

**Test Valley Borough Council****Annual Governance Statement 2019/20****Scope of responsibility**

The 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a local 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 on the Council's website at: <http://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/local-code-corporate-governance>, or can be obtained from the Head of Legal and Democratic Services. This statement explains how the Council has complied, and continues to comply, with the principles underlying this code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

**The purpose of the governance framework**

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 Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk at 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2020 and will continue to be developed during the coming year.

## **The governance framework**

The key elements of the systems and processes that comprise the Council's governance arrangements are as follows:

- The Council has fulfilled the following key roles (now formally adopted as part of the Local Code of Governance):
  - To promote the well-being of the area and provide leadership to the community;
  - To ensure the provision of high quality services provided in-house, by private sector companies, jointly with other Councils or agencies, or by the voluntary sector;
  - To be accountable and provide stewardship for the use of public funds and resources;
  - To build a strong sense of community.

In fulfilling these roles the Council is committed to following the six core principles of good corporate governance identified in the CIPFA/SOLACE Guidance and how the Council is working towards achieving these principles is set out in the document "Principles of Good Governance"

- A single strategic partnership for the Borough is in place called the Test Valley Partnership. It brings together the key partner agencies from across the public and voluntary and community sector. It meets twice a year and provides a place in which the key strategic issues facing the borough can be discussed, joint work developed and statutory duties met.
- The Council has a clear vision of its purpose and desired outcomes for the short, medium and long term. These are encapsulated in its Corporate Plan through a range of corporate and service strategies and through four areas of focus as part of the Council's commitment to the Test Valley Partnership. There has been considerable consultation and stakeholder involvement in the development and progression of these plans and strategies and they are made available to the public through a variety of means including the Council's website and Test Valley News.
- The Council has published a Corporate Plan for 2019 / 2023 "Growing Our Potential" which was approved by the Council on 10/04/19. It has four main aims and an action plan detailing how these aims will be delivered. It is supported by a performance management framework (including performance indicators) to measure progress. In developing the plan previous priorities were reviewed, extensive consultation was undertaken with local people and elected Councillors whilst also considering external influences on the borough such as government policy. The Council was, last year, chosen to take part in a national innovation in democracy pilot sponsored by Central Government. This allowed the Council to develop further good practice in terms of community involvement through the running of a citizens assembly for a regeneration scheme in Romsey.

- This informed the setting of the Council's future priorities and is supported by a robust evidence base taking into account the views of over 2000 local residents, external influences and statistical bases. The Council formally reviews its progress and performance against its corporate priorities through an Annual Corporate Action Plan Report  
<https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/corporate-plan-for-2019-to-2023> which is presented to Overview and Scrutiny Committee (OSCOM) and the Cabinet.
- Members of OSCOM undertake task and finish panel reviews. Once an area for review has been identified, the lead member/chairman of the panel presents the draft scoping document for the review to the full committee for consideration. A full report is then subsequently presented to OSCOM once the review has been completed or reached an appropriate stage. This process has ensured more effective and focused reviews and a clear line of responsibility to the main committee. In addition, there are standing panels; the Audit Panel and the Budget Panel which meet regularly throughout the year and cover scrutiny of all the financial activities of the Council. The standing panels report to OSCOM on a regular basis and bring any issues of concern to the attention of the Committee.
- The Council has in place a Medium Term Financial Strategy, updated annually, which supports the aims of the Corporate Plan.
- The quality and value for money of services provided to users is measured through the Authority's performance management system. This includes the measurement and review of performance against national and local performance indicators and actions taken to address areas for improvement. Performance is monitored regularly throughout the year by Performance Boards.
- The roles of the Cabinet, OSCOM, and other committees of the Council as well as specific roles assigned to the Leader, Deputy Leader, Portfolio Holders and senior officers of the Council are defined and documented within the Council's Constitution. The Constitution also clearly identifies the powers, duties and responsibilities delegated to the Deputy Leader, Portfolio Holders and Officers, and includes rules for how Council and committee meetings should operate and the relationship between Members and Officers.
- The conduct of Members and Officers is regulated by separate codes of conduct within the Council's Constitution. The Council's General Purposes Committee together with the General Purposes Employment Appeals and Ethics Sub-Committee promote high standards of conduct by Members and consider complaints made against Members. A comprehensive set of Human Resources policies ensures compliance with employment legislation and promotes good personnel practices. These include disciplinary and capability processes to deal with conduct or performance which is unacceptable. These policies and procedures are regularly reviewed and revised.

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- The conduct of day to day Council business is regulated through policies and procedures such as Contract Standing Orders and Financial Regulations. These accord with good professional practice and were revised in 2017. The delegations to Members and Officers are kept continually under review and revised as appropriate.
- Elected members and all officers are aware of their obligations under equality legislation, as well as the standards of behaviour and language which are expected from representatives and employees of the Council. Ongoing training is provided for both Members and officers. Equality impact assessments are built into the Council's decision-making process. The Council has reviewed its corporate equalities objectives, alongside its duties under the new gender pay gap publication requirements. The Council continues to deliver training on the Equality Act 2010 to new members of staff and to Members. The Council published information that demonstrates compliance with the Equality Duty as defined by the Equality Act 2010 on its website in March 2018.  
[https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities\)](https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities).
- The Council has established Disability Focus Groups that contributed towards the development of the new Corporate Plan. . The groups are helping the Council and its partners on an ongoing basis.
- Section 11 of the Children Act 2004 places key responsibilities on district councils (as a statutory partner) with regard to safeguarding children and young people. The Care Act 2014 came into force in April 2015. This now places adult safeguarding on a statutory footing and requires district councils to pay due regard to our vulnerable adults in accordance with this legislation. The Council has adopted a Safeguarding Children, Young People and Vulnerable Adults policy and procedure to ensure compliance with these duties. On a regular basis the Hampshire Safeguarding Children Board requires all statutory partners to complete a Section 11 audit as a self assessment tool to assess their position in respect of its safeguarding duties. The last audit in 2019 identified that Test Valley Borough Council is compliant with Section 11 of the Children Act.
- The Council is introducing a new Council Tax discount that will exempt Care Leavers from Council Tax until their 25<sup>th</sup> birthday.
- The Council's approach to risk management is outlined in its Risk Management Strategy. Corporate risks are reviewed on a quarterly basis by the Council's Service Performance Boards and progress in managing the corporate risk register is reported to OSCOM on an annual basis. The Finance Portfolio Holder is the Council's Member Champion for risk management and risk management is embedded within the Council's processes e.g. reports to decision-making committees use a template which includes a section on risk assessment which must be completed before the report can be considered.

- The Council's OSCOM Audit Panel meets 3 times a year to undertake the core functions of an “audit committee”. The terms of reference for the Audit Panel include:

**Audit Activity**

- To consider the Internal Audit Partnership Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider reports dealing with the management and performance of the providers of internal audit services.
- To consider a report from internal audit on agreed actions not implemented within a reasonable timescale.
- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.

**Regulatory Framework**

- To maintain an overview of the Council's constitution in respect of contract standing orders, financial regulations and codes of conduct and behaviour.
  - To review any issue referred to it by the chief executive or a director, or any Council body.
  - To monitor the effective development and operation of corporate governance in the Council.
  - To monitor Council policies on whistleblowing and the anti-fraud, anti-corruption and anti-bribery strategies and the Council's complaints process.
  - To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
  - To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
  - To consider the Council's compliance with its own and other published standards and controls.
- The Chief Executive is the Council's Head of Paid Service and has overall corporate management and operational responsibility for the way in which the Council delivers its services. The Head of Legal and Democratic Services is designated as the Council's Monitoring Officer and has responsibilities under section 5 of the Local Government and Housing Act 1989 for ensuring that the Council complies with relevant laws and regulations and internal policies such as Contract Standing Orders. The Head of Finance is designated as the Council's Section 151 Officer with responsibility for ensuring the “proper administration of financial affairs”. The Head of Finance also has responsibility under section 114 of the Local Government Finance Act 1988 for reporting to the Council and the external auditor if the Council has made,

or is about to make, expenditure which is unlawful. These three statutory officers meet as necessary during the year to discuss significant corporate issues as they arise.

- The CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requires the Chief Finance Officer to report directly to the Chief Executive and be a member of the ‘Leadership Team’, of equal status to other members. The Council does not strictly comply with this requirement in that the Head of Finance is not part of the Strategic Management Team (Chief Executive and two Corporate Directors) and reports to one of the Corporate Directors. However, in practice, the Head of Finance is able to report directly to the Chief Executive and Members as and when required, is a member of the Officers’ Management Team, and is involved and consulted in all matters which have financial implications for the Council.
- The Council’s Constitution contains a Confidential Reporting Code for Employees which safeguards “whistle-blowers” who raise legitimate concerns about the Council’s actions and specifies how their concerns should be addressed. Financial Regulations require all staff to raise concerns about the use or misuse of Council resources with the Head of Finance or Internal Audit who will carry out an independent investigation of the circumstances. Internal Audit also actively encourages staff to raise matters of concern through “Speak Up” campaigns. A form is available on the Council’s Intranet for staff to raise concerns (anonymously if desired) about the use of Council resources and this facility has been extended to the website so that members of the public can raise concerns in this area. The Council also has a formal complaints procedure for members of the public to raise issues, e.g. where they are dissatisfied with the service they have received, and an annual report is prepared for OSCOM summarising these complaints and how they were resolved.
- The Council has a detailed Anti-Fraud and Corruption Policy which sets out the roles, responsibilities of officers and Members and actions to be taken when fraud or corruption is discovered. In addition, an Anti-Bribery Policy has been approved to address the requirements of the Bribery Act 2010.
- The Democratic Services Manager is responsible for identifying and providing for councillors’ training needs. The Council has a cross-party Member and Community Development Group which is supported by officers from a range of services. This Group has continued to work to promote an enhanced role for councillors that focuses on them acting as a catalyst for change to encourage communities to reach their full potential. This work has brought together the needs and expectations of our communities in order to make balanced decisions, and has ensured a culture of democratic accountability is embraced throughout the Council. The Group enables the Council to develop a programme of councillor training and development that is shaped by the councillors themselves ensuring that training and development activities offered are tailored to individual councillor needs as well as the needs of councillors generally, the council and communities. This work has been

shared with the Councillor Commission and has become a key part of the ongoing work that supports this national project.

- All new councillors are provided with induction training to assist them with understanding and successfully carrying out their different roles, with an ongoing programme of training and development provided on specific issues where appropriate e.g. planning, and to build key skills and knowledge.
- The Councillor Member and Community Development Group helped develop an extensive induction programme which was implemented for the new intake of councillors elected in May 2019.
- All officers also receive induction training and appropriate professional and skills training and development identified, for instance, through annual performance discussions.
- Work has continued during 2019/20 to develop and produce a People Strategy to shape the cultural direction and people management practices for the future to enable the Council to achieve its ambitions over the next 3-5 years. Whilst being able to respond to the changing needs of local government and the borough's residents this will form part of the Council's Corporate Framework with close links to the Corporate Plan and Medium Term Financial Strategy.
- The Council has in place various channels of communication with the community and other stakeholders. The Council's Consultation Portal provides a single link to all our current 'live' consultations, giving residents the opportunity to get involved, as well as access to details of the feedback from previous consultations. There are a number of tools in place to enable the Council to hear the widest range of views from local communities, in a consistent way, as part of an evidence led approach to decision making. These include:
  - Statement of community involvement.
  - Community Planning Toolkit.
  - Specialist advice and support through Community Engagement Officers and policy Team.
  - Equality objectives which set out how the Council will ensure an inclusive approach to consultation. As the Council's place-based approach has grown partnership websites such as Andover Vision and Romsey Future have been developed, where appropriate, due to the collaborative nature of the projects e.g. Romsey South of town Centre. Consultation and project information has been posted to these websites with clear links back to relevant Council Services.).  
<https://www.testvalley.gov.uk/consultations>. Publications such as Test Valley News are sent to all households and the Council's website is an important source of information about the Council and its services. The Council's website has been designed to make it more accessible to residents and businesses of Test Valley and to make it easier to

undertake transactions online. A new External Communications Strategy has been produced to support the new Corporate Plan.

- The Council has identified its key partnerships and promotes good governance in those. The Council's Contract Standing Orders and Financial Regulations contain specific sections on partnerships and identify officer responsibilities in relation to the management and involvement in partnerships. Protocols and agreements are put in place for the management of significant partnerships.
- Covid 19 Governance - The Coronavirus pandemic which manifested towards the end of this reporting period has necessitated some interim amendments to processes and controls. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud. The crisis has required the Council to be innovative and flexible in releasing funds in a swift and controlled way. Interim processes have been put in place to maximise the benefits to residents and businesses. Crises like this will inevitably attract individuals who see the opportunity for fraud. All managers have been reminded of the risk of fraud and the various forms it may take. Interim processes are designed with this particular risk in mind.

### **Review of effectiveness**

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 of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Internal Audit Partnership Manager, and also by comments made by the external auditor and other review agencies and inspectorates.

The effectiveness of the governance framework is maintained and reviewed through a number of mechanisms and processes:

Full Council is ultimately responsible for maintaining, revising and ensuring compliance with the Council's Constitution. The Head of Legal and Democratic Services reviews the Constitution at least annually to ensure that it is up to date with current legislation and best practice.

- The Cabinet has responsibility for the day to day operation of the Council's business unless that business is delegated specifically to another committee (e.g. Planning, Licensing) and ensuring that governance arrangements and compliance is adequate for the conduct of that business.
- As part of the Council's open and transparent approach, Overview and Scrutiny Committee has responsibility for scrutinising the decisions of the Cabinet and reviewing the Council's policies and functions and making recommendations to the Cabinet as appropriate.

- The Council's OSCOM and its Audit Panel takes responsibility for audit and risk management issues, reviewing the Council's work in these areas and monitoring the progress and performance of both Internal and External Audit.
- The Council's General Purposes Committee together with the General Purposes Employment Appeals and Ethics Sub-Committee have the role of promoting and maintaining high standards of conduct amongst Members and assisting them to observe the Authority's Code of Conduct. The work of the Sub-Committee is supported by the appointment of three Independent Persons and Parish representatives as required by the Localism Act 2011, The General Purposes Committee may receive reports as to the operation of the Code of Conduct in addition to which the General Purposes Employment Appeals and Ethics Sub-Committee will receive complaints about Member conduct and determine such complaints and direct or recommend any further action required consistent with the Localism Act 2011 and associated regulations.
- The Council's Internal Audit team, located within the Finance Service, carries out a continuous review of the Council's systems to provide independent assurance that the control environment is effective in achieving the Council's objectives. The team objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Authority's resources. The performance of the Internal Audit team is monitored by the Council's Audit Panel and Section 151 Officer. The Internal Audit Partnership Manager presents the Internal Audit Strategy and Annual Audit Plan to the Audit Panel and produces an Annual Report giving an opinion of the adequacy of the Council's systems of internal control.
- The Council participated in an LGA Peer Challenge in October 2018 providing an independent review across the following areas:
  - Understanding of the local place and priority setting
  - Leadership of Place
  - Organisational leadership and governance
  - Financial planning and viability
  - Capacity to deliver

In addition to the five core questions, the Council asked the team to consider the Council's approach to inclusive growth and development, particularly within the principal towns of Romsey and Andover.

The Peer Team published their findings and recommendations through a feedback report. The Council was recognised as being well-led and effectively managed, with the Council's current financial position comparatively strong. The Council was found to be self-aware with good officer/member relationships with a robust approach to strategic planning in place. The peer team felt that the Council could be more confident in communicating the contribution it is making to the communities it serves.

The Council considered the findings and produced and implemented an action plan approved by Cabinet which provides a focus for how the council will take forward the

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recommendations highlighted by the peer team. A copy of the report can be found via the following link. [LGA Peer Review 2018](#).

A self assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2020. The Public Sector Internal Audit Standards are a mandatory requirement, the objectives of which are to:

- define the nature of internal auditing within the UK public sector,
- set basic principles for carrying out internal audit in the UK public sector,
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The self assessment concluded that the function “generally” or “partially” conforms with the standards. There is evidence that the work the Internal Audit function has delivered is effective; especially around risk and performance. It contributes to and has influence in, the Authority on these areas. It is a highly respected service that is engaged with the Organisation and which provides on-going support in key areas, as well as effective assurance on controls.

Following an external assessment in March 2019 an action plan was compiled to address the gaps identified at the time and to ensure the function is fully effective both strategically and operationally. The action plan has been implemented during 2019/20 and reported to the Audit Panel. The only note to the 2019/20 Audit Opinion is in regards to the composition of the audit universe and audit plan for 2019/20. Due to the timing of the external PSIAS assessment, the audit plan for 2019/20 had already been created based on the existing audit universe which, following the assessment has been declared as inadequate. Therefore it is not possible to confirm that the Authority produced an audit plan which encompassed the key risks facing the council. By way of mitigation to this, the key fundamental system audits have been conducted under a new Risk based Auditing model providing confidence that the main financial audits of the Council have incorporated a robust risk assessment to ensure the scope is adequate in determining the risks associated with those activities.

***On the basis of Internal Audit work completed in 2019/20, the Deputy Chief Internal Auditor of Portsmouth City Council is able to provide Substantial assurance in respect of the Council's risk management, control and governance arrangements. “Substantial Assurance” means that systems in place are generally sound, but some weaknesses have been identified which may put some of the control objectives at risk. These weaknesses have been identified and form the basis of the action plan appended to this Statement.***

- The Council is regularly reviewed by the External Auditor (Ernst and Young LLP) who independently examines the Council's accounts and financial systems and who presents an [Annual Audit Letter](#) to Members, the latest available covering the financial year 2018/19. This was a positive report with

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an unqualified opinion on the Council's accounts, system of internal control and arrangements to achieve value for money.

The emergence of the Covid 19 pandemic towards the end of March 2020 has had an unprecedented impact on the Council's governance arrangements for the remainder of the 2019/20 year and more significantly into 2020/21. These impacts will need to be evaluated, in line with government guidance and mitigation measures, and developed alongside the Council's strategic partners and Local Resilience Forum.

The date for final publication of the Council's accounts and Annual Accounts and Annual Governance Statement has also been put back to 30 November in England as a result of the Coronavirus pandemic. Once post Covid 19 assurance work has been undertaken, this Annual Governance Statement may need to be updated, prior to the new deadline, to reflect any governance changes or issues that arose.

**DECLARATION**

We have been advised on the implications of this review of the effectiveness of the governance framework and of any significant governance issues. A plan to address weaknesses and ensure continuous improvement of the system is in place as shown in the attached annex.

We propose over the coming year to take steps to address these 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:** .....

Leader of the Council

Chief Executive

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### Significant governance issues

Annex

The following identifies the significant governance issues to be addressed, the proposed action, timescale and lead officer.

Issue	Action to be Taken	Timescale	Lead Officer
Climate Emergency Action Plan: The Council declared a Climate Emergency in September 2019. A draft action plan, setting out how the Council will reduce carbon emissions, is to be reported to Overview and Scrutiny Committee on 18 <sup>th</sup> March and Full Council in April 2020.	To deliver the actions contained within the Climate Emergency Action Plan.	31/03/21	G Smith
South of Romsey Town Centre Masterplan: Working with Romsey Future the Council is due to complete the Masterplan by June 2020. The implementation of the Masterplan will require additional resources, project management and professional advice some of which will be externally procured.	To effectively manage the resourcing and complexity of the implementation of the Masterplan.	31/03/21	A Ferrier/G Smith
Andover Town Centre Masterplan: In consultation with the local community and Andover Vision the Masterplan is due for completion by July 2020. The implementation of the Masterplan will require additional resources, project management and professional advice, some of which will be externally procured.	To effectively manage the resourcing and complexity of the implementation of the Masterplan.	31/03/21	C Moore/P Jackson

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<b>Issue</b>	<b>Action to be Taken</b>	<b>Timescale</b>	<b>Lead Officer</b>
Covid 19 Response and Recovery: The Local Resilience Forum (LRF) formally activated a Recovery Co-ordinating Group (RCG) on the 25 March. This multi-agency group involves strategic partners from across the LRF to develop a recovery plan with the aim <i>"to restore the social, economic and political wellbeing of Hants &amp; the Isle of Wight"</i> .	To develop a local recovery plan for the Council and its communities. To seek to align this where appropriate with the LRF/RCG plan using the LRF mechanism as way in which to influence and tap into any wider resource or opportunities and to ensure a level of consistency on the key issues.	31/03/21	A Ferrier