

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker	Audit Committee
Date of Decision	26 June 2014
Decision Title	Annual Governance Statement
Decision Reference	5857
Report From:	Chief Executive 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 2014 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 2014 Departmental Self Assessment Questionnaires were sent out to all Departments seeking assurances about performance management arrangements and Corporate Governance in the Departments. A copy of the Questionnaire is attached at Annex 2 for information.
- 3.2 In March 2014 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
2013/2014**

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 2013-2014

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 ongoing 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 2014 and up to the date of approval of the annual report and the statement of accounts.

During 2013-2014 the County Council approved and adopted a revised 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, which were revised during 2013-14, 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 2013.

3. Establishing principal statutory obligations and organisational objectives

3.1 Mechanism 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, and the minutes of the Audit Committee demonstrate that effective action is taken where issues of non-compliance have been identified.

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. Legal staff have direct access to a well equipped library on site, and through the internet to the Lexis Nexis electronic legal information system. Processes and policies within Legal Services have also been quality assured through the award of Lexcel which is the Law Society's quality accreditation scheme, annually reviewed by external independent assessors.

All legal staff have access to training courses, and regular internal sessions are organised for the whole of Legal Services on topics of specific and general relevance to their roles and responsibilities. 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.

A revised Planning Code of Conduct was adopted by the County Council in February 2012. The revised Code takes into account changes in the common law concepts of predetermination and predisposition codified in the Localism Act 2011.

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 County Council Adult Services approach to safeguarding is defined by the 'No Secrets' guidance (Department of Health 2000), which is issued under Section 7 of the Local Authority and Social Services Act 1970. Through this legislation, statutory health and social care organisations have a duty of partnership to work together to put in place services which act to prevent abuse of vulnerable adults, provide assessment and investigation of abuse and ensure people are given an opportunity to access justice.

The 'No Secrets' guidance gives the Local Authority a leadership and co-ordination role to ensure that all those who 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 the Director of Adult Services. 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 Devolved Finance Units, each with a Finance Business Partner working closely with the relevant Chief Officer and reporting 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. 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 2010, Cabinet agreed that a strategic narrative was needed to signal the intention to continue to develop and refocus services, while meeting the challenges of significant grant reductions. This narrative was based around a theme of *Open for Business*, which provided an operating model for business planning and a framework for reporting progress to Cabinet. A similar approach has been agreed to 2015 and beyond, using the narrative *Shaping Hampshire: modern, public services for the future*. The *Shaping Hampshire* Plan signals the Authority's intent to further transform and shape services for the future, in line with our evolving financial strategy.

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

To complement the strategic narrative and business planning, a new Performance Management Framework was launched in 2011. Service planning and performance management were reviewed by Internal Audit in 2012-13 (reported to the Audit Committee in 2013-14), providing the County Council with 'substantial assurance' that policies and procedures are operating effectively.

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. The *Shaping Hampshire* Plan 2013-17 was approved by both the Corporate Management Team (CMT) and Cabinet in 2013-14. Progress against the Plan is monitored on a quarterly basis, with an annual report providing a full evaluation of performance.

The *Shaping Hampshire* Plan links to the following partnership plans, outlining the County Council's contribution to these cross-cutting areas of work:

- Hampshire's Children and Young People's Plan, which is the overarching strategy for services for children and young people in the county
- The Joint Health and Well-being Strategy, the strategy of Hampshire's Health and Well-being Board.

Shaping Hampshire has been informed by analysis of Census data (2011); the Joint Strategic 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 County 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 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 newly created 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. Whilst this has been flagged as the biggest single risk in the "Transforming the Council to 2015" (TtC 2015) programme, it also represents a significant opportunity for all organisations to make changes in the way that health and social care is provided.

Joint working with Hampshire Constabulary and Hampshire Fire and Rescue Service was formalised in the early part of 2014 and is 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.

3.3 Effective Corporate Governance arrangements are embedded within the County Council

The County Council adopted a revised Code of Corporate Governance during 2013-14 that 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 was established in May 2012, following the implementation of the Localism Act 2011 to recommend a new Code of Conduct to the County Council and to establish new arrangements for dealing with complaints about Member conduct. The Panel now 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.

At its meeting of 22 March 2012 the Audit Committee agreed a recommendation for a sub-group of members to assess the Audit Committee's operations against the relevant standards detailed in the CIPFA publication 'A toolkit for Local Authority Audit Committee's' as a contribution to the overall effectiveness of the role of internal audit.

The Audit Committee received the results of the assessment at its meeting in September 2012 reporting full compliance against in excess of 90% of the standards. For areas of partial compliance an action plan was put in place to stimulate improvement

During 2013-14 Internal Audit were required to comply with the Public Sector Internal Audit Standards. Assurance that these Standards are met is provided through the annual review of the 'Effectiveness of the System of Internal Audit' and ISO quality accreditation.

The Audit Committee approved the Internal Audit Charter and Plan for 2013-14 (June 2013). 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 2014 Audit Committee on the effectiveness of the control framework

3.4 Performance management arrangements are in place

As outlined above, a new Performance Management Framework was launched in 2011 providing a robust and coherent way of managing and improving services across the County Council. It is based on a cycle of continuous improvement.

Key components are as follows:

(a) Planning:

- County Council priorities (the three corporate aims, as described above).

- The *Shaping Hampshire* Plan (as described above).

(b) Doing:

- Department Business Plans (as described above).

(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
- 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 on revenue and capital with the relevant executive Member
- additional capital investment of £33 million as part of the 2014/15 budget process targeting key priorities
- A risk based approach to budget monitoring ensuring that reduced resources within the Finance Department are targeted to high risk areas
- Overall budget monitoring report concentrating on key corporate financial issues to Cabinet on a quarterly basis.
- Robust monitoring of the Transforming the Council to 2015 programme to CMT including performance against key milestones in delivering the savings programme.

Performance information is published online and easily accessible for staff, partners and the public, together with transparency data which is compliant with the Government's 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. The external responsibilities are governed

through the oversight of the Hampshire Safeguarding Children Board (HSCB) which is independently chaired whose role is to hold to account all partners in regard to safeguarding children, reporting back to the Children's Trust Board, the Corporate Management Team, the Lead Member and the respective executive arrangements of other statutory partners. The independent chair is accountable to the Chief Executive, whilst maintaining a direct link to the Director of Children's Services.

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, the Corporate Management Team, the Lead Member for Adult Services and Public Health, and the respective executive arrangements of other statutory partners.

The budget for 2014-15 was set in February 2014, taking account of further grant reductions which were announced in December last year. The *Transformation to 2015* programme began in June 2013 and is the principal means by which the County Council is addressing grant reductions and making operational efficiencies. The County Council has, or is expecting to achieve £230 million savings by 2015. Separate detailed monitoring and reporting arrangements to CMT and Cabinet were put in place in 2011-2012, with these arrangements continuing with the Transformation programme to ensure high levels of focus and commitment to securing the savings that had been proposed.

The first phase of the programme ends in 2014-15 the final year of the 2010 Comprehensive Spending Review period. During this time, savings of around £140M have been made in response to Government grant reductions and inflationary and growth pressures.

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 County Council. 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.

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
- Local Safeguarding Children Board
- 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 County Council considers that the achievement of value for money in the delivery of its services is fundamental. The County Council's performance against this criteria can be demonstrated by the following factors:

- benchmarking of spend compared with service quality i.e. lower quartile council tax;
- broad achievement of meeting four years worth of CSR 2010 savings within 2 years
- the use of the Grant Equalisation Reserve to balance the budget in 2014/15 in line with the agreed financial strategy, to give the time and capacity to make planned savings in spend
- integrated planning which links corporate priorities and areas for improvement to the budget setting decision process;

- high levels of capital investment which shows that short term gains are not pursued at the expense of long term value for money and investment in 'invest to save projects' such as extra care and the development of an energy strategy;

The Audit Results Report - ISA 260 (2012-13 Conclusion) presented to the September 2013 Audit Committee concluded 'that the County Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources'. The County Council's external Auditor stated:

- We concluded that the Council has established a robust Medium Term Financial Strategy to support a sustainable budget. There are effective monitoring arrangements and budgets are being delivered;
- Looking forward the level of financial challenge is increasing and the Council has identified that significant additional savings will be required in the medium term. There are arrangements in place to develop sustainable solutions for the required savings and the Council has sound levels of reserves to mitigate changes in the financial environment and to facilitate the continued implementation of the transformation agenda;
- The Council continues to be able to demonstrate that it is low cost and performing well against its own corporate priorities, as well as comparatively against other local authorities;
- Corporate planning is supported by a robust system of risk management. Resources and savings targets are linked to corporate priorities. Performance monitoring is effective and there is a sustained culture of challenging how the Council operates and delivers services in order to secure efficiencies and deliver improvements; and
- The Council has delivered the challenging savings target and continues to deliver on its phased transformation agenda to ensure it can effectively deliver services within an increasingly challenging financial environment and greater demand for services.
- The County Council continues to meet the expected standards, delivering good outcomes for local people.

The County Council is also keen to ensure that it measures the environmental impact of policies, plans and decisions. The standard template for all decision reports examines the wider impacts of decisions on a range of issues, and where appropriate the County Council commissions specific environmental impact studies to inform the decision making process.

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.

The County Council has appointed and maintains an Independent Remuneration Panel (IRP) pursuant to the requirements of the Local Authorities (Member Allowances) (England) Regulations 2003 which meets in open session and carries out an annual review of the Member's Allowance Scheme. The IRP makes recommendations to the Employment in Hampshire County Council (EHCC) Committee who, having considered the IRP's recommendations, make recommendations to the County Council. Should any amendments be required to the Council's adopted Scheme throughout the year, the same consideration/approval process is followed.

The IRPs four-year term of office expired in February 2014 and a recruitment process was undertaken between October 2013 and January 2014 with appointments for a further term made by the full Council at its meeting in February 2014.

Advice and support is provided to the IRP as required by the Head of Democratic & Member Services and the Head of Governance. The Members' Allowances Scheme is managed by the Head of Democratic & Member Services.

The IRP met in September 2013 to formulate their recommendations. This meeting was open to the press and public and an invitation was extended to all Members of the Council to either attend the meeting or to submit any comments or views in writing for the IRP to take into consideration. The IRPs recommendations were considered by the Employment in Hampshire County Council (EHCC) Committee in November 2013 who in turn made their recommendations to the full Council in February 2014 at which an amendment to the current Scheme was approved together with a Scheme for the years 2014/15, 2015/16, 2016/17 and 2017/18.

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.

Performance management arrangements and the respective roles of officers and Members in monitoring service delivery are described above.

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. The Panel also recommended a new Code of Conduct to the County Council following the implementation of the new standards regime in the Localism Act 2011.

The new 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. The partnership guidance as detailed above provides information and protocols for officers and members when working in partnership.

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 determined several years ago that openness in the individual Executive Members decision making would go beyond minimum statutory requirements by ensuring that, subject to confidential items, all such decisions would be made in public.

A Report Writing Guide is 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. Arrangements were put in place during 2012/13 for the recording and publication of Executive Decisions made by Officers in accordance with new 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.

After County Council elections, 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. Ongoing training is additionally available through the County Council's own established monthly Briefing Programme, and via external seminars and briefings.

Executive decisions are recorded in accordance with the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. Internal protocols govern legal and financial requirements by way of consultation internally (as indicated above) with the Head of Legal Services and the Director of Corporate Resources. Internal protocols also govern the preparation and publication of the County Council's Key Decisions, and the publication of all County Council, Cabinet, Executive Member and Committee Agendas, Reports, Decision Records and Minutes.

The maintenance of an effective scrutiny function is supported by a dedicated resource for scrutiny by designated officers located in the Democratic and Member Services Unit. Reviews are regularly shared with Executive Members and partner agencies as appropriate and resulting action monitored. Working arrangements with District Authorities are in place as are wider networks for health overview and scrutiny. Scrutiny of the safeguarding work of the Hampshire Safeguarding Adults Board and the Adult Services Department is provided through the Safe and Healthy Select Committee.

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.

4.4 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 Performance Management Framework was updated in 2013-14 following the approval of the *Shaping Hampshire Plan*.

The County Council's *Transforming through you* (workforce development strategy) is a key enabler to achieve the County Council's 'Transformation to 2015' programme that was approved by Cabinet on 24 June 2013. *Transforming the Council through you* is sharply focused on implementing the County Council's Workforce Development Strategy, which aims to ensure that officers have the necessary skills, behaviours and competencies to deliver the County Council's priorities now and through the changing future landscape. It is a significant investment in staff to deliver the County Council's priorities to 2015 and beyond. The strategy comprises four clearly defined change levers, which are:

- **People Development**—establishing absolute clarity on the core skills, behaviours, aptitude and attitude that are required from all officers;
- **Performance Management**-developing clear performance standards, linked to measures and rewards that are managed well;
- **Managing Change** - strengthening the County Council's ability to lead and deliver change through its people; and,
- **Talent Management** - establishing a fair and transparent approach to identifying the County Council's most talented people for career progression

The priority focus for implementation has been the development of the competency framework; an accompanying appraisal system to strengthen the County Council's grip on Talent and Performance management; and, defining the qualities the County Council requires from its leaders and managers to most effectively deliver the County Council's strategic priorities. This has included defining the attributes required from Great Managers and ensuring that these are rolled out and embedded across the organisation during 2014. They are:

- lead change
- support the pace of change
- foster a culture of high performance
- adopt a business like approach
- maintain a relentless focus on improving outcomes
- hold accountability for share outcomes.

The programme of current learning and development programmes have been updated to reflect the new competency framework and the Great Manager attributes. Staff are able to identify their own learning and development needs through the performance planning cycle where goals / objectives are set for

the year ahead along with the development of their own personal development and wellbeing plan. There is a blend of on line learning materials available and the advertisement of development programmes through Learning Zone. In addition staff are encouraged to proactively look for ways of developing themselves beyond traditional classroom environment, for example through coaching / mentoring; job shadowing; webinars and on line development tools.

CMT and EHCC have highlighted the talent and succession management challenges, in particular, the reduction in size of the management cohort and restructures in services place a high priority on putting in place flexible, business appropriate approaches to succession management.

Work is on-going to establish clear parameters as to what is meant by the term 'talent' so that assessment, identification, investment and effort is targeted appropriately. At a philosophical level the principle that the County Council would seek to apply is that every single person working has inherent talent that the County Council needs to ensure is realised to full potential. This should in part be achieved through a focus on great managers, the new performance management approach, real conversations and development and wellbeing plans.

The focus on the County Council's Workforce Health, Wellbeing and Resilience through this strategy will strengthen HCC's capabilities to better lead and manage change through people, and build the County Council's resilience and capacity. CMT agreed in January 2014 that:

- Workforce health, wellbeing and resilience be integrated within the Transforming the Council Through You programme
- All activities and interventions reach across the depth and breadth of the County Council's workforce, as well as across the depth and breadth of the county
- the strategic Workplace Health, Wellbeing and Resilience Steering Group continues and takes over the formal governance

The steering group is now established with representatives from all departments. An operational wellbeing group has been established to undertake some detailed work on a Wellbeing Strategy. The five broad domains of workforce health and wellbeing have been defined as physical, mental, emotional, social / team and financial. A dashboard of KPI's is being created from which to measure achievements and recent progress includes:

- Defining which Wellbeing 'domains' are in/out of scope to provide a sufficiently broad and pragmatic wellbeing programme
- Establishing clarity on the County Council's existing offer, i.e. what formal and informal wellbeing interventions *already* exist and can be built upon.
- Developing solutions to meet any identified gaps
- Scoping and defining a range of Wellbeing MI 'Dashboard' and KPI's
- Wellbeing branding and staff engagement and communications

The induction programme for Members was overhauled for the 2013 elections and there are on going member briefings to ensure continuous development. Member induction has been significantly strengthened and there are also now Member briefings which address generic development needs. Lessons learnt and Member feedback after the Induction Programme in 2009 helped to shape the 2013 induction Programme.

Training for committee members is undertaken as part of the broader member development agenda which is co-ordinated by a cross party Member Development Group which has also overseen the County Council's successful application for charter status for Member development. This is a clear demonstration of the County Council's commitment and strength of approach in this area.

Skills identification for Members is undertaken via the Member Development Group and the respective leads of each political party. Career structures for Members are largely dealt with within the individual political parties.

A detailed programme of induction for new Members following the County Council elections in May 2013 was implemented and was informed by a the Members Development Group. This included a main induction event and detailed workshops to provide information and support to ensure new Members can be up and running in their role as soon as possible. These events were also open to returning Members to provide a refresher opportunity.

The Member's briefing programme is aimed at supporting Members in their continuing professional development. It runs on a monthly basis covering a wide range of issues, emerging legislation and policy matters, service department updates and updates on key organisational developments. This is a well embedded programme with the topics and attendance monitored by the Member Development Group and well received by the Members

There are also topical briefings which are held on an ad hoc basis to ensure Members are kept up-to-date with current developments. Two examples are a public health event held on 17 July 2013 briefing Members on changes taking place with the Health Service and the emerging role of the County Council in regard to its Public Health responsibilities, and an event on Flooding "From Planning to Delivery: Collaborative Flood Risk Management in Hampshire held on 9 December 2013.

The Member Induction Programme will continue to evolve to reflect the changing landscape in which Local Authorities are operating and to provide effective support to Members in the discharge of their responsibilities. The Member Induction Programme will be thoroughly reviewed in early 2016 in preparation for the County Council's next Elections in 2017.

The Members Development Group changed its membership completely after the Elections in 2013 and now comprises six Members to reflect the current political composition. The new membership is settling into it role,

has recently refreshed the Member Skills Assessment form and will be focussing on the development of a Member Development Plan going forward.

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.

4.5 Engaging with local people and other stakeholders to ensure robust public accountability

The County Council undertakes a programme of consultation with residents, business and other key organisations on a wide range of issues. The findings are disseminated across the whole organisation, influencing policy and the decision-making process.

For both consultation and communications, the County Council draws on a number of strategies and documents:

- Hantsweb (the County Council's website) and other online media
- *Hampshire Now* publication
- Public meetings and events (where applicable)
- Targeted communications plans and strategies, including press activity
- Best practice consultation standards
- E-consultation webpages

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.

Public accountability is further enhanced by the system of publicly accessible overview and scrutiny committees and through the work of the Health and Wellbeing Board.

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 (previously *Open for Business* Plan) performance updates and annual performance report
- Financial statements and accounts
- Select Committee reports

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

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

The County Council has a comprehensive risk management framework in place that includes consideration of risk within partnership arrangements. The County Council's Risk Management Strategy was reviewed and updated in 2012.

A network of risk registers focusing on strategic and operational risk is in place, stored in a risk management information system, which is used to provide reporting to senior management at both corporate and departmental levels. Business continuity arrangements are in place for all critical services.

Performance standards are used to improve the delivery and effectiveness of risk management. The County Council has developed and uses a performance management framework that measures the maturity of its risk management arrangements. The latest assessment in January 2014 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 and 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 Council's corporate risk management process was reviewed and updated in 2013, with revised guidance and e-learning developed and implemented.

The County Council largely self-insures against risk, subject to the availability of catastrophic insurance. There is good evidence that the management of claims within Legal Services is in accordance with the Civil Procedure Rules and that appropriate reserves are placed on claims. The claims management arrangements are subject to external audit by insurers. Significant claims are regularly reviewed by the Head of Governance with the Head of Litigation. The budget for dealing with these claims, and the contributions to be made to that budget by Departments reflects the sums identified within the reserve figures placed on all claims. There is evidence of monitoring the incidence of successful and unsuccessful claims and of feeding that information into the policy for risk financing accordingly. The system of self insurance is subject to internal audit, review by external insurers and oversight by the Risk Management Board.

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 *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 a full review was undertaken during 2012 but no significant changes were deemed necessary as a result of the review. A further review was also undertaken as part of the implementation of proposals for 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 were also refreshed in the early part of 2013 and a separate training module for budget holders and other relevant staff was undertaken during 2013 which sought to raise awareness of key issues and responsibilities in undertaking the financial elements of their roles.

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) was formally approved by Cabinet in November 2009 and published in January 2010. A further iteration of the CPS was planned in 2012, but has been deferred so that developments associated with the new National Procurement Strategy for Local Government and the formal collaboration between Hampshire Constabulary (HC), Hampshire Fire and Rescue Service (HFRS) and Hampshire County Council (HCC) can be incorporated into the document. An internal Best Practice Guide for procurement is maintained and is regularly updated. The County Council has completed implementation of its original Procurement Improvement Plan (PIP) and has continued a formal programme of training and development that is intended to improve capacity and performance (the Licensed Procurement Practitioner programme). A further procurement conference for staff was held in July 2013 and was addressed by the Council's Chief Executive. The agenda again featured an update on procurement regulations and best practice. The Council has made a further investment in its capacity for procurement improvement (category management and supplier relationship management) and preparations to

provide staff with in-house training on the new public procurement directives are currently being made.

Relevant information on policy and practice is maintained on both the County Council's internal and external websites at:

<http://intranet.hants.gov.uk/corporateprocurement.htm>

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

The Corporate Procurement Network includes representation from the Council's Legal Services team and continues to provide an effective forum for advice and support across departmental procurement teams. Progress on the corporate procurement agenda and key issues continue to be considered by Members on the Buildings, Land & Procurement Panel.

The County Council continues to give significant support to 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 now in place as part of a wider programme of joint working that has received formal approval from all three organisations. Work previously undertaken by the County Council on a draft National Procurement Strategy is being taken forward by the LGA and the Council awaits publication of the final document. Other collaboration includes construction (a 'cluster' of neighbouring authorities) 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 (previously the Government Procurement Service) on a number of contracts and the County Council's procurement team has made a direct contribution to this work.

Business continuity arrangements have been embedded into the County Council. Potential critical service areas have been identified and prioritised across the County Council's services against guideline criteria described in the Civil Contingencies Act 2004. Business impact analysis within the critical services has been undertaken and appropriate department and service plans developed as appropriate. A suite of business continuity plans consisting of corporate and incident management plans, together with template department incident and service recovery plans have been prepared and are stored within a robust system. Key plans have been tested, including recovery arrangements for key IT systems. Corporate and Departmental risk registers include control measures, which are reviewed and monitored on a regular basis.

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.

The Corporate Health and Safety Policy is regularly reviewed and signed off by both the Leader and the Chief Executive. Partnership health and safety is covered by specific policy arrangements. The Corporate Health and Safety Policy is available electronically on the intranet and is

supported by departmental policies and guidance. The Corporate Health and Safety policy and supporting policies are covered in health and safety induction and other relevant training courses. A suite of training courses for health and safety is in place.

There have been no HSE interventions such as Prohibition or Improvement Notices or prosecutions since 2005.

The Risk and Safety Executive Group and the Risk Management Board receive reports on health and safety performance including incidents and positive indicators.

The County Council has an established Complaints Policy and Procedure. The procedure is compliant with all relevant statutory requirements, and details of the operation of the complaints regime can be found on the County Council's website. The County Council's leaflets and posters, which highlight complaints procedures, are published and available. A digital route for the public to make complaints is available on the Council's website. All complaints files are kept in locked and secure cabinets with restricted access.

Information risk and governance arrangements are in place to ensure the appropriate balance between openness and confidentiality in the management and use of information. An information governance policy was adopted in 2013. The County Council has a nominated Senior Information Risk Officer (SIRO), with a framework for information governance in place, reporting to the Information Management Board. The County Councils IT service holds ISO27001 compliance for its information security management system. The County Councils Information Governance Toolkit self-assessment for 2012-13 in respect of the Public Health function showed an overall satisfactory score under Department of Health ratings.

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.

In February 2012 a new shared internal audit service commenced with Southampton City Council. Its early success has led to Havant Borough Council, East Hampshire District Council and Winchester City Council joining the Partnership, as well as interest from other councils. 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.

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

- The Joint Working arrangement with Hampshire Constabulary and the Hampshire Fire and Rescue Service are now in place, but a review of the overall governance and financial arrangements will be necessary to ensure that these are operating effectively and that future partners can join the arrangement simply and efficiently
- 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
- Further consideration of the Council's Complaints process will be undertaken
- In order to face the challenging corporate environment and further financial pressure, the County Council has established a *Transforming the Council (TtC) programme*, which includes work to review the Council's spend with external bodies and further improve

procurement practice. Additional resources have been put in place to deliver the programme and delivery of the plans is monitored through a corporate group chaired by the Director of Corporate Resources.

- 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 2014-15.
- A new appraisal process is being piloted during 2014-15 which will enable better assessment of performance against the requirements of the role, together with the ability to identify development areas and measure against competencies. This is part of the Council's OD strategy during 2014-15 and into 2016.
- The 'Test Flight' piloting new approaches to performance management and a new behavioural competency framework will run from April to September 2014, with organisational roll-out planned for January 2015. The new performance management system introduces a five point rating scale that requires staff to be assessed not only 'what' they do, but 'how' they do it by introducing a new behavioural competency framework comprises of four key competency areas
 - Delivering Quality Services
 - Being effective
 - Building Professional Excellence
 - Improving and Transforming

All supported by a new IT enabler, these improvements will enable more objective, transparent assessment, calibration, moderation and evaluation of organisation wide performance.

- A refreshed staff development programme is being designed and developed in readiness for roll-out in September 2014 that will focus on the following, and best enable people to deliver the County Council's operating model with confidence and credibility.
 - Digital leadership, digital by default, digital confidence and capability
 - Customer ethos, experience and customer intelligence
 - Demand management, channels and channel shifts
 - Commercial acumen
 - Partnership Working
 - Shared services, providing, selling and delivering

- A Council wide Development Needs Analysis (DNA) is being conducted during June 2014 to establish demand levels, volumes and areas for priority focus to inform the detailed programme roll-out and ensure that officers are increasingly confident, capable and well prepared to meet future internal and external challenges, and opportunities. This will involve initial presentations to DMT's during June and July 2014 to gather strategic insight and input on requirements; engagement with HRBP's, workforce development colleagues and triangulating this information in the context of the County Council's transformation agenda.
- The Member's Code of Conduct will be amended to incorporate 'Pan Hampshire' provisions relating to the registration and disclosure of personal interests so that a consistent approach is taken to the issue by all Hampshire authorities.

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 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 to 2015* programme. 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 by the Joint Working Board to ensure that business needs are met. The implementation of agreed actions relating to procurement that are identified in Internal Audit reports is monitored and key corporate resources, such as the Best Practice guidance on procurement, will be maintained.

- A further review for Financial Regulations was also undertaken as part of the implementation of proposals for 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.
- The County Council's Code of Corporate Governance has been updated and the revised Code was approved by the Audit Committee on 2013. The review of the Officer's Code of Conduct is ongoing.
- The Equality Impact Assessment process has been reviewed and a new process implemented. An Action Plan is also being implemented to enhance the County Council's equality practices.
- The County Council's suite of Governance documents were reviewed as part of the review of the Code of Corporate Governance and have been updated where necessary.

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

Annual self-assessment template

Department:	
Key contact(s):	
Year:	2013/14

Standard 1:	Management and leadership			
Key question (a):	How effectively do managers raise expectations and promote ambition for services and staff?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Managers demonstrate the ‘Great Manager’ behaviours (lead change; support the pace of change; maintain a relentless focus on improving outcomes; hold accountability for shared outcomes; adopt a business-like approach; foster a culture of high performance) • Articulation of vision and ambition is clear, with appropriate priorities that will deliver and sustain improvement and raise aspirations • High standards are promoted, within an innovative, positive and supportive culture • Managers have a clear overview of their service, from planning to delivery, with mechanisms in place for responding to changing needs • Members are provided with timely and relevant information to enable effective decision-making and monitoring/challenging of performance • Scrutiny functions are in place to enhance effective challenge • Responsibilities for all statutory obligations are established, with governance and schemes of delegation in place • Legislative changes are identified and complied with 			
Key information / data to include:	<ul style="list-style-type: none"> • Link to Department Plan, Quality Improvement Plans and other key strategies • Departmental contribution to <i>Shaping Hampshire: modern, public services for the future</i> • Evidence of the impact of staff engagement/communication activities on service delivery e.g. changes made as a result of Employee Voice suggestions • Examples of effective management of change leading to a positive impact on outcomes, including managing the impact of change on staff 			

Standard 1:	Management and leadership
	<ul style="list-style-type: none"> • Evidence of good practice that demonstrates the ‘Great Manager’ behaviours • Involvement of Members in decision-making • Evidence of compliance with statutory obligations, including governance arrangements and schemes of delegation • Identification of emerging and anticipated policy changes • Areas for improvement
Overview of department performance:	
<p>Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year’s submission, please include a link to the relevant section of the previous self-assessment.</p>	
Supporting evidence:	
<p>Space for providing a list of evidence sources (with links, where appropriate).</p>	

Standard 2:	Performance management and use of resources			
Key question:	(a) How well is performance managed to lead to systematic and sustained improvement?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Realistic and robust strategies/plans are in place, which clearly relate to the overarching priorities of the County Council • Priorities are based on a sound understanding of community/customer need and regularly reviewed • Key performance indicators are established and monitored • Performance targets are met and achievement is in line with, or exceeds, similar areas and/or nationally (where relevant) • Improvement is evidenced by robust performance data and information • Robust management oversight/'grip' is exercised and leads to service improvement • Management information is used effectively to monitor service delivery and drive continuous improvement • Key strengths and weaknesses are understood, with plans in place to build on strengths, mitigate risks and progress areas for improvement • Risk management is embedded in strategic and financial planning, performance management and project management • External inspection outcomes, issued in the last year, have improved or remained high (<i>good</i> or better) 			
Key information / data to include:	<ul style="list-style-type: none"> • Proportion of targets and proportion of measures showing improvement (examples of targets driving improvement) • Links to business continuity plans • Examples of needs assessment activities • Link to department Business Plan • Examples of team development plans • Areas for improvement, including Internal Audit and External Assurance • Links to inspection reports • Links to benchmarking activities and data reports (where relevant) • Examples of staff engagement/communication • Examples of risk being managed and mitigated successfully • Performance monitoring reports 			

Standard 2:	Performance management and use of resources
Overview of department performance:	
Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.	
Supporting evidence:	
Space for providing a list of evidence sources (with links, where appropriate).	

Standard 2:	Performance management and use of resources			
Key question:	(b) How efficiently are available resources used to maximise value for money?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Capacity and resource levels are clearly understood and set to deliver priorities • Comprehensive and balanced revenue budgets are set, based on realistic projections about pay, inflation and service development plans • Budget monitoring is related to operational activity indicators (corporate and departmental objectives) and informed by risk assessment • Long term planning and risk assessment processes take into consideration anticipated changes to the demographic and social make up of communities • Expenditure is in line with planned budgets • Planned saving or efficiency targets are achieved • Budgets are subject to regular review by senior officers and Members, including the reporting of financial risk • Relevant officers are aware of financial regulations, standards and contracts standing orders and procurement policies • Services provide increasing value for money • Overall costs, including unit costs for key services, demonstrate best value compared to other councils (allowing for local context) • Priorities are delivered through innovative use of resources that maximise staff knowledge and recognised best practice 			
Key information / data to include:	<ul style="list-style-type: none"> • Expenditure against budget • Appropriate cost/spend benchmarking or trend analysis • Evidence of reviewing value for money • Evidence of the profile/needs of service users being used to plan services • Evidence of sound financial management at service and DMT level • Evidence that demonstrates funding following priorities • Examples of effective responses to budget risks • Areas for improvement 			

Standard 2:	Performance management and use of resources
Overview of department performance:	
Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.	
Supporting evidence:	
Space for providing a list of evidence sources (with links, where appropriate).	

Standard 3:	Workforce planning and development			
Key question:	How effectively does workforce planning ensure that the department has the capacity, experience and knowledge to deliver priorities?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Workforce plans and practices are linked to priorities and address risks, e.g. capacity issues • Workforce planning is representative of the community • Workforce engagement involves and motivates staff to achieve priorities • Staff engagement activities facilitate effective two-way communication • Individual Performance Planning (IPP)/appraisal is effective, and carried out for all staff • The IPP/appraisal process is supported by management actions and behaviours to ensure good performance is recognised, poor performance is addressed, and overall performance is improved • Standards of conduct and behaviour are communicated, including the safeguarding of staff from conflicts of interest, prejudice and bias • Staff are equipped to deliver changing business needs through a range of targeted workforce development activities • Workforce development opportunities support and address key priorities • Talent is identified, developed and deployed in a variety of flexible ways to suit current and future business needs • Talent development takes a range of forms to deliver high quality outcomes • Whistle-blowing policies/procedures are communicated (incorporating counter fraud and corruption) 			
Key information / data to include:	<ul style="list-style-type: none"> • Data for key workforce measures including diversity, absence and turnover • Evidence of workforce planning • Examples of staff engagement/communication • Evidence of effective learning and development planning, linked to priorities, critical skills and learning needs analysis • Evidence of succession planning and talent identification, deployment and development activities • Learning evaluation data • Evidence of business level impact and outcomes resulting from workforce development activities (e.g. reduced absence, enhanced 			

Standard 3:	Workforce planning and development
	<p>capacity, competence, productivity, efficiency or engagement)</p> <ul style="list-style-type: none"> • IPP/appraisal data on completion rates and quality of targets set (through sampling) • Examples of individual development planning lined to IPP/appraisal target setting • Areas for improvement
Overview of department performance:	
<p>Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.</p>	
Supporting evidence:	
<p>Space for providing a list of evidence sources (with links, where appropriate).</p>	

Standard 4:	Partnership working			
Key question:	How are partnerships being used to develop services that lead to improved outcomes for residents/service users?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Decisions to partner are based on a robust assessment of benefits, risks, capacity and potential for adding value • The priorities and values of partners align with those of the County Council • Partnerships help to advance one or more of the strategic aims established in <i>Shaping Hampshire: modern, public services for the future</i> • Partnership working builds capacity and resilience • Partnership working generates efficiencies • The legal status of any partnership is taken into account, e.g. defining responsibilities/liabilities • Structure and processes are in place to support governance arrangements and the management of risk • Partnership working improves service outcomes • Partnership working meets the needs of communities • Effective communication supports the work of the partnership 			
Key information / data to include:	<ul style="list-style-type: none"> • Examples of how partnerships have had a positive impact/improved outcomes • Outline of key challenges in partnership working and how these are being addressed • Summary of the benefits of partnerships in terms of services provided to residents • Evidence of how established partnerships 'add value' to the work of the department • Examples of collaboration leading to improved capacity or resource savings • Evidence of partnership governance arrangements • Examples of managing risks • Areas for improvement 			

Standard 4:	Partnership working
Overview of department performance:	
<p>Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.</p>	
Supporting evidence:	
<p>Space for providing a list of evidence sources (with links, where appropriate).</p>	

Standard 5:	Quality of provision			
Key question (a):	How effectively do services meet the needs of residents/users/customers?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Performance management is established and leads to systemic and sustained improvements in outcomes (may need to cross-reference to standards 1 and 2a) • Robust equality impact assessments/equality analysis impact on decision-making • Services have a positive impact on people's quality of life (including safeguarding the most vulnerable children and adults) • Direct work with residents is of the highest quality and delivering measurably improved outcomes • Equal access to services is promoted, resulting in sustained and significant improvement in outcomes for different groups • User satisfaction levels are improving • The changing needs of local communities are identified and responded to proactively and accurately • Inspected services are judged as <i>good</i> or better • Services sold externally to other organisations operate with a full understanding of the full cost of delivering that service (both direct and indirect) and take informed choices about charge out rates based on the cost information • Services sold externally to other organisations meet customer requirements by providing reliable service delivery and good levels of customer service 			
Key information / data to include:	<ul style="list-style-type: none"> • Levels of customer/service user satisfaction • Evidence of improved outcomes for service users (data/case studies), particularly where this is narrowing disadvantage gaps • Evidence of compliance with requirements for impact analysis on equality, crime and disorder, and environmental impact • Trend against key measures and/or comparison against similar authorities (including safeguarding measures) • Evidence of changes to services made as a result of the changing profile of service users • Links to needs assessments • Evidence of services being tailored to specific vulnerable groups and the resulting impact on outcomes • Examples of initiatives to improve service quality and/or access • Links to inspection and audit reports • Areas for improvement 			

Standard 5:	Quality of provision
	<ul style="list-style-type: none"> • Levels of customer (business) satisfaction • Levels of buy-back and repeat business • Indication of how the cost model and charging basis was developed • Indication of the level of market analysis undertaken (target customers, customer profiles, competitor analysis etc.)
Overview of department performance:	
<p>Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.</p>	
Supporting evidence:	
<p>Space for providing a list of evidence sources (with links, where appropriate).</p>	

Standard 5:	Quality of provision			
Key question (b):	How are users engaged in supporting and promoting improvement in the quality of services?			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • Service users feel that they are listened to and the extent to which their contributions make a difference to decision-making • The views and experiences of service users are at the centre of service design • Service users are able to communicate through a wide range of media, which are revised and reviewed where necessary • Corporate and service standards for consulting with, and responding to, customers are achieved • Knowledge from complaints and user feedback is used to drive improvement 			
Key information / data to include:	<ul style="list-style-type: none"> • Evidence of complaints policy being communicated • Number of complaints made and resolved • Examples of services being changed as a result of feedback from users (including consultation and complaints) • Evidence of customer service standards being achieved • Evidence of how engagement schedules are used and regularly updated • Examples of routine engagement of service users in development of services • Examples of compliments/positive feedback on services • Areas for improvement 			
Overview of department performance:				
<p>Space to enter a summary of how your department has performed in relation to this key question. If there has been no change against a particular evaluation area since last year's submission, please include a link to the relevant section of the previous self-assessment.</p>				

Standard 5:	Quality of provision
Supporting evidence:	
Space for providing a list of evidence sources (with links, where appropriate).	

Standard 6:	Capacity for improvement			
Key question:	<p>Does the department have a strong track record of improvements in outcomes, clearly linked to improvements in services?</p> <p>What are the prospects for future improvement?</p>			
Rating:	1 Outstanding	2 Good	3 Requires improvement	4 Inadequate
In order to make judgements, managers will need to evaluate the extent to which:	<ul style="list-style-type: none"> • External inspection outcomes issued in the last year have improved or remain high (may need to cross-reference to standards 2a and 5a) • External/internal assurance reports, where appropriate, are acted upon (may need to cross-reference to standard 2a) • Sustained improvement and/or ability to maintain high quality services is achieved • An accurate and systematic understanding of effectiveness (successes and failures) is used to inform service improvement, with learning shared • User satisfaction levels are improving (may need to cross-reference to standard 5a) • Value for money is improving (may need to cross-reference to standard 2b) • Service delivery is reshaped to secure further improvements and reflect social, economic, public health or environmental changes/challenges • Levels of capacity are sufficient to deliver future plans • Staff wellbeing/engagement levels are sufficiently high to enable capacity for improvement 			
Key information / data to include:	<ul style="list-style-type: none"> • Examples of change resulting from external or internal assurance reports • Departmental contribution to <i>Shaping Hampshire: modern, public services for the future</i> • Reference to performance against other standards, particularly 1 and 5(a) • Summary of responses to projected demographic shifts • Evidence of sharing learning to improve outcomes • Evidence of staff engagement activity and communications, linked to absence data and wellbeing • Areas for improvement 			

Standard 6:

Capacity for improvement

Overview of department performance:

Space to enter a summary of how your department has performed in relation to this key question. This should be informed by performance across the preceding five standards, providing an assessment of overall quality and potential for the future.

Supporting evidence:

Space for providing a list of evidence sources (with links, where appropriate).