

Test Valley Borough Council

Annual Governance Statement 2018/19

Scope of responsibility

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.
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.
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 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

4. 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.
5. 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.

6. The governance framework has been in place at the Council for the year ended 31 March 2019 and will continue to be developed during the coming year.

The governance framework

7. The key elements of the systems and processes that comprise the Council's governance arrangements are as follows:
8. The Council has fulfilled the following key roles (now formally adopted as part of the Local Code of Governance):
 - a. To promote the well-being of the area and provide leadership to the community;
 - b. 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;
 - c. To be accountable and provide stewardship for the use of public funds and resources;
 - d. 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"

9. 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.
10. 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.
11. Work on developing a [Corporate Plan for 2019-2023 "Growing Our Potential"](#) was undertaken during 2018/19 with Councillors taking an active and collaborative role in the process. 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. 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.

12. This new Corporate Plan was approved by Council on 10/04/19 and has been designed to build on the strong foundations of the previous 2015 – 2019 plan “Investing in Test Valley” that was in place throughout 2018/19.
13. The Council formally reviews its progress and performance against its corporate priorities through an [Annual Corporate Action Plan](#) Report which is presented to Overview and Scrutiny Committee (OSCOM) and the Cabinet.
14. 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.
15. The Council has in place a Medium Term Financial Strategy, updated annually, which supports the aims of the Corporate Plan.
16. 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.
17. 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.
18. 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.

19. 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.
20. 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>
21. The Council has established a Disability Focus Group that contributed towards the development of the new Corporate Plan. Its members have agreed to help the Council and its partners on an ongoing basis.
22. 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 2018 identified that Test Valley Borough Council is compliant with Section 11 of the Children Act.
23. 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.

24. The Council's OSCOM Audit Panel meets quarterly to undertake the core functions of an "audit committee". The terms of reference for the Audit Panel include:

Audit Activity

- a. 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.
- b. To consider summaries of specific internal audit reports as requested.
- c. To consider reports dealing with the management and performance of the providers of internal audit services.
- d. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- e. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- f. To consider specific reports as agreed with the external auditor.
- g. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- h. To commission work from internal and external audit.

Regulatory Framework

- i. To maintain an overview of the Council's constitution in respect of contract standing orders, financial regulations and codes of conduct and behaviour.
- j. To review any issue referred to it by the chief executive or a director, or any Council body.
- k. To monitor the effective development and operation of risk management and corporate governance in the Council.
- l. To monitor Council policies on whistleblowing and the anti-fraud, anti-corruption and anti-bribery strategies and the Council's complaints process.
- m. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- n. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- o. To consider the Council's compliance with its own and other published standards and controls.

25. 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.

26. 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.
27. The Council's Constitution contains a Confidential Reporting Code for Employees which safeguards "whistle-blowers" who raise 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.
28. 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.
29. The Democratic Services Manager is responsible for identifying and providing for councillors' training needs. The Council has a Members and Community Development Group, which is an advisory group put together by the Leader. It is supported by officers from a range of services. This Group has continued to work to promote an enhanced role for councillors that focusses 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.

30. 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.
31. The Councillor Member and Community Development Group has helped develop an extensive induction programme for the new intake of councillors that were elected in May 2019.
32. All officers also receive induction training and appropriate professional and skills training and development identified, for instance, through annual performance discussions.
33. Work has commenced during 2018/19 to develop 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.
34. 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:
<http://www.testvalley.gov.uk/aboutyourcouncil/consultation-portal>.
The consultation portal is supported by Community Engagement Quality Standards which provide the guiding principles that inform the way we carry out our activities to inform, involve and consult local people. The purposes of the quality standards are to support the Council in developing the most appropriate methods of engaging with local people and to ensure a consistent approach. 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 Draft External Communications Strategy has been produced to support the new Corporate Plan.

35. 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.

Review of effectiveness

36. 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.

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

38. 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.

39. 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.

40. 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.

41. 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.

42. 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.

43. 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.
44. The Council participated in an LGA Peer Challenge in October 2018 providing an independent review across the following areas:
 - a. Understanding of the local place and priority setting
 - b. Leadership of Place
 - c. Organisational leadership and governance
 - d. Financial planning and viability
 - e. Capacity to deliver
45. 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.
46. 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.
47. The Council has considered the findings and has produced an action plan approved by Cabinet which provides a focus for how the council will take forward the recommendations highlighted by the peer team. A copy of the report can be found via the following link. [LGA Peer Review 2018](#).
48. An external assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2019. The Public Sector Internal Audit Standards are a mandatory requirement, the objectives of which are to:
 - a) define the nature of internal auditing within the UK public sector,

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

49. The assessment concluded that the function “generally” or “partially” conforms with 82.3% of the standards. Whilst there are gaps in some key areas, the assessment found clear evidence that “the work the Service 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”. A detailed action plan has been compiled to address the gaps and to ensure the function is fully effective both strategically and operationally.

50. Assurance Opinion:

The Deputy Chief Internal Auditor of Portsmouth City Council has made the following assessment:

Based on judgements made since I have been in post (November 2018) and the results of the External Public Sector Internal Audit Standards (PSIAS) Assessment (April 2019), I am able to provide a qualified opinion on the effectiveness of the control framework and governance processes at Test Valley Borough Council.

The results of the audits undertaken in 2018/19 have resulted in 90% achieving Full or Substantial assurance. In addition, the completion or progress of follow up actions was 78%.

Based on these results only, I am able to provide Substantial Assurance on the effectiveness of the control framework and governance processes at Test Valley Borough Council. This opinion is qualified as a result of the PSIAS assessment which highlighted 8 areas of non-compliance as they impact upon the Annual Audit Opinion in the following ways:

- ***Assurance mapping has not occurred and therefore the opinion is based solely on the Internal Audit work.***
- ***I am unable to provide assurance that a strategic framework is in place to deliver an effective Internal Audit Service***
- ***Nor am I able to confirm whether appropriate resources have been allocated to provide the level of Internal Audit review needed for this Authority.***
- ***Concerns were raised regarding the completeness and methodology of the Audit Universe. Therefore I am unable to place assurance that the composition of the 2018/19***

Audit Plan was sufficiently risk based and therefore contained sufficient scope of the Authority's key risks.

51. On the basis of Internal Audit work completed in 2018/19 only, the Deputy Chief Internal Auditor of Portsmouth City Council has provided a “substantial assurance” in respect of the Council’s risk management, control and governance arrangements but this opinion has been qualified as a result of the PSIAS assessment. “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.

52. 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 2017/18. This was a positive report with an unqualified opinion on the Council’s accounts, system of internal control and arrangements to achieve value for money.

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

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
<p><u>LGA – Peer Challenge:</u> The Council participated in a Local Government Association (LGA) Peer Challenge in October 2018. The findings have been considered and an action plan produced and approved by Cabinet which focuses on how the Council will take forward the recommendations highlighted by the Peer Team.</p>	<p>To deliver the action plan produced to take forward the recommendations highlighted in the LGA Peer Review Report.</p>	<p>31/03/20</p>	<p>Andy Ferrier</p>
<p><u>IT Shared Services – Next Steps:</u> The Shared IT Services team spanning Test Valley Borough and Winchester City councils has been in place since 2010 and is today delivering a robust and stable service to around 1000 users. This includes joint procurement and system implementations as well as business change projects. The Councils are now seeking to build on this success and to gain new revenue for the councils by offering an IT Service on a commercial basis to new organisations.</p>	<p>To recruit a suitably skilled and experienced Head of IT Shared Service to lead the Service in developing our commercial offer.</p> <p>Having established themselves in post, for the newly appointed Head of IT Shared Service to proactively seek out and explore suitable commercial opportunities for the Councils.</p> <p>To explore, conduct options appraisal and recommend appropriate trading mechanisms in response to commercial opportunities.</p>	<p>Recruitment 30/04/19</p> <p>Other actions dependent upon above date.</p>	<p>Carol Moore</p>

Issue	Action to be Taken	Timescale	Lead Officer
<p><u>Public Sector Internal Audit Standards (PSIAS):</u> An external assessment of the internal audit function's conformance with the PSIAS carried out in March 2019 concluded that the Internal Audit function "generally" or "partially" conforms with 82.3% of the standards. As a result, a qualified but substantial assurance opinion has been given in respect of the Council's risk management, control and governance arrangements. A detailed action plan has been compiled to address the gaps in meeting the required standards and this will be reviewed and agreed with the Audit Panel at its meeting on 25th July, 2019.</p>	<p>Implement the action plan to ensure the internal audit function is fully effective both strategically and operationally.</p>	<p>31/03/20</p>	<p>Will Fullbrook</p>