

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker	Audit Committee
Date of Decision	29 th September 2011
Decision Title	Annual Governance Statement
Decision Reference	3312
Report From:	The Chief Executive and The County Treasurer

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EXECUTIVE SUMMARY**1) Summary of Decision Area**

Appendix C 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 2011 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) 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

MAIN REPORT

1) Contextual Information

- 1.1. 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. The draft Annual Governance Statement set out in the Appendix C is the fourth such statement that has been produced on behalf of the County Council.
- 1.2. 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.
- 1.3. The Annual Governance Statement is an important and integral part of the County Council's Corporate Governance regime.
- 1.4. 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.
- 1.5. 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.

2) Methodology

- 2.1. In September 2010 Departmental Corporate Governance Questionnaires were sent out to all Chief Officers seeking assurances about Corporate Governance in their Departments.
- 2.2. In September 2010 Corporate Governance Questionnaires were sent to Officers fulfilling significant corporate roles on behalf of the County Council seeking assurance about corporate Governance in the County Council.
- 2.3. In February 2010 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.
- 2.4. 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 Appendix C.

3) Draft Annual Governance Statement

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.

4) Outline of Options

4.1. Option 1

Approve the Annual Governance Statement as drafted.

4.2. Option 2

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

4.3. Option 3

Reject the Annual Governance Statement.

5) Recommendations

Please see Executive Summary for recommendations.

CORPORATE OR LEGAL INFORMATION:

LINKS TO THE CORPORATE STRATEGY		
Hampshire safer and more secure for all		Yes x <input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	No <input type="checkbox"/>
Maximising well-being		x <input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	<input type="checkbox"/>
Enhancing our quality of place		x <input type="checkbox"/>
Corporate Business plan link no (if appropriate)	<input style="width: 100%;" type="text"/>	<input type="checkbox"/>
OR		
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:		

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	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
CIPFA Finance Advisory Network –Rough Guide to the Annual Governance Statement	
Departmental Corporate Governance Questionnaires	
Key Officer Corporate Governance Questionnaires	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

a) N/A

2. Impact on Crime and Disorder:

a) 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 2010/2011

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.

The County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' A copy of the Code is available on the County Council's Web site.

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 2010-2011

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 2011 and up to the date of approval of the annual report and the statement of accounts.

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 questionnaire being sent every year to all Chief Officers
- a detailed questionnaire being sent every year to other Officers who undertake key corporate roles within the County Council
- consultation with other relevant Officers throughout the County Council.

The questionnaires, which are revised and updated on each occasion, cover a wide range of Corporate Governance 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 revised Internal Audit Strategy adopted by the County Council in December 2007, the key elements of the Corporate Governance framework are risk assessed and reviewed by Internal Audit over a 5 year period.

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 Questionnaires and Corporate Governance Questionnaires were sent out to Chief Officers and Officers with key corporate roles in October 2010.

3. Establishing principal statutory obligations and organisational objectives

3.1 Mechanism established to identify principal statutory obligations

The County Council's Constitution, adopted from 1 September 2001, 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 Standards Committee
- 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/Officers relations

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 and the Governance Committee (the predecessor 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 Decision Making Protocol (agreed in 2001). 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 Lawtel 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, and also through Investors In People accreditation.

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 Monitoring Officer and representatives from Business Advice and Member Support, 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.

The County Treasurer operates a system of Devolved Finance Units, each with a Head of Finance working closely with the relevant Chief Officer and reporting to a Member of the Treasurer's Management Team. The Head of Finance and relevant Treasurer's Management Team Member 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.

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. These priorities are approved by the County Council; and are in place for the life of the administration. Priorities are clearly communicated on the County Council's website and through various communications.

A new Performance Management Framework is under development, building on the previous iteration *Driving Success*. As part of this, a new County Council Business Plan will be drafted, identifying the medium term priorities for the organisation (aligned to the three overarching corporate priorities). This will include key themes from *Open for Business*; the efficiencies and expenditure reduction work streams; major change areas; and the main departmental priorities (e.g. safeguarding). Priorities are also informed through feedback from service users and residents; outcome of inspection; performance benchmarking; and national policies and initiatives. The Plan will contain actions across finance, workforce, performance and customer focus/communications – securing full integration. It also shows how the County Council responds to changes and challenges, identifies common aims with partners and sets priorities and targets for improvement.

Activities and targets are drawn from work stream plans and department level business plans; and cascaded through service plans and Individual Performance Plans. Clear guidance for the preparation of department and service plans is available on Hantsnet; and this will be revised in line with the new Performance Management Framework. The resources to deliver the Plan will be clearly outlined and linked to workforce plans; the Asset Management Strategy; and the Revenue and Capital Budgets. The Business Plan will be approved by the Corporate Management Team (CMT) and Cabinet. Progress against the Business Plan will be evaluated on an annual basis, through departments completing a self-assessment process. Areas for improvement will be incorporated in a refresh of the Business Plan for the following year.

The County Council Business Plan links to the following partnership plans, outlining the local authority contribution to these cross-cutting areas of work:

- Hampshire Sustainable Community Strategy, which expresses the aims the County Council shares with strategic partners in Hampshire.
- Hampshire's Children and Young People's Plan, which is the overarching strategy for services for children and young people in the county.
- Healthier Hampshire – Health and Well-being Strategy, the strategy of Hampshire Health and Well-being Partnership Board.

The new performance framework will set the communications and marketing priorities for the year ahead. A comprehensive Communications Strategy is being developed to inform external and internal audiences of the County Council's Open for Business and Efficiency and Expenditure Reductions Programme using a wide variety of traditional and innovative communications routes

3.3 Effective Corporate Governance arrangements are embedded within the County Council

The County Council adopted a Code of Corporate Governance 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 at a meeting of the Governance Committee on 27 March 2008.

The Monitoring Officer and the Chief Internal Auditor (for the Section 151 Officer) have close working relationships both between themselves, and with the Standards Committee, and the Audit Committee.

An Officer Corporate Governance Group was established in 2009. The group includes the Monitoring Officer, the Chief Internal Auditor and other officers involved in corporate governance. The role of the groups is to support the work of the Audit Committee and its terms of reference include:

- review of the County Council's Corporate Governance Framework
- participation in the preparation of the County Council's Annual Governance Statement
- review of the implementation of the Action Plan set out in the Annual Governance Statement
- identification of actions to be included in the following year's Action Plan

The Standards Committee 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.

Internal Audit is required to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and its prescribed professional standards. External assurance that these standards are met is provided through regular inspections by the Audit Commission and ISO quality accreditation assessors.

The Audit Committee approved the Internal Audit Strategy and Plan for 2010/2011 and continues to monitor performance and the progress of significant issues, including the implementation of audit recommendations. This plan was based on a revised future Audit Strategy for 2008 to 2013, as approved by the Governance Committee at its meeting in December 2007.

The Chief Internal Auditor submitted an Annual Audit Report and Opinion to the June 2011 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 is currently under development, building on the previous iteration *Driving Success*. The new Framework represents a robust and coherent way of managing and improving services across the organisation. It is based on a cycle of continuous improvement, encompassing planning, delivering, monitoring and revising.

Key components are as follows:

(a) Planning:

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

(b) Doing:

- Department Business Plans (as described above)

(c) Monitoring

- Monthly reporting on efficiencies
- Quarterly reporting on performance against the County Council Business Plan
- External reporting requirements and inspection
- Annual departmental self-assessment
- County Council Annual Report

(c) Revising

- Improvement support/consultancy

Transparent processes are in place for regular reporting to CMT and Cabinet. Although the Corporate Performance and Efficiency Group is under review, its replacement will retain responsibility for support and challenge, in order to manage performance against the County Council Business 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.
- detailed quarterly budget monitoring reports on revenue and capital to the relevant executive Member.
- ability of Select Committees to scrutinise monitoring reports.
- overall budget monitoring report to Cabinet on a quarterly basis.

Performance information is published online and easily accessible for staff, partners and the public.

The county wide Efficiency Cost Reduction and Transformation programme began in July 2010 and is the principal means by which the County Council is addressing its grant reduction and improving efficiency. The County Council intend to save £55 million in 2011-2012 and a further £45 million in 2012-2013

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 priorities (the 'Corporate Strategy') and improvement/business plans. The new Business Plan (described above) will provide a coherent, shared vision for the organisation. Implementation of these ambitions will be through department business plans and efficiency work streams.

The vision of the County Council, as embodied in the three priorities, is reviewed with each political administration. Business Plan priorities are likely to last for three to four years (medium term), but will be reviewed on an annual basis and refreshed as necessary.

The purpose and vision of partnerships:

Partnerships are underpinned by a common vision, that is understood and agreed by all partners. Clear governance structures are also in place. For example, the Hampshire Senate has brought together all key partners in Hampshire with five aims:

- to deliver the 2008-11 Local Area Agreement (*now concluded*);
- to bring people together to keep government as local as possible;
- to add value to, and reduce the costs of, public service through working with all the public services and partners;
- to act as a strong local voice for Hampshire;
- to secure extra government funding for our infrastructure needs.

Other examples include:

- the Health and Well-being Partnership;
- the Children's Trust;
- the Local Safeguarding Children Board;
- the Safeguarding Adults Board.
- the Solent LEP

The Sustainable Community Strategy also provides a common vision and set of ambitions for the County Council and partners.

Reviewing performance and publishing this information:

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

Dealing with failure in service delivery:

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.

Reviewing value for money and measuring the environmental impact of policies:

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 and 'excellent' rated performance;
- all post-Gershon targets for efficiency gains exceeded;
- 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;
- the Annual Audit & Inspection Letter 2010 (2009/10 conclusion) commented positively on the County Council's VFM arrangements stating:

'an unqualified conclusion was issued – the County Council had proper arrangements in place. The County Council had already established a strong baseline against the specified criteria and performed to a high standard as noted in my 2008/09 assessment.

The County Council continues to meet the expected standards, delivering good outcomes for local people.'

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.

In 2009-10 the Director of Children's services was appointed Deputy Chief Executive and the role Assistant Chief Executive was created. These appointments provide additional senior management capacity for the County Council.

The Constitution also allocates the statutory roles of Section 151 Officer to the County Treasurer 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 County Treasurer 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 County Treasurer 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 County Treasurer 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 County Treasurer leads and directs a finance function that is adequately resourced to be fit for purpose
- the County Treasurer 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 pursuant to the requirements of the Local Authorities (Members Allowances) (England) Regulations 2003 which meets in open session. The Panel makes recommendations to the Members Allowances Scheme Panel and the Members Allowances Scheme Panel, having considered those recommendations, makes recommendations to the County Council.

The Members' Allowances Scheme for 2011/12 was approved by the County Council on 24 February 2011 and is published on Hantsweb as part of the County Council's Constitution. Administration of the Scheme is overseen by the Head of Member Services and supported by effective and robust business processes

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 County Treasurer, Director of HR and Head of Remuneration and Benefits.

Performance management arrangements and mechanisms and the respective roles of officers and Members to monitor service delivery are described above.

The mechanisms for developing and communicating the County Council's vision etc are also described above.

In relation to partnership working, the County Council has published guidance on governance and roles and responsibilities for officers and members alongside other information and advice on partnership working. See:

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

A corporate group which includes representatives from all departments reviews this guidance. Additionally, linked to the County Council's risk management, regular audits of the County Council's partnership approach are carried out.

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
- Member/Officer protocol
- Standards Committee
- Complaints Procedures
- Anti fraud and corruption policy
- Standing Orders governing the conduct of Council business
- Contract Standing Orders
- Financial Regulations
- Guidance on Partnerships
- Performance Management system
- Investors in People and a system of individual performance plan appraisal.

An effective Standards Committee is in place, which has taken on in accordance with the Standards Committee (England) Regulations 2008, responsibility from the Standards Board for England for the local initial assessment (and where appropriate investigation and determination) of complaints against Members of the County Council.

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.

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

The County Council's Constitution together with its Decision Making Protocol ensures that appropriate legal and financial advice is given and also that decisions made are open and transparent. The County Council 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.

The Decision Making Protocol is available on Hantsnet to inform the preparation of decision reports. It is reviewed annually to ensure it is fit for purpose. A corporate decision making report template is available to download to ensure that a consistent approach is taken across all departments in preparing a report on which a decision is to be made together with the inclusion of timely and relevant information/evidence to inform the decision maker. All reports go through a robust quality assurance process.

Advice is available to Members from the Monitoring Officer and Deputy Monitoring Officer 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. Ongoing training is additionally available through the County Council's own established monthly Briefing Programme and via external seminars, conferences and briefings. A Member Development Working Group has recently been established to promote continuous development with the assistance of Hampshire Learning Centre and other organisations such as South East Employers and the Improvement and Development Agency.

Executive decisions are recorded in accordance with the requirements of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000. Internal protocols govern legal and financial

requirements by way of consultation internally, as indicated with the Head of Legal Services and the County Treasurer. Internal protocols also govern the preparation and publication of the County Council's Forward Plan, and the publication of all County Council, Cabinet, Executive Member and Committee Agenda, 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 Business Advice and Member Support Unit (BAMS). 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. A wider review of the scrutiny functions has been completed and the recommendations implemented. Progress will be re-evaluated as part of a wider assessment of the new BAMS Unit.

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 Monitoring Officer, supported by other 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 reporting on risk. Through the Risk Management Board, chaired by the Deputy Chief Executive, risk management is embedded into the culture of the County Council so as to better influence decision making. Regular briefings on risk are made to the Executive Member with responsibility for risk management. Assessments of risk to the County Councils major change programmes are regularly reported to the Cabinet and Executive Members.

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

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

For Officers the Corporate Induction Programme is underpinned by a service-specific induction. The Individual Performance Planning (IPP) process ensures that Officers identify and update their knowledge and skills on a regular basis. In addition IPP facilitates the identification of training requirements. This is subsequently used to develop departmental training and development plans.

The skills required by Officers to undertake their roles are identified within the person specification for the particular job in question, and an assessment is made of the individual's competence against these during the selection process. Further skills assessment for Officers is undertaken during the annual IPP process and these are incorporated within service and departmental training plans.

The County Council's Management and Leadership Competencies form the basis of how managers and leaders within the County Council need to develop themselves and others to be even more effective. Implicit within the Competencies is a recognition that to be fully effective, individuals need to be able to positively challenge and scrutinise information presented to them. The "Vision and Direction" and "Stakeholders' and Partnerships" Competencies also identify the need to work with others, particularly when expertise is not available internally.

The County Council's IPP process has been further developed to ensure that individual development needs can be identified and on the basis of this, departmental training plans developed.

The range of training and development programmes available within the County Council has also increased and can be accessed both on-line and face to face delivery. In particular, an emphasis has been placed on management and leadership training with the introduction of the "Essentials of Leadership" development programme which has been well attended and equally well received.

The County Council is in the process of developing a Talent Management Strategy which will significantly aid succession planning within the organisation. In addition, as part of the current departmental restructures taking place, services are reviewing their succession planning arrangements to ensure that these are robust enough for the future. The County Council is also undertaking a corporate review of Learning and Development provision and as part of this, organisational succession planning arrangements will be reviewed and strengthened as appropriate.

The induction programme for members was overhauled for the 2009 elections and there are now ongoing member briefings to ensure continuous development. Member induction has been significantly strengthened and there are also now member briefings which address generic development needs. A member's champion group has also been developed looking at more focused development needs.

For Officers, skills are assessed via the person spec for the role and development needs are individually identified through the Council's IPP process and generically through a range of options e.g. management & leadership competencies. Corporately, officer development is managed through the learning & development forum.

The revised Performance Management Framework will be integrated with workforce development initiatives, building capacity and securing the skills needed to drive transformational change within the County Council.

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

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

The County Council undertakes a programme of consultation with the public on the issues that are likely to affect them. For both consultation and communications the County Council draws on a number of strategies and feedback mechanisms documents:

- Communications Strategy (currently being developed)
- Inter Faith Forum
- Community Involvement Strategy
- Petitions to the County Council
- E-consultation database

The publication of a wide range of documents such as the following help to ensure that the County Council is held to account:

- Corporate Strategy
- Driving Success - Corporate Improvement Plan
- Financial Statements and Accounts
- Policy and Resources Select Committee reports
- Health Overview and Scrutiny reports

and annual reporting to the wider public via special articles being published in the County Council's magazine for residents 'Hampshire Now'.

Great emphasis is placed on raising awareness among the general public of the work of the County Council. The County Council's Communications Strategy is developed and implemented to include a range of tools including, selected summer events, the Hampshire Now magazine, alongside proactive media relations which incorporate new technology including social media and the web. The Internal Communications Strategy has been developed to embrace new initiatives to make staff aware of change programmes.

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 addresses the key risks to the people of Hampshire through its Corporate Improvement Plan. It has developed effective methods of communicating risk issues to the public and uses risk based approaches to support innovation and well managed risk taking, for example through a positive risk taking policy for social care.

The County Council has a comprehensive risk management framework in place, that includes partnership risks, with effective processes for reporting on risk.

A network of risk registers focusing on strategic and operational risk is in place, with regular reporting to senior management at both corporate and departmental levels. Risk financing arrangements are benchmarked against the performance of other local authorities, with regular reports to the Policy and Resources Select Committee for scrutiny. Training programmes are in place to increase the capacity and competence of staff to manage risk well. Balanced risk management arrangements are in place in key partnerships, which are subject to review and monitoring for effectiveness. Business continuity arrangements are in place for all critical services, and tested.

Performance standards are used to improve the delivery and effectiveness of risk management.

Through the Risk Management Board, chaired by the Deputy Chief Executive, risk management is embedded through the culture of the County Council so as to better influence decision making.

Regular briefings on risk are made to the Executive Member with responsibility for risk management and regular reports have been made to the relevant scrutiny committees.

The County Council has developed and uses a performance management framework that measures the maturity of its risk management arrangements. It provides assurance that:

- there is top down commitment to embedding and integrating risk management as routine business practice
- risk policies and strategies are communicated effectively and made to work through a framework of processes
- a core group of people have the skills & knowledge to manage risk effectively
- approaches for addressing risk with partners have been developed and implemented
- 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.

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. Significant claims are regularly reviewed by the Monitoring Officer 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, and review by external insurers.

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 County Treasurer, 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 midyear review and outturn report and external audit has confirmed compliance 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 with the most recent changes to Financial Regulations having been completed in 2008. During 2009-10 a review of Standing Orders on Contracts, including reviewing the CIPFA contract procedure rules was undertaken by staff in Legal Services, County Treasurers and the Corporate Procurement network. This review along with The Corporate Services Review on Procurement and recent EU legislation and case law identified a number of issues that need to be addressed in revised Contract Standing Orders. Revised standing Orders were adopted by the County Council in 2010-11.

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.

Registers of gifts and hospitality for both Members and Officers are maintained and the member's register is available for public inspection. The Monitoring Officer 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 2007 and signed up to by all Members. 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 third corporate procurement strategy (CPS) was formally approved by Cabinet in November 2009 following previous iterations in 2006 and 2003. It is planned that the next review of the corporate procurement strategy will be in 2011/12.

The internal Best Practice Guide (BPG) first produced in 2008 was revised jointly by Legal Services and Corporate Procurement during 2010 and now incorporates the Contract Practice Notes previously issued by Legal Services. The new BPG is on the Council's intranet and reviews are planned every 6-12 months.

The Corporate Procurement team maintains relevant information on procurement policy and practice 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 actions associated with the CPS and the Procurement Improvement Programme (PIP) are reviewed with departmental representatives at regular meetings of the Corporate Procurement Network and PIP Steering Group. Overall progress on the corporate procurement agenda and key issues continues to be considered by Members on the Buildings, Land & Procurement Panel. The County Council has developed a Licensed Procurement Practitioner programme for its procurement staff and successful completion of all three assessments (set and managed by the Chartered Institute Of Purchasing & Supply) will give the individual the Award in Public Sector Procurement. Two groups have commenced the programme and the County Council has offered places to district council colleagues. All procurement staff across the County Council have been matched to generic, corporate role profiles since 1/4/11.

The County Council plays a significant role in collaborative procurement with local, regional and national partners (for example, on construction with IESE, Reading Borough Council, Surrey County Council and on commodity goods and services through the Central Buying Consortium, Pro5 and the Hampshire & Isle of Wight Procurement Partnership). The County Council's Chief Executive is the Chairman of the National Improvement & Efficiency Partnership for the Built Environment and is also the national lead officer for the Procurement, Capital and Shared Assets Productivity work stream. Pro5 includes five of the major local authority purchasing consortia and is building its work plan in accordance with category management principles. The County Council has recently joined its procurement of electricity to collaborative arrangements managed by Kent County Council and continues to manage a contract for the supply of temporary workers on behalf of West Sussex County Council, Hampshire Police and other partners.

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. A scheduled programme of testing is in place, 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 arrangement.

The Corporate Health and Safety Policy is available electronically on the intranet and is supported by departmental policies and guidance. Audit programmes are in place across the County Council to review compliance against the policies and procedures.

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 course 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, the Risk Management Board and CMT receive reports on health and safety performance including incidents and positive indicators. The overall health and safety management performance is measured annually against standards defined by the HSE. The County Council's health and safety management system was assessed by RoSPA as part of their annual awards in 2010, with the County Council receiving the award in their Public Services, Education and Local Government Sector category

The County Council has an established Complaints Policy and Procedure which is reviewed on a quarterly basis. 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. All complaints files are kept in locked and secure cabinets with

restricted access.

An annual report on the Complaints Policy and procedure is submitted to the Audit Committee.

As described above, guidance and the database of partnerships helps to identify and register risks in partnerships. Additionally, major corporate partnerships are included in the risk register.

Performance risks are identified and mitigated in line with the established corporate risk management framework. In addition, the Performance Management Framework establishes a transparent cycle of reporting, including quarterly reporting of progress against the 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 strategy 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.

On 1 November 2010 Hampshire County Council and Southampton City Council agreed to a collaborative approach for the provision of a shared internal audit service. The agreement introduces a shared Chief Internal Auditor role across both authority's.

The arrangement provides further scope to develop the shared service approach to best utilise areas of expertise across both authority's and generate economies of scale through training and development.

Additional independent assessment of the internal control framework is provided by external audit reports, including the District Auditor's annual Management Letter.

The Audit Committee reviewed the County Council's Whistle Blowing and Counter Fraud and Corruption policies at its meeting in December 2009, and the updated and revised procedures are now in place, set out on the website, and have been integrated into the e-learning on corporate governance.

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 and the Corporate Governance questionnaires retained by the Monitoring Officer as part of the assurance framework. 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 recommendations 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 regular provision of inspection and assessment reports by the Audit Commission (as the designated external auditor), 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 Monitoring Officer 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 County Council will adopt the revised Constitution by July 2011

The Monitoring Officer will complete the review of the Officer's Code of Conduct by the end of the 2011-2012 year.

The review of the County Council's suite of Governance documentation will be completed by the Monitoring Officer and the Chief Internal Auditor by the end of 2011 and clear "ownership" of the respective documents will be established.

The Policy and Performance Unit will Finalise the review of the performance management framework by the end July 2011

The Chief Executive's Department will review the County Council's risk management and health and safety frameworks by December 2011 to ensure that processes continue to effectively support the delivery of the County Council's business objectives

Implementation of the County Council's *Procurement Improvement Programme* is planned to continue in 2011/12. The Director of Culture, Communities and Business Services leads on behalf of the Corporate Management Team and delivery of the programme is managed by a corporate steering group

Completion of the corporate review of learning & development, ensuring greater co-ordination of activities to achieve improved efficiencies and more focused learning interventions based on business need, is being co-ordinated by the Workforce Development Steering Group (WDSG) chaired by the Deputy Chief Executive and will be completed by April 2012

The review of County Council's Talent Management Strategy, in light of current organisational restructures and potentially different delivery models for services, will be completed by 31st March 2012

The revised Communications Strategy will be finalised by Corporate Communications by 1 July 2011

A Community Involvement Strategy will be developed during 2011-2011 to promote more community involvement and resilience

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

The Action Plan is kept under regular review by the Officer Corporate Governance Group. In response to the Action Plan identified in the 2009-2010 Annual Governance Statement;-

- The corporate partnership guidance and protocols have been revised and strengthened, particularly in respect of links to risk management
- A governance guidance note has been produced by the Monitoring Officer and relevant officers have been made aware of the protocols relating to the approval of exempt reports.
- The Constitution has been reviewed and rewritten by the Monitoring Officer. The new Constitution was considered by the Audit Committee, Cabinet and by members generally in workshops. The amended Constitution will be adopted by the County Council by July 2011
- The Protocol for Member Officer Relations has been reviewed and updated as part of the wider review of the Constitution. A revised Officer's Code of Conduct has been drafted and consultation is ongoing. The full review will remain an action point for 2011-2012
- A review of the County Council's Governance Documents is currently being compiled to substantiate ownership and accountabilities and is to be discussed at the next meeting of the Officer Corporate Governance Group
- In the light of the proposed changes to the standards regime in the Localism Bill the Standards Committee decided not to proceed with a full structured work programme while still performing its statutory obligations and operating within its terms of reference.
- Significant progress has been made towards the development of the Talent Management Strategy with the development of "Leadership Essentials" which is a leadership development offering designed to ensure that managers are being equipped with the necessary skills to take on more senior positions in the future. The County Council's overall Talent Management strategy is being further reviewed in light of the corporate review of learning & development and current organisational restructure programme
- The Corporate Governance e-learning module was launched in July 2010. The module is available to all County Council staff and forms part of the mandatory corporate induction programme. To date approximately 1,000 members of staff have completed the training.
- The launch of the governance e-learning module was endorsed by the County Council's Leader, Cllr Thornber, who said

"It is vital that we, in Hampshire County Council, demonstrate the highest possible standards of behaviour in the duties we perform. I welcome this e-learning which provides guidance about what is expected of all of us to act morally, fairly, decently and justly on behalf of the people of Hampshire"

- The key learning objectives of the training are to:

- Define what is meant by ethical behaviour
- Describe the basic principles of good governance
- Explain the minimum standards expected and outlined in the Code of Conduct and other considerations such as political neutrality; and
- Summarise the policies that make up the governance framework
- Implementation of the recommendations of the Corporate Services Review of procurement as contained in the Council's *Procurement Improvement Programme* progressed well during 2010/11 and progress on procurement was regularly reported to elected Members. Both implementation and reporting will continue in 2011/12
- The review of Contract Standing Orders has been completed and the revised Contract Standing Orders have been adopted by the County Council.

Declaration

We have been advised on the implications of the result of the review of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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:
Chief Executive

Date:
Leader of the County Council