertaken during the year and formal documentation in the form of a deed of accession and individual service area accession agreements were sealed by all three organisations during the year.
- New arrangements for monitoring the Transformation to 2015 Programme were put in place during the year including two separate peer review processes.

- Given the predicted budget shortfall of £98 by April 2017 the County Council has undertaken detailed planning of the Transformation to 2017 Programme to ensure that strong and effective governance arrangements are embedded in the process enabling the County Council to continue to deliver its business as usual while it transforms its services. These arrangements have included the development of the Initial Opportunity Assessments with the County Council's Private Sector Partners throughout the second half of the financial year.
- In line with a commitment in the Code of Corporate Governance, Cabinet has agreed a new consultation policy.
- The County Council reviewed its risk management arrangements to more closely align with its Performance Management Framework.
- The County Council published further open data in line with the Local Government Transparency Code issued by the DCLG.
- A review of the County Council's Complaints Processes was undertaken during 2013-14 by the Hantsdirect and Customer Access Board, further work recommended by that review will be undertaken in 2014-15.
- The County Council's Anti Fraud and Corruption Policy has been reviewed and the update policy has been approved by the Audit Committee.
- Reports on procurement matters and forthcoming contracts are made to elected Members and this approach will be continued in 2014-15.
- The actions to be taken forward on External Spend are subject to the governance and monitoring arrangements established for the Council's *Transformation* programmes. Priorities and direction of travel are reviewed in the light of corporate developments around shared services and strategic procurement. The joint working arrangements, including procurement, are reviewed and monitored on behalf of the partner organisations to ensure that business needs are met.
- The implementation of agreed actions relating to procurement identified in Internal Audit reports, is monitored and key corporate resources, such as the Best Practice guidance on procurement will be maintained.
- The Code of Conduct for Members has been updated to include standard provisions relating to personal interests.

- A new appraisal process was launched in January 2015, following a pilot during 2014-15. The new framework will better enable assessment of performance against the requirements of the role, together with the ability to identify development areas and measure against competencies. The new model includes a behavioural competency framework which will enable individuals to be assessed by “what” they do as well as “how” they do it. The new appraisal model is part of the Council’s Workforce Development strategy and aims to develop an increasingly high performing culture

### **Declaration**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

Date:

Date:

Chief Executive

Leader of the County Council

