

## Audit Committee – 27 March 2023

### Test Valley Borough Council

#### Annual Governance Statement 2022/23

#### **1 Scope of responsibility**

- 1.1 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.
- 1.2 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.
- 1.3 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 Local Code of Corporate Governance is on the Council's website at: <http://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/local-codecorporate-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.

#### **2 The purpose of the governance framework**

- 2.1 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.
- 2.2 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.

- 2.3 The system of internal control is based on an ongoing 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.
- 2.4 The governance framework that has been in place at the Council for the year ended 31 March 2023 is explained in the following section along with changes that have been implemented in the year. It will continue to be developed during the coming year.

### **3 The impact of Covid19 on the governance framework**

- 3.1 During the course of 2022/23 the Council's governance arrangements have become less impacted by the coronavirus pandemic. This reflects the national picture of moving towards a strategy of living with covid and moving away from a direct response and recovery phase.
- 3.2 The Council delivered the key elements of its Covid-19 Recovery Plan due to being focused on the response and immediate recovery phase aligned to the national picture around Covid19. Priorities such as the safety of our population, sustainable recovery and reviewing future working practices have become embedded within the organisation and are being delivered within services as part of their ongoing projects or business-as-usual practices. Therefore the Corporate Action Plan project focusing on recovery was closed down and brought off the Corporate Action Plan at its last update in April 2022.
- 3.3 The Council has sought to draw the lessons learned from the pandemic to inform its future work on responding to unforeseen incidents through strengthening its approach to community resilience, building capacity within communities and ensuring the council has agility in the way that it works to call upon the skills and resources needed from across services when such incidents occur. Examples in 2022/23 which required this approach include responding to the cost-of-living crisis and supporting refugees as a result of the war in Ukraine.

### **4 The governance framework**

- 4.1 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, (where the ability to influence exists), 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.

4.2 In fulfilling these roles the Council is committed to following the six core principles of good corporate governance identified in the CIPFA/SOLACE Guidance.

### Partnership Working

4.3 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.

4.4 The Test Valley Partnership and its umbrella groups (community safety management group, community resilience forum and the civilian military forum) all continued to meet during 2022-23. The partnership has reviewed its programme of work in-light of where evidence is demonstrating a focus is required.

4.5 During this year the partnership has continued to demonstrate its added value by bringing partners together to work on key issues affecting communities in Test Valley by aligning work and resources and taking a focused and targeted approach to where it can make its greatest impact. A good example of this in practice has been the response to the Cost of Living crisis.

4.6 The partnership held a special meeting in August with approximately 40 delegates in attendance from across the public and voluntary sector. As a result, the partners were able to pool knowledge on existing support and explored who would be in most need of that support map where the gaps were and to think about how the partnership can work together to help in response to these challenges.

4.7 The headline outcomes were:

- Established a cost-of-living **information hub** on the Council website with input from a host of agencies.
- Established a £50,000 **cost-of-living grant** for organisations supporting households through that crisis that was later increased to £100,000.
- Establishment of a weekly **stakeholder** meeting to touch base and enable organisations to share any early warning signs, any insight in to what the story behind the headlines is for people living in Test Valley, and to check whether we need to mobilise the wider partnership to identify further support.

- 4.8 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.

### Community Working and the Corporate Plan

- 4.9 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 and in its delivery vehicle, the Corporate Action 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.
- 4.10 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.
- 4.11 The Council has published a Corporate Plan for 2019 / 2023 "Growing Our Potential" which was approved by the Council on 10<sup>th</sup> April 2019. It has four main aims and an action plan detailing how these aims will be delivered. 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.
- 4.12 Work commenced in Summer 2022 to prepare the evidence for the development of the new Corporate Plan which will come into effect from April 2023. This is an extensive process which seeks to bring together evidence that reflects the strategic influences facing the authority and is built upon a robust package of public engagement over two phases. The development of the plan includes the active engagement of the council's overview and scrutiny committee throughout the process and will be considered by Full Council in April 2023.
- 4.13 The Council has a longstanding strategic commitment to work with its communities collaboratively. At the centre of this is the democratic role elected councillors play in bringing communities together to ensure inclusivity when undertaking local action planning and priority setting. The Council's Member and Community Development Group, chaired by the Leader of the Council, supports community councillors to engage more effectively with local residents and communities.
- 4.14 Building upon the practice and learning gained as part of the council's participation in the Innovation in Democracy Programme, further opportunities to embed and develop our approach to innovative engagement practice through the use of deliberative engagement has taken place in 2022/23.

- 4.15 As part of the development of the new Corporate Plan, the Council has worked with the Involve Foundation (a leading national organisation on public engagement) to design and deliver a series of deliberative events across the borough to enable a representative group of the borough's population to come together to explore the future focus of the council's corporate plan priorities. Drawing upon lived experience, data and insights and facilitating deliberation amongst participants has culminated in a series of robust outcome statements for the council to consider which will help shape our future strategic focus.
- 4.16 Embedding this practice has included specialist training from Involve to TVBC staff to be able the council to facilitate this form of engagement practice on an onward basis and builds upon earlier development work as a result of the workshop in 2021 held with senior managers which was hosted by the Southern Policy Centre. In addition the Council has also undertaken deliberative activities with young people as part of the Andover Youth Assembly partnering with a local voluntary organisation to deliver this work.
- 4.17 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.
- 4.18 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.
- 4.19 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.

### Committee Role in Governance

- 4.20 The Corporate Plan is supported by a performance management framework (including performance indicators) to measure progress and performance against the Corporate Action Plan is reported annually to Overview and Scrutiny Committee.

- 4.21 At its meeting on 6 April 2022 Council resolved to form an Audit Committee in April 2022 with effect from 18<sup>th</sup> May 2022 replacing the arrangements previously undertaken by the OSCOM Audit Panel. This committee met four times during the year. The terms of reference for the Audit Committee can be found here:  
<https://democracy.testvalley.gov.uk/documents/g3494/Public%20reports%20p ack%20Monday%2020-Jun-022%2017.30%20Audit%20Committee.pdf?T=10>
- 4.22 Full Council is ultimately responsible for approving amendments to the Council's Constitution. The Head of Legal and Democratic Services is responsible for monitoring and reviewing the Constitution which is undertaken at least annually to ensure that it is up to date with current legislation and best practice.
- 4.23 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.
- 4.24 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.
- 4.25 The Council's Audit Committee 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.
- 4.26 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, the General Purposes Employment Appeals and Ethics Sub-Committee will be required to determine complaints which are referred to it by the Monitoring Officer following investigation and direct or recommend any further action required consistent with the Localism Act 2011 and associated regulations.
- 4.27 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.

- 4.28 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 is a standing Budget Panel which meet regularly throughout the year and covers the budget setting process of the Council. This panel reports to OSCOM on a regular basis and brings any issues of concern to the attention of the Committee.
- 4.29 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.
- 4.30 The Constitution clearly identifies the powers, duties and responsibilities delegated to the Leader, Deputy Leader, Portfolio Holders and Officers, and includes rules for how Council and committee meetings should operate and the relationship between Members and Officers.
- 4.31 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 the latter considers allegations of breach of the Code of Conduct by Members where referred to them.
- 4.32 Having regard to the benefits of remote meetings, the Council responded to the Government's consultation/call for evidence on the subject. The Council has been able to continue to avail itself of the ability to conduct non-committee business remotely or in a hybrid fashion where appropriate. Officers are investigating the potential for live streaming Council meetings.

### Supporting the Committee Role

- 4.33 The Council has a Strategy and Innovation Service to strengthen the Council's ability to develop and manage its corporate planning processes. The Service leads on key projects and programmes including the Council's approach to modernisation in its ways of working.
- 4.34 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.
- 4.35 The conduct of day-to-day Council business is regulated through policies and procedures such as Contract Standing Orders and Financial Procedure Rules. The delegations to Members and Officers are kept continually under review and revised as appropriate. These documents were updated during the 2022/23 financial year.

- 4.36 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.
- 4.37 A People Strategy was produced in 2020/21 which shapes 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 forms part of the Council's Corporate Framework with close links to the Corporate Plan and Medium Term Financial Strategy. Work has also been undertaken during the year to identify and review hard-to-recruit-to posts.

### Finance & Risk Management

- 4.38 The Council has in place a Medium Term Financial Strategy, updated annually, which supports the aims of the Corporate Plan. The Medium Term Financial Strategy has been materially affected by macro-economic factors of high inflation and rapidly increasing interest rates. The greatest risk to the MTFs is the uncertainty surrounding the potential for a business rates re-set which could see a material reduction in a key income stream, the timing and extent of which is beyond the Council's control.
- 4.39 Risk management is outlined in its Risk Management Strategy. Corporate and Service specific 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 the Audit Committee on 6 monthly basis.
- 4.39.1 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.

### Equalities, Diversity & Inclusion

- 4.40 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.
- 4.41 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.



- 4.42 There is an area of Portfolio responsibility focused on “Diversity and Inclusion”. The responsibility for being the Council’s lead for Equality, Diversity and Inclusion has been allocated to the Head of Legal & Democratic. The Council has published information that demonstrates compliance with the Equality Duty as defined by the Equality Act 2010 on its website. (<https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities>)
- 4.43 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.
- 4.44 The Council is a statutory partner with regards safeguarding its residents of all ages under both The Children Act 2004 and The Care Act 2015. The Council has in place a Safeguarding Children and Vulnerable Adults Policy and this and the associated procedures are monitored regularly to ensure compliance with these duties. The Council also liaises with both the Hampshire Safeguarding Children Partnership and Hampshire Safeguarding Adults Board to ensure this.
- 4.45 On an annual basis the Council is required by the Hampshire Safeguarding Children Partnership to complete the required Section 11 audit which is a self-assessment of its position with regards its safeguarding duties. The last full audit which took place in 2021 was reviewed in 2022 and identified that the Council is compliant with Section 11 of the Children Act.
- 4.46 On a bi-annual basis the Council is also required by the Hampshire Safeguarding Adults Board to undertake an audit of its position with regards its safeguarding duties, the last audit was undertaken in 2020 however due to pressures on organisations as a result of the pandemic the 2022 assessment was delayed and will take place in 2023.

### Environmental and managing a changing climate

- 4.47 The Council approved a Climate Emergency Action Plan in 2020 to identify the steps it will be taking to work towards achieving carbon neutrality. Evidence has been gathered to provide information on greenhouse emissions, decarbonisation and how the Council can deliver its services in a more environmentally friendly way.
- 4.48 The requirement to achieve nutrient neutrality from new residential development continues to affect the Council’s strategic priority to deliver housing. To help unlock housing delivery the Council has approved a mitigation framework which includes the purchase of nitrate credits for onward purchase by developers within the Borough.

- 4.49 Measures to secure the use of land to provide off-site mitigation solutions necessary to protect the internationally designated nature conservation sites in and around the Solent have included the purchase of nitrate credits from a third party which can be purchased from the Council directly through an approved mitigation framework. The Council is investigating the amount of nitrate credits arising from recent land purchases and how any credits could be used. Work has also continued with the Environment Agency, Southern Water and other partners to review permit limits at Wastewater Treatment Works serving the Borough.

### Officer structure

- 4.50 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 and Revenues is designated as the Council's Section 151 Officer with responsibility for ensuring the "proper administration of financial affairs".
- 4.51 The Head of Finance and Revenues 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.
- 4.52 These three statutory officers meet regularly throughout the year (plus as required on an ad hoc basis) to discuss significant corporate issues.
- 4.53 The CIPFA statement on the Role of the Chief Financial Officer in Local Government 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 and Revenues reports to the Deputy Chief Executive. However, in practice, the Head of Finance and Revenues is able to report directly to the Chief Executive and Members as and when required, is a member of the Management Team, and is involved and consulted in all matters which have financial implications for the Council.

### Complaints & Whistleblowing

- 4.54 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. The Code is monitored by the Audit Committee.

- 4.55 Financial Procedure Rules require all staff to raise concerns about the use or misuse of Council resources with the Head of Finance and Revenues 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.
- 4.56 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 the Audit Committee summarising these complaints and how they were resolved.
- 4.57 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.

### Training and awareness

- 4.58 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.
- 4.59 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.
- 4.60 The Group assists the Council in developing a programme of Councillor training and development that is shaped by the Councillors themselves, ensuring that training and development activities offered is 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.
- 4.61 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.
- 4.62 All officers also receive induction training and appropriate professional and skills training and development identified, for instance, through annual performance discussions.

- 4.63 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. An External Communications Strategy has been produced to support the emerging Corporate Plan.

### **5 Review of effectiveness**

- 5.1 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 Manager, and also by comments made by the external auditor and other review agencies and inspectorates.
- 5.2 The Council's Internal Audit team, located within the Finance & Revenues 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.
- 5.3 The performance of the Internal Audit team is monitored by the Council's Audit Committee and Section 151 Officer. The Internal Audit Manager presents the Internal Audit Charter, Strategy and Annual Audit Plan to the Audit Committee and produces an Annual Report giving an opinion of the adequacy of the Council's systems of internal control.
- 5.4 A self-assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2023. 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 evaluation of Internal Audit performance to drive improvement planning.
- 5.5 The self-assessment concluded that the function "generally" conforms to the standards.



## Governance Actions for 2022-23

No significant governance issues have been identified. The following are best practice developmental areas to strengthen the Council's governance arrangements.

Issue	Action to be Taken	Timescale	Lead Officer
<p><b>Contract Standing Orders:</b> Strengthen the knowledge and understanding of procedure rules that underpin procurement of goods and services by the Council.</p>	<ul style="list-style-type: none"> <li>• To provide in-house refresher training for all authorised signatories on Contract Standing Orders and to update them on changes made to the Contract Standing Orders in 2022.</li> <li>• To enhance the initial training and awareness of Contract Standing Orders as part of the induction process for officers who will have procurement responsibilities as part of their role.</li> </ul>	30/09/23	Head of Finance & Revenues
<p><b>Performance Management Framework:</b> To update the council's performance management framework in light of the new Corporate Plan being developed.</p>	<p>To ensure an integrated approach to performance management, the preparation and monitoring of the Corporate Action Plan, Service Planning, Performance indicators/ impact measures and risk.</p> <p>To review and update the Council's approach to the management and monitoring of risk.</p>	31/03/24	Head of Strategy & Innovation and Head of Finance & Revenues

## APPENDIX

<p><b>BCP and Cyber security/response and implementation of the new approach:</b> To implement an updated approach to preparation and management of corporate and service business continuity plans.</p>	<p>To ensure the continued delivery of services following a major incident based around the principles of Resilience, Recovery and Contingency through review and update of the Council's approach to disaster recovery.</p>	<p>31/03/24</p>	<p>Head of Strategy &amp; Innovation</p>
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