



## **ANNUAL GOVERNANCE STATEMENT 2016/17**

### ***Scope of Responsibility***

1. Eastleigh Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Eastleigh Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Eastleigh Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
3. Eastleigh Borough Council has completed the Corporate Governance Compliance Checklist which is consistent with the principles of the CIPFA *Delivering Good Governance in Local Government Framework (2016 edition)*. The checklist is monitored by the Performance and Governance Manager.
4. This statement explains how Eastleigh Borough Council has complied with the code of corporate governance and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2015 and accompanies the 2016/2017 Final Accounts of the Council. The Annual Governance Statement will be subject to a detailed review by the Audit & Resources Committee when it considers the Statement of Accounts.

### ***The Purpose of the Governance Framework***

5. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Eastleigh Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

7. The governance framework has been in place at Eastleigh Borough Council for the year ended 31 March 2017 and up to the date of the approval of the 2016/2017 Statement of Accounts.

## ***The Governance Framework***

8. The Annual Governance statement explains how the Council is complying with the new CIPFA Delivering Good Governance in Local Government Framework (2016 edition). It also outlines how the authority is ensuring effective governance arrangements in its working practices, through policy and scrutiny.

The key principles for delivering good governance at Eastleigh include arrangements for:

**a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council has adopted a Code of Corporate Governance (CCG) which identifies, in one document, how the Council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Performance and Governance Manager and is subject to an annual review with any recommendations incorporated into the AGS and presented to Audit & Resources Committee.

The Council has adopted the model Code of Conduct, along with the parish councils within the Borough Council boundary, and provides training on this as required (such as at the New Member induction). In 2012 the Council adopted a new Code of Conduct and process for dealing with standards matters as required by the Localism Act 2011. This included delegating the power to investigate complaints that a Member has breached the Code of Conduct to the Monitoring Officer. As part of this delegation the Monitoring Officer reports to the Administration Committee annually on complaints received and actions taken.

The Council has clearly documented its Code of Conduct and Behaviours Framework for staff, which is communicated via the Council's Intranet. Staff awareness and training has been undertaken and an e-learning package is being developed.

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws & regulations. After consulting the Chief Executive, they will report to the Council if it is considered that any proposal, decision or omission, would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision implemented until the report has been considered.

The Council is committed to safeguarding public funds and has in place a Fraud & Corruption Policy. The Annual Internal Audit Plan includes time for pro-active fraud work and fraud investigations.

The Legal team are required to keep themselves up to date with legislative changes and established good practice as part of their continuing

professional development and to retain their respective practising certificates.

The Council has a whistleblowing policy and confidential whistle blowing telephone line. There is a Corporate Complaints policy & procedure. The Whistleblowing Policy is currently being reviewed. On completion of review the new policy will be appropriately communicated to all staff and stakeholders and be publically available on the Council's website.

The Council continues to seek feedback from its residents and other stakeholders and has a two stage complaints process in place. Complaints data is reported to corporate Management Team on a monthly basis and published annually to Audit and Resources Committee.

### **b) Ensuring openness and comprehensive stakeholder engagement**

All democratic meetings are open to the public and held in accessible venues around the Borough to ensure inclusivity and effective engagement.

Members of the public are welcome to record and film any council meeting and committee agendas, minutes and decisions are made publically available on the Council's website to ensure transparency and openness.

The Council has invested in a range of traditional, digital and social media channels to enable regular contact and engagement with its key stakeholder groups (including residents). The Council prides itself on regularly informing and communicating with its audiences about its work, its purpose, aims and vision.

The Council is committed to ensuring information is made publically available through the publication of its transparency code – outlining objective, factual, information on which policy decisions are made. It also publishes an annual statement of accounts, together with its annual governance statement, which goes before the Council's Audit and Resources Committee.

### **c) Defining outcomes in terms of sustainable economic, social and environmental benefits**

The Council's Corporate Plan sets out the authority's vision for the borough over the next ten years (2015-2025). The vision is encapsulated within ten corporate objectives aligned to four strategic themes:

- Economy
- Environment
- Health and Wellbeing
- Housing and Development

This will then be translated into objectives and actions contained within Portfolio Plans, Corporate Plan strategy documents and via a suite of performance measures embedded within Service Plans (business plans). This will underpin the work of the new Strategy and Performance and

Governance teams; recruited as part of the Council's Future Eastleigh service redesign (transformation) programme.

The Council's Corporate Plan sets out its aims and priorities for the area and the actions proposed to take to achieve them. It provides the focus for the development of service plans and action plans for staff - the people who ultimately put the strategy into action.

The Plan is driven by the Council's primary purpose to "Improve the quality of life for all local people". Consequently, the wide range of initiatives included in the strategy has evolved from work with many people:

- ❖ communities
- ❖ partners
- ❖ staff
- ❖ elected councillors

The Council agreed at its Cabinet meeting on 3 March 2016, the business case and proposals to change the way the Council delivers its services. This service redesign programme has developed an Implementation Plan which will, over a period of 21 months, move away from the current way of delivering services to a new way of working including a new organisational structure. The project has the following objectives:

- To be able to understand customers better and design services to meet their expectations
- Support the delivery of the corporate plan and meeting Members' aspirations and the communities' needs
- Help deliver a significant part of the Council's efficiency target
- Realise the benefits of state-of-the-art technology and systems.

The Future Eastleigh programme is the Council's change programme and is a major priority over the next 3/4 years. The aim is to change the way the organisation works and in doing so, create a smarter, fitter and more cost effective organisation for the future. The programme includes the development of a new Corporate Plan, becoming a more commercially-focused organisation, and the development of a 'people strategy' that ensures the Council has the right staff with the right skills in the right places. The programme also aims to deliver efficiency savings of £4.7m.

#### **d) Determining the interventions necessary to optimise the achievement of the intended outcomes**

Corporate Plan Strategies, Portfolio Plans, and Service Plans will set out further information about intended outcomes and interventions necessary to achieve them.

These documents take into account views from Cabinet members, Management Team and Delivery managers. Local Area Plans are being developed with Local Area Managers and Local Area Committees which will relate to Corporate strategies and plans, while retaining local area distinctiveness. The Local Area Managers undertake joint project work with partners and volunteers providing local perspective in developing and delivery corporate policy.

The Council has a number of key partnerships with other local authorities and stakeholders. Partnership agreements are in place for formal partnerships which detail governance and partnership arrangements and are monitored. The Strategic Planning team will be reviewing partnership arrangements so that strategic and operational partnerships are distinguished and a proportionate approach taken to governance and monitoring.

The Medium Term Budget Strategy (MTBS) is produced annually, taking account of known issues and applying a number of assumptions to the Council's finances. It provides, on a rolling basis, a projection of the Council's finances over a four year period and in doing so establishes the broad financial principles around which Members can develop their service plans and also consider, at a high level, the Council's four year budget strategy.

**e) Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The Chief Executive is designated as the Head of Paid Service with responsibility for leading the Council Management Team in driving forward the strategic agenda, set by Cabinet. The Chief Executive, together with the Council's Management Team, is responsible for the leadership and direction of the Council including the co-ordination and commissioning of council-wide activity and programme management.

Under the Council's transformation programme its corporate Management team has been restructured and consists of the Director of Strategy, Director of Support Services (Chief Financial Officer) and Director of Service Delivery. These individuals are responsible for ensuring their directorates operate effectively and in accordance with council priorities. A new performance management framework is being developed to ensure effective performance monitoring of Council services is in place and enables the organisation to better determine its effectiveness and areas for improvement.

The Council is also, as part of its service redesign process, reviewing individual staff performance. Staff are currently appraised once a year on their performance against objectives and against the Council's behaviours framework.

A new Member induction and development strategy is being developed focusing on how the Council can support Councillors and enable them to make effective decisions, understand the needs of their communities and the priorities of the Council.

**f) Managing risks and performance through robust internal control and strong public financial management**

Corporate Risk Management is coordinated by the Strategic Planning Manager and monitored by the Strategic Risk Management Group. A member of the Audit & Resources Committee is appointed to the Strategic Risk Management Group annually and regularly reports back

developments and progress to the Audit & Resources Committee. The Group reviews risk arrangements and advises Management Team and the Audit & Resources Committee on risk issues within the Council and on existing and planned risk controls.

Risks are reported through the use of risk registers. Each directorate is required to update its own register as part of the performance management process. Furthermore, key projects have their own individual Risk Register which are reviewed and updated regularly by the Project Team. A corporate risk register exists to record high level risk which affects the work of several areas, or the whole Council.

As part of the Council's service redesign process a new performance and governance framework is being developed to ensure effective performance management from the corporate level down to individual performance. The framework will comprise a number of new performance management tools including a corporate balanced scorecard, service plans (containing a suite of performance metrics) and a new individual performance review (IPR). A new performance cycle is also being embedded as part of the performance framework - focused on how performance is to be assessed and monitored across the organisation in the future.

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and responsible for reviewing and reporting on the adequacy of the Council's internal control environment. The standards of practice for Internal Audit are laid down in the Public Sector Internal Audit Standards 2013. The Chief Internal Auditor provides an annual internal audit opinion on the effectiveness of the Council's system on internal control to the Audit & Resources Committee which is used by the Council to inform its governance statement.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council has a formally constituted Audit and Resources Committee providing independent assurance on the adequacy of internal controls, financial accounting and reporting arrangements and ensuring that effective risk management is in place. The Committee operates in accordance with the CIPFA guidance.

All Council services are directly accountable to a Cabinet Member and are required to regularly report progress and performance in service delivery. All services are also overviewed by a member of Management Team, who meets regularly with service managers to review performance in delivery against objectives and service standards. In addition, Management Team regularly review service performance at formal Management Team meetings.

The Council operates a Policy and Performance Scrutiny Panel which holds to account Council services and other public service providers, for example, health, public transport and community safety. The Council also operates an Audit and Resources Committee which ensures accountability

of Council services for overall performance, efficiency and value for money. This committee has delegated authority to approve the final accounts.

**g) Implementing good practices in transparency, reporting and audit to deliver effective accountability**

The Council has adopted a Constitution which sets out how it operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people. A copy of the Constitution can be found on the Council's website at: <https://www.eastleigh.gov.uk/the-council/councillors-and-meetings/protocols,-codes-and-standards/constitution.aspx>

The Constitution is regularly updated by the Monitoring Officer, as required. When a change is needed, a report is taken to full Council for it to be approved. The Constitution is then updated on the Council's website and new hard copy pages circulated to those officers who hold a Constitution.

The Chief internal Auditor ensures the Council is meeting its statutory obligations and is working in accordance with our compliance and governance framework. An annual statement is also produced and scrutinised by our Audit and Resources Committee.

The Audit and Resources Committee meets monthly to consider findings of internal audit, external audit, inspections agencies and other bodies. They also agree and oversee the Council's Internal Audit Plan and progress against it.

***Review of Effectiveness***

9. The 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 process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:

- The views of Internal Audit as reported regularly to the Audit & Resources Committee
- The view of External Audit as reported regularly to the Audit & Resources Committee including the Annual Audit Letter and Audit Results Report
- The Chief Internal Auditor's Annual Internal Audit Report and Opinion on the adequacy and effectiveness on the Councils' internal control environment
- The work of managers within the Council who have responsibility for development and maintenance of the governance environment
- Completion of the governance checklist
- The work of the Strategic Risk Management Group, specifically their review of Unit and the Corporate Risk Registers

10. Furthermore,

- The financial management arrangements of the Council conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2010.
- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
- The Local Area Committee structure means that the Council can take decisions at a local level. The meetings are held in the areas they cover and public attendance is usually higher than if such meetings were all held in the Civic Offices.
- Members can "call-in" a decision (also known as a "Minority Order") which has been made but not yet implemented, to enable it to consider whether the decision is appropriate. This is set out in detail in Paragraphs 23.2 to 23.6 of Part 4 of the Constitution, which can be found on the Council's website.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service head and/or Corporate Director, Chief Financial Officer and Chief Executive. The report includes recommendations for improvements that are included within an action plan and requires agreement by service heads, Chief Financial Officer and/or Corporate Directors and Chief Executive. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.

## Governance Issues

11. The following governance issues were identified as a result of the Corporate Governance review:

GOVERNANCE ISSUE		PROGRESS TO DATE
<b>Governance issues brought forward from 2015/16 governance review</b>		
1	The Service Redesign project aims to deliver a new way of working and new organisational structure. The Constitution, Code of Corporate Governance and other key documents will require review to bring into line.	The Council has produced an interim Council Constitution which was approved by Full Council in May 2017. Changes to the Constitution will be ongoing and the ability to amend the Constitution has been delegated to the Monitoring Officer. The Code of Corporate Governance has also been updated to reflect new organisational structure and governance arrangements.
<b>Responsible Officer:</b> Monitoring Officer <b>Target for completion:</b> Complete		
2	The development of a new robust Corporate Plan is required. <i>(Carried forward from 14/15 AGS)</i>	New Corporate Plan developed and in place. Ten supporting Corporate Plan Strategy documents and Portfolio Plans developed. Service Plans (Business Plans) for Strategy and Support Services directorates being developed, with plans to develop Service Delivery directorate plans before the end of the financial year.
<b>Responsible Officer:</b> Strategic Planning Manager <b>Target for completion:</b> Complete		
3	Review and further development of a performance management system. <i>(Carried forward from 14/15 AGS)</i>  <i>Update 2016/17:</i> This work continues with the development of a new way of working under the Service Redesign project which includes the procurement of a new Performance Monitoring system.	New Performance Management framework now in place. New performance management system due to be procured next year (2017/18)
<b>Responsible Officer:</b> Performance and Governance Manager <b>Target for completion:</b> Complete		

GOVERNANCE ISSUE	PLANNED ACTION
<b>Governance issues identified from 2016/17 governance review</b>	
<p>Internal Audit review of developers' contributions highlighted opportunities to streamline processes. <i>(Brought forward from 2015/16 AGS )</i></p> <p><b>Responsible Officer: Chief Internal Auditor</b>  <b>Completion date: March 2018</b></p>	<p>Interim work was carried out ahead of phases 2b and 3 of Council transformation programme and processes reviewed as part of detailed design. New system to control and monitor Developers' Contributions currently under construction.</p>
<p>Absence of a Local Plan.  <i>(Brought forward from 2015/16 AGS)</i></p> <p><b>Responsible officer:</b> Strategic Planning Manager  <b>Completion date:</b> March 2018</p>	<p>New Local Plan is at an advanced stage of development and is planned to be submitted to Council for approval in December 2017</p>
<p>Whistleblowing Policy requires review and updating.  <i>(Brought forward from 2015/16 AGS)</i></p> <p><b>Responsible officer:</b> Lead Specialist HR  <b>Completion date:</b> October 2017</p>	<p>A draft policy has been produced in 2016/17 and is now subject to approval.</p>
<p>The need to establish clear governance arrangements which will allow partnerships to be evaluated.  <i>(Brought forward from 2015/16 AGS)</i></p> <p><b>Responsible officer:</b> Strategic Planning Manager  <b>Completion date:</b> March 2018</p>	<p>Review of partnership arrangements; to determine that they help to achieve partners' objectives cost-effectively, regularly review protocols and tell service users and the wider public about how key partnerships work will be completed as part of our transformation programme</p> <p>Following on from this an Internal Audit review of the Partnership Governance Arrangements should be carried out.</p>
<p>Internal Audit Review of cash and banking highlighted weaknesses in reconciliation processes</p> <p><b>Responsible officer:</b> Lead Specialist (Finance)  <b>Completion date:</b> September 2017</p>	<p>Full review to be carried out of reconciliation processes with opportunities to streamline</p> <p>Internal audit will also continue to monitor progress against this item.</p>

<p>Internal Audit Review of accounts payable identified opportunities to streamline processes around ordering, duplicate payments and reconciliation</p> <p><b>Responsible officer:</b> Lead specialist (finance)</p> <p><b>Completion date:</b> September 2017</p>	<p>Full review to be carried out with opportunities to streamline processes.</p> <p>Internal audit will also continue to monitor progress against this item.</p>
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. This will be addressed through six monthly monitoring of our governance issues by the Performance and Governance Manager in consultation with the Chief Internal Auditor. An update on progress will be provided within the next AGS.

Signed: *Signatures available on request from Financial Services, Eastleigh Borough Council*

**Councillor Keith House**  
Leader of the Council

**Nick Tustian**  
Chief Executive