

APPENDIX B

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 Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on Internal Control during 2009-2010

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 2010 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 two years to all Chief Officers
- a detailed questionnaire being sent 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 July 2008.

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 (established to give added focus on governance and audit issues).
- 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

Financial limits within these documents were reviewed and updated by the County Council at its meeting on 28 May 2007.

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.

A new Officer group comprising the Monitoring Officer and representatives from Business Advice and Member Support, Legal Services and the Policy 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 Profession working closely with the relevant Chief Officer and reporting to a Member of the Treasurer's Management Team. The Head of Profession 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

In 2009 the County Council has reconfirmed the priorities set out in the Corporate Strategy. 'Driving Success', including the Corporate Improvement Plan, has been developed to identify the main improvement priorities at the corporate level and to provide the framework for performance managing against these and other

partnership priorities. Activities and targets against the Corporate Improvement Plan are drawn from more detailed corporate policies and plans and cascaded through Service Plans and Individual Performance Plans. The resources to deliver the Corporate Strategy are summarised in the Workforce Plan, the Asset Management Strategy, and the Revenue and Capital Budgets.

The Corporate Strategy links to the Hampshire Sustainable Community Strategy, which expresses the aims the County Council shares with strategic partners in Hampshire, the Local Area Agreement and the Local Public Service Agreement 2. It was prepared to reflect consultations with a wide range of stakeholders.

The Corporate Strategy also takes account of strategic partnership contributions, assessed through partnership agreements. Required contributions and income are built into the medium term Financial Plan and Budget Forecast. Separate accounts are maintained where the County Council is responsible for partnership accounting, for example, the Safety Camera Partnership.

The Corporate Strategy and the Corporate Improvement Plan set out the County Council's aims and corporate improvement priorities. They establish links to departmental and operation plans which set out how the County Council intends to achieve them. They also show how the County Council responds to changes and challenges, identifies common aims with partners, linking to the Local Area Agreement, and sets priorities and targets for improvement.

The Corporate Strategy is approved by Cabinet, full Council and the Corporate Management Team (CMT), and forms the major part of the County Council's policy framework alongside the Sustainable Community Strategy and other major plans including the Children and Young People's Plan. The Corporate Strategy sets priorities for the life of the administration, and Driving Success is reviewed annually. This is informed by the outcomes of consultation, performance results, benchmarking, review programmes and external inspections and factors such as local and national policies and initiatives. The Corporate Strategy and Corporate Improvement Plan are published on the County Council's website, and in hard copy for circulation internally and to key partners. Communication of the priorities is supported by other promotional activities including posters and a flash video, and provide a cornerstone for all internal and external communication activities.

The Corporate Improvement Plan has been used as the basis for developing departmental service plans and individual performance plans so that the 'golden thread' between the documents is strengthened and visible.

The County Council developed an integrated planning process which links workforce, budget and service planning into the County Council's Corporate Strategy and priorities. The Corporate Performance and Efficiency Group has responsibility for corporate performance management and receives quarterly updates on key performance targets and measures. CMT and Cabinet receive other corporate performance reports on a regular basis.

To help establish these Corporate Priorities the County Council has a corporate consultation plan agreed by CMT and Cabinet annually, which sets out proposals to consult with staff, residents and other stakeholders and partners. The research findings are published, in summary, on the County Council's website. The results help inform the development of the Corporate Strategy and are disseminated through CMT/Cabinet, DMT's, senior manager's seminars (Success Through People), and other staff communication mechanisms to inform service planning.

Clear guidance is set for the preparation of Service Plans and this guidance is accessible on the Performance Management pages on Hantsnet. The guidance cross-references budget planning and workforce planning and is also available as an e-learning package. A 'Corporate Threads Portal' has been developed, which supports service managers in taking account of Corporate Priorities in the planning and delivery of their services.

The Corporate Strategy priorities are set out in the County Council's Corporate Strategy web pages.

A comprehensive Communications Strategy has also been developed and implemented to inform external and internal audiences of the County Council's Corporate Strategy objectives using a wide variety of traditional and innovative communication 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.

A new 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 County Council, at its meeting on 15 June 2009, established a new Audit Committee with more audit focused terms of reference. 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 2009/2010 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 has provided an Annual Statement of Assurance on the effectiveness of the control framework which is considered in conjunction with the Final Accounts.

The Annual Audit and Inspection Letter for 2009 (based on data from 2008/2009) commented positively on the County Council's internal audit. The District Auditor stated:

“Internal Audit meets all required standards and their work can be relied upon for the purpose of my audit.”

3.4 Performance management arrangements are in place

Performance management arrangements in the context of the setting of corporate aims and objectives and cascading these through the County Council through Service Plans and the Individual Performance Plan process are described above.

In addition, supported by the Council-wide Driving Success corporate Performance Management Framework, individual Departments have developed their own regimes for approving and monitoring objectives and targets set in Service Plans. Service Reviews are now instigated through the Service Planning process, while the Corporate Review Programme focuses on cross cutting and strategic issues, paying attention to efficiency and value for money.

All performance measures, both national and local are known and responsibility allocated through the service planning process. Both external and internal audit reports include reviews of key performance indicators, systems and data quality with consequent reports to 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.

The corporate performance reporting process covers:-

- national performance indicator results - these are incorporated in the Corporate Dashboard which is reported quarterly to the Corporate Performance and Efficiency Group (CPEG)
- results against Corporate Improvement Plan targets/priorities - these are also incorporated within the Corporate Dashboard which is reported quarterly to CPEG and follow-up action considered, supported by the ‘Menu of supportive interventions’
- reports against departmental/service targets/priorities - reports go to Departmental Management Teams and Cabinet portfolio holders half yearly and should be monitored regularly by service managers and DMT level managers

- individual performance reports - every line manager considers performance results at least on an annual basis, though usually more frequently. The process is evaluated by Investors in People accreditation
- any significant performance issues looking back and risks looking forward are highlighted quarterly to CMT and half yearly to Cabinet via the Chief Officer Self-Assessment reports which bring together an assessment by each Departmental Director of the most important issues.

Poor performance is escalated to CPEG through performance reporting to the managerial/political level which can agree remedial action. Once remedial action is agreed, it is implemented through service plans.

Performance information is updated and published with year-on-year comparisons of achievement against performance targets on the website which is accessible internally and externally.

The performance frameworks are regularly reviewed and updated to take account of changes in organisational structure, new Government initiatives, new internal performance measures and other factors including external or internal review of the arrangements.

The County Council scored the highest 'Performs Excellently' in the Organisational Assessment score as part of the Comprehensive Area Assessment by the Audit Commission and other inspectorates which assesses the management of the County Council and the performance of the services the County Council delivers. The assessment also includes a specific judgement on the County Council's Use of Resources and whether it provides Value for Money, the County Council was rated as three out of four and was recognised as the highest scoring county council when the sub-theme scores are aggregated. For more information see the following link: <http://www3.hants.gov.uk/caa/>

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 achieved this through the development, implementation and publication of the Corporate Strategy and the underpinning Corporate Improvement Plan, which is regularly reviewed, and its cascading through to service delivery via Departmental Service Plans and Individual Performance planning.

This objective is also achieved through the Sustainable Community Strategy which provides a common vision and set of ambitions for the County Council's partners, ensuring that their work is understood and agreed by all parties. This in turn has informed the development and

delivery of the Local Area Agreement priorities and targets and supporting actions.

The County Council has also looked at governance issues, especially in relation to partnership working. As a result, during 2009 the Hampshire Senate has brought together all key partners in Hampshire with 5 aims

- to deliver the Local Area Agreement
- 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.

Additionally, in November 2009, the County Council re-launched its Hampshire Action Teams (HATs) in order to enable local elected members to improve the quality of life in their areas, specifically through:

- advising on local improvement priorities for roads and transport
- supporting the delivery of improvement priorities in the Local Area Agreement by working with local partnerships such as Local Strategic Partnerships (LSPs) and Crime & Disorder Reduction Partnerships (CDRPs), and
- tackling economic, social and health inequalities in the area to close inequality gaps.

Annual reports are published via the County Council's Performance web pages which communicate the County Council's activities and achievements as well as its financial position and performance.

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
- a `good' score of 3 in the Audit Commissions overall Use of Resources assessment and for the value for money component of that assessment in particular.

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 to allow lessons to be learned.

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 full Council.

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>. This also includes a database of partnerships. This is currently under review.

A corporate group which includes representatives from all departments reviews this guidance. Additionally, linked to the County Council's risk management, regular audits of partnerships 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. In the year 2009-10 six complaints against County Councillors were received and none have required investigation either by the Standards Board or the Standards Committee. In one instance the matter was referred to the Monitoring Officer for "Other Action." The "Other Action" stipulated by the Committee was that the member should receive additional training.

Major corporate partnerships, including for example the Local Area Agreement Executive, have terms of reference and receive regular performance updates. The Local Area Agreement also has a risk register in relation to the delivery of its targets.

This major partnership is also included in the corporate risk register.

A protocol has been agreed with District Councils in relation to the extension of Scrutiny powers to include the Local Area Agreement targets.

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.

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.

During 2009 a thorough review of the County Council's business practices relating to the publication of reports was undertaken by the Monitoring Officer. The outcomes of this review will be implemented in 2010-2011.

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 not only the format of reports but also 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 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 and regular reports on risk are made to the Audit Committee and the Policy and Resources Select Committees.

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

All new Officers and Members joining the County Council undergo a Corporate 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 operates with a clearly defined structure and succession planning is undertaken via departmental workforce plans, which are produced on an annual basis. For officers there are succession planning arrangements within departments and a Talent Management strategy will be introduced in 2010/11 to strengthen the corporate approach.

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 County Council's Performance Management Framework was reviewed in 2008 and a new, strengthened corporate Performance Management Framework was developed and implemented over 2008/09 called 'Driving Success'. The Corporate Improvement Plan element of the Corporate Strategy has introduced high profile accountability for improvement priorities, and as indicated Departments are using the plan as the basis for developing departmental service plans and individual performance plans for both 2009/2010 and 2010/11.

At a strategic level the relationship between the targets and activities in the Corporate Strategy, expressed in the old Corporate Business Plan, had been aligned with the Corporate Budget and Workforce Plan. Focus now turns to ensuring appropriate links are made to the new Corporate Improvement Plan.

Performance of the County Council as a whole will be monitored at the corporate level, through Driving Success, at least quarterly by the Corporate Management Team and at least every six months by Executive Members and Cabinet.

Performance information is published on the County Council's web pages for all to view at:

http://www3.hants.gov.uk/corporatestrategy/overview_of_performance.htm

4.6 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 to influence policy and the decision-making process.

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

- External Communications Strategy
- Annual Consultation Plan
- Best practice guidance
- Inter Faith Forum
- Community Involvement Strategy
- E-consultation database.

Public accountability is further enhanced by the system of publicly accessible scrutiny committees operating at the County Council and the local area based Hampshire Action Teams.

The publication of a wide range of documents such as the following help to ensure that the 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
- Annual reporting to the wider public via special articles being published in the Council's newspaper "Hampshire Now".

The Annual Consultation Plan outlines a programme of consultation with residents, businesses and other key stakeholders on a range of issues and these findings are analysed and communicated across the whole County Council to influence the decision making process. An e-consultation database is maintained to further encourage feedback from residents and to share data.

Great emphasis is placed on raising awareness among the general public on the work of the County Council. The County Council's External Communications Strategy has been developed and implemented to include a range of tools including road shows, events, the Hampshire Now magazine with the Older Persons Special and localised versions for those areas where research reveals residents are less informed, alongside proactive media relations. 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 and in partnership with other organisations, principally, through its Local Area Agreement. 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.

There is a comprehensive risk management framework, that includes partnership risks, in place 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 has developed comprehensive risk management arrangements for its Local Area Agreement, with risks shared amongst partner organisations and a clear reporting framework.

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 and Procurement. 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 approaches taken are summarised annually in the Financial Management Policy included in the County Council's Budget Book.

The Cabinet and County Council approve the annual Treasury Management and Investment Strategy together with outturn reports and external audit has confirmed compliance with the Prudential Code.

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. A draft of the revised Contract Standing Orders has been prepared for approval by County Council by September 2010.

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 upon request. 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 and the introduction of an annual review to ensure processes are robust will be introduced from 1 April 2010.

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 produced its first formal Corporate Procurement Strategy (CPS) in 2003. This was updated in 2006 and was revised further in 2009 following completion of the Corporate Services Review (CSR) of Procurement. The CPS was approved by Members and this process included a formal report to Cabinet in November 2009. The Council's Corporate Procurement Network contributed to the preparation of the CPS and continues to monitor progress against action plans. The CPS and a wide range of relevant information on procurement is accessible to all employees of the County Council on its intranet, Hantsnet and to businesses and members of the public via Hantsweb. Awareness and training sessions to support the County Council's procurement agenda have now been delivered to more than one thousand staff and a further staff development programme is being developed as part of the Procurement Improvement Programme arising from the CSR.

The Director of Property, Business Regulatory and IT Services is the Corporate Management Team sponsor for the procurement agenda and progress reports are made to the Buildings, Land and Procurement Panel, which is chaired by the Leader of the County Council. Implementation of the recommendations of the Corporate Services Review will be an ongoing task during 2010. The County Council

participates in the CIPFA benchmarking service for corporate services - procurement - and completed an internal audit on corporate procurement during 2009. A response has been made to the report's recommendations. The County Council has a leading role in collaborative procurement within local government and plays an active role in the work of Improvement and Efficiency South East (IESE), the Hampshire and Isle of Wight Procurement Partnership, the Central Buying Consortium and Pro5.

The County Council has had written Contract Standing Orders in place for many years, which have been formally approved and have been communicated to staff. To complement these, a 'Best Practice Procurement Guide' was jointly produced, published and publicised on the Council's internal website in October 2008 by the Corporate Procurement team and Legal Services.

Significant progress has been made in embedding business continuity arrangements 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. This work was completed in 2007. Business impact analysis within the critical services is reaching completion 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. A scheduled programme of testing is being prepared and a database to record and monitor progress created. Regular testing of recovery plans for IT services takes place.

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 and to the appropriate Scrutiny Committee.

The Corporate Health and Safety Policy was reviewed during 2009 and signed off by both the Leader and the Chief Executive in early 2010. The policy Statement and the arrangements, which at a corporate level are set out as topic policies, are reviewed annually. There is a separate topic policy covering Partnership health and safety which links to the Partnership Portal that contains guidance on managing partnerships.

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.

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 using a tool based on guidance from the HSE.

The actions to be taken to improve health and safety compliance can be found in the Corporate Health and Safety Action Plan agreed with and monitored by the Risk and Safety Executive Group and in departmental health and safety plans and audit programmes.

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.

Additional independent assessment of the internal control framework is provided by external audit reports, including the District Auditor's annual Management Letter, and the regular Use of Resources elements in the Comprehensive Area Assessment undertaken by the Audit Commission as part of the statutory performance assessment process.

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 will be 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 Head of Internal Audit'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 Chief Executive will review and revise partnership guidance and protocols as appropriate. This review will be undertaken by the Policy Unit and is scheduled for completion by September 2010.

The Monitoring Officer will procure the issue and implementation of new guidance on confidential reports and business practices by July 2010.

The Monitoring Officer will complete a full review of the County Council's Constitution by November 2010.

The Monitoring Officer will also review the Officer's Code of Conduct and the Protocol for Member Officer Relations by the end of the 2010-2011 year. A review of the Officer's Code of Conduct has been under consideration for some time but it has been delayed due to the possibility of a national code being introduced. This is now looking increasingly unlikely and it has therefore been decided to proceed with a review at this stage.

A review of the County Council's suite of Governance documentation will be undertaken by the Monitoring Officer and the Chief Internal Auditor by the end of 2010 and clear "ownership" of the respective documents will be established.

A structured work plan will be agreed by the Monitoring Officer with the Standards Committee and the role of the Standards Committee will be given increased prominence within the County Council.

In July 2009 the County Council's Corporate Management Team agreed that a Talent Management Strategy should be developed and implemented in 2010-2011. The implementation of the Talent Management Strategy is a corporate priority for the County Council's Human Resources Department.

The Corporate Governance e learning package developed during 2009-2010 will be launched by the Chief Internal Auditor by the end of June 2010.

The recommendations of the Corporate Services Review of procurement will be implemented by the Director of Property, Business, Regulatory and IT Services during 2010-2011.

The Corporate Services Review on Procurement and recent EU legislation and case law identified a number of issues that needed to be addressed in revised Contract Standing Orders . A revised draft of the Contract Standing Orders has been prepared by the Head of Legal Services for submission to the Audit Committee in June 2010, Cabinet in July 2010 and to the County Council in September 2010

10.1 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 now 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 County Council's Corporate Management Team agreed in July 2009 to implement the County Council's new Management and Leadership Development Strategy and this is now in place
- The County Council established a new Audit Committee at its meeting on 15 June 2005 with audit focused terms of reference to replace the Governance Committee. In accordance with CIPFA/SOLACE guidance the Chairman of the new Audit Committee is not a member of the Executive nor is any member of the committee a member of the Executive
- A Corporate Governance e-learning package was developed in 2009-2010 which include the identification of out dated or obsolete documents on the County Council's Web site. It was not possible to roll the package out in 2009-2010 and so the roll out will remain in the Action Plan for 2010-2011
- Contract Standing Orders were reviewed by Legal Services in 2009-10 although they are yet to be adopted by the County Council. The adoption of the revised Contract Standing Orders is part of the County Council's Action Plan for 2010-2011.
- An additional Independent Member has been appointed to the Standards Committee to improve its ability to handle complaints against member.

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