



**Hampshire**  
County Council

**ANNUAL GOVERNANCE STATEMENT  
2022/2023**

**FOR**

**HAMPSHIRE COUNTY COUNCIL**

**AND**

**HAMPSHIRE PENSION FUND**

# Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund

## 1. Scope of Responsibility

Hampshire County Council is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards.
- public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
- there is a sound system of internal control, which facilitates the effective exercise of the County Council's functions and which include arrangements for the management of risk.

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel and Board.

The combined Panel and Board is responsible for investment, management and governance of the Fund.

This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement during 2022-2023.

## 2. The purpose of Corporate Governance

The governance framework comprises the systems and processes, and cultures and values, by which the County Council is directed and controlled and its activities through which it accounts to, engage with and leads the community. It enables the County Council to monitor the achievements of the County Council's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the County Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hampshire County Council for the year ending 31 March 2023 and up to the date of approval

of the annual report and the statement of accounts.

The County Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is available on the County Council's Web site at:

[Code of Corporate Governance](#)

### **3. Core Principles of good governance**

#### **3.1 Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.1.1 The County Council's Constitution is predicated on it operating in an open and transparent way, and for the Leader of the County Council and the Chief Executive to set the tone for the organisation by creating a climate and culture of openness, support, and mutual respect.
- 3.1.2 The County Council is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the County Council's Code of Corporate Governance which was adopted by the County Council during 2016-17. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the County Council to integrity, ethical values and the rule of law.
- 3.1.3 Officers from Legal Services and Governance monitor new legislation with the assistance of on-line resources and provide an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.
- 3.1.4 The County Council continues to further strengthen the arrangements governing work to advance inclusion and diversity across the Authority and its services, extending this to encompass wellbeing. In addition to a Steering Group, chaired by the Director of People and Organisation, and an Operational Forum, bringing together Equalities Leads and Champions, we have several staff network groups which play key roles in this space across the organisation.
- 3.1.5 The Director of People and Organisation chairs the County Council's Steering Group and oversees the formal staff networks and Wellbeing Task Group which focus on developing and driving forward work in support of the IDW agenda. Inclusion Sponsors from each directorate also play an important role in strengthening the County Council's external facing inclusion work, ensuring improvement actions are embedded within directorates and empowering staff at all levels to contribute to this agenda.
- 3.1.6 A strategic work programme is in place which demonstrates how the County Council is delivering against its Equality Objectives. This is informed by staff feedback and the results of external assessment against the National Inclusion Standard, undertaken by Inclusive Employers.

- 3.1.7 The County Council received *Bronze* award following its 2019 assessment, ranking top of the category and third overall. In the autumn of 2021, the County Council was awarded Level 2 accreditation in the Disability Confidence Scheme. This Scheme encourages employers to improve how they recruit, retain and develop disabled people and will support the Council as being an employer of choice.
- 3.1.8 The work programme continues to develop to meet the inclusion, diversity and wellbeing agenda and reports on a quarterly basis to the Steering Group, and the Corporate Management Team and on a bi-annual basis to Cabinet. This activity enables the County Council to meet, and go beyond, its statutory obligations under the Equalities Act.

### **3.2 Ensuring openness and comprehensive stakeholder engagement.**

- 3.2.1 The County Council's Corporate Strategy – the *Serving Hampshire* Strategic Plan - contains clear strategic aims which are communicated on the County Council's website and through various communications. The Plan provides an operating model for business planning and is informed by various directorate and partnership strategies and priorities. A revised Strategic Plan for the period 2021-2025 was agreed by the County Council in September 2021 and a further amendment in November 2021. A light touch review of the Strategic Plan will be completed during 2023/24.
- 3.2.2 Clear guidance and protocols on decision making, effective arrangements for the approval of exempt reports and easy to use templates for decision reports and records ensure that that the County Council takes decisions in public when appropriate and after a full consideration of relevant factors. Details of the framework relevant to decision making is set out in the Corporate Governance Framework.
- 3.2.3 Public consultation and engagement to inform decision making is undertaken in accordance with the County Council's Consultation Policy, which includes five principles of consultation setting out when and how the County Council will consult the public. Significant and statutory consultation is supported by the County Council's Insight and Engagement Unit, which operates within the Market Research Society's ethical Code of Conduct.
- 3.2.4 The results of all significant consultations are presented at the relevant decision-making forum to demonstrate how participants' views have been considered.
- 3.2.5 Consultation methodology is based on stakeholder analysis and equality impact assessment, undertaken at the outset of planning any engagement. This informs the best approach to reaching the target audience, including those who may be harder to engage. Alongside more traditional forms of engagement, such as surveys, the County Council employs creative tools and techniques where appropriate to engage different audiences, including working with the County Councils cohort of Community Researchers (established during the Pandemic) to support a number of Public Health priorities.

- 3.2.6 Digital platforms, such as Instagram and Facebook Live, are also increasingly being used to engage younger audiences and those who may find it more difficult to attend focus groups in-person. The regular residents' survey 'Hampshire Perspectives' also continues to support the County Council's insight into residents' opinions.
- 3.2.7 The County Council also regularly undertakes organisation-wide staff surveys on priority topics (e.g. inclusion and diversity; health and wellbeing) as part of a broader programme of employee engagement through a wide range of platforms and channels and in the context of new working practices including hybrid working.
- 3.2.8 Each financial year, an annual report on the Pension Fund is prepared for the Fund's employers to consider at an Annual Employers Meeting to be held by 31 October in the next financial year. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.
- 3.2.9 The Investment Strategy Statement is published and made available to scheme employers within three months of any amendments.
- 3.2.10 Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

### **3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.**

- 3.3.1 The strategic aims set out in the *Serving Hampshire* Strategic Plan include a description of the County Council's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire. These aims are underpinned by a series of key priorities, which reflect, and are supported by, other detailed directorate plans and strategies. Progress against the strategic aims and priorities is tracked through quarterly performance updates to the County Council's Corporate Management Team and six monthly to Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Performance Management Framework.
- 3.3.2 All reports to decision making bodies must also demonstrate their link to the *Serving Hampshire* Strategic Plan, as well as the results of the relevant impact assessments. Equality Impact Assessments and Climate Change Impact Assessments (the latter applying two decision-making tools to assess the carbon emissions and resilience impacts of relevant projects and decisions) are also required of relevant decisions.
- 3.3.3 The corporate Performance Management Framework which underpins the *Serving Hampshire* Strategic Plan, incorporates the separate monitoring and reporting of the agreed Climate Change Strategy and the recommendations from the Hampshire 2050 Commission of Inquiry.

3.3.4 The Pension Fund Panel and Board has a fiduciary duty to ensure that investment returns are maximised for the benefit of members of the Pension Fund, but in doing so must also have due consideration to Environmental, Social and Governance (ESG) issues. The Pension Fund Panel and Board is required to produce a Responsible Investment Policy and this was updated and approved by the Board in July 2022 (following to public consultation) and outlined the progress that had been made in particular against the Fund's carbon reduction programme and provided a commitment to the aim for its investments to be carbon neutral by 2050 at the latest in line with Government policy.

### **3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.**

3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the County Council ensures that decisions are only made after relevant options have been weighed and associated risks assessed. Details of the guidance and protocols are set out in the Code of Corporate Governance.

3.4.2 The Director of Corporate Operations advises the Pension Fund Panel and Board and its Responsible Investment sub-committee on all Pension Fund investment and administrative matters.

3.4.3 The Pension Fund's independent adviser advises the Panel and Board on investment matters.

3.4.4 The Pension Fund Panel and Board uses the Fund's actuary and other consultants as necessary, for advice on matters when in-house expertise is not appropriate. The Panel and Board takes advice from the actuary, the Fund's investment managers or specialist consultants or advisers as required on allocating assets and investment return targets.

3.4.5 Equality Impact Assessments (EIAs) are used throughout the organisation to assess the impact of service proposals and to inform decision making. In 2021 Directorates completed an internal assessment of the equality and inclusiveness of their services, leading to the development of action plans on areas for potential improvement.

3.4.6 The emerging themes included *creating awareness* (amongst our service users, residents, communities, providers, partners and staff), *building skills, knowledge, confidence and capability*, developing our *service planning* approach through integrating equality objectives, as well as embedding these within our *procurement processes*, and developing how we *capture and use equalities data* to support service planning and decision making. During 2022/23 good progress was reported by directorates in relation to their plans, with all actions having either been completed or on track for delivery.

3.4.7 The budget setting process is well established and directorates prioritise budgets and spending in order to achieve intended outcomes. In recent years' the budget setting process has inevitably focussed on the achievement of savings to offset the increased costs of pay and price

inflation and growth in need for social care services, but this aims to be achieved whilst remaining true to the Council's strategic aims and objectives. This includes the consideration of the wider social value that the County Council can generate through its operations.

- 3.4.8 A medium-term financial strategy and three-year capital programme is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates. The absence of a multi-year financial assessment has made financial planning difficult, but the County Council continues to plan for the medium-term using assumptions set out in the Medium-Term Financial Strategy (MTFS).
- 3.4.9 Risks associated with the achievement of intended outcomes are detailed in the corporate electronic Risk Register which itemises risks held at Corporate (cross-cutting) and directorate level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. Corporate and directorate risk registers have been reviewed and updated. These risk registers are regularly reviewed by the Directorate Management Teams and the Corporate Risk Management Board, with key risks also being reported to CMT. A Corporate Risk Management update report is also presented to the Audit Committee on an annual basis.
- 3.4.10 The Reading Hampshire Property Partnership Limited (RHPP) is a public-to-public partnership arrangement between Hampshire County Council (HCC) and Reading Borough Council (RBC) for the delivery of property related services. The RHPP was formally established as a limited company in April 2014 and is operated in accordance with the Companies Act 2006. Two named senior officers from each partner organisation are appointed to the roles of Directors of the RHPP and the Board of Directors meets formally twice a year.
- 3.4.11 The RHPP accounts are filed with Companies House and appropriate insurance is held to cover risks. A revised annual report is being developed that will include financial reporting, progress against the RHPP business plan and partnership objectives and benefits of the arrangement and will be reported to the Executive Member for Commercial Services, Estates and Property.
- 3.4.12 The County Council holds a joint 999-year lease with Basingstoke and Deane Borough Council of around 820 hectares of land located to the west of Basingstoke known as Manydown. In respect of the first phase, the land north of the main Southampton to London railway referred to as Manydown North, the two Councils have entered in to two separate but related Joint Venture arrangements.
- 3.4.13 The first, established between the two Councils is the Manydown Garden Communities (MCG) LLP, whilst the second known as the Manydown Development Vehicle (MDV) LLP is between the two Councils (as MGC) and the selected development partner Urban and Civic Ltd. Each JV has a regular Board meeting and various legal agreements set out the basis of the

County Council's representation at each Board and the associated roles and responsibilities for each Board Director.

- 3.4.14 For the MGC LLP, there is one Elected Member and 2 Senior Officer representative (including approved substitutes). For the MDV LLP, the County Council's interests (on behalf of MGC) are represented by the same 2 Senior officers, together with a third nominated Officer, again with approved substitutes. The Member and Development Agreements set out: the responsibilities of each Board; delegation policies and matters to be escalated; approval of either an Annual and/or Overarching Business Plan (including Budget); the measurement of performance against each Plan, together with the management and oversight of potential emerging risks and issues.
- 3.4.15 The MGC LLP and MDV LLP accounts are separately audited and reported to Companies House. The Annual/Overarching Business Plan(s) are reported to the County Council's Leader and Executive Member for Hampshire 2050 and Corporate Services for approval.
- 3.4.16 The governance of *Connect2Hampshire* is underpinned by the LLP Members agreement, which sets out in detail the management arrangements for the joint venture through its Board and Executive Board. The membership of these boards includes the Director of People and Organisation as one of the two LLP Board Members, as well as a further Senior Officer of the County Council as a Member of the Executive Board. This enables the County Council's interests to be fully represented within the decision making of the LLP, as well as ensuring the successful performance of the LLP to meet the County Councils broader workforce objectives.
- 3.4.17 The Board's responsibilities include agreement of the annual business plan, understanding the LLPs performance against this plan, and the management and oversight of potential emerging risks and issues. The expected levels of service performance are set out within a separate Joint Accountability Statement agreed between HCC and the LLP, with performance against defined Key Performance Indicators being reviewed on a quarterly basis through meetings held between Connect2Hampshire and Senior Officers of the County Council. Clear routes of escalation exist through to HCC's Corporate Management Team, should this be required.
- 3.4.18 During 2022 an assurance mapping exercise was completed by the County Council in relation to Connect2Hampshire to validate how the County Council gains assurance across a range of functions of the LLPs operating model. As part of the assurance framework in place, The Corporate Management Team 'CMT', the Employment in Hampshire Council County Council Committee 'EHCC', and the Executive Member for Hampshire 2050, Corporate Services receive an annual performance update report.

### **3.5 Developing the County Council's capacity including the capability of its leadership and the individuals within it**

- 3.5.1. The relationship between Members and Officers is led by the Leader of the Council and the Chief Executive who have established a culture of mutual respect and co-operation. The role of the Chief Executive is set out in the



County Council's Constitution and is well understood by the Members of the County Council. The Protocol for Member Officer Relations also provides clear guidance for both officers and Members on how to manage their relationships effectively.

- 3.5.2 The County Council's Member Induction Programme is well established and as the Council heads towards Elections in 2025 it will be reviewed. Initial induction is built on via the established monthly Briefing Programme which continues to be well received. The programme continues to be delivered virtually to offer flexibility of attendance and supplemented by in-person topic-specific briefings as required. The Programme has included annual corporate topics such as finance, treasury management and the County Council's workforce reporting together with Directorate specific updates and regular updates on economic recovery and resilience from the Chief Executive and Corporate Management Team. Members also have the opportunity to participate in external training events and seminars to support upskilling and knowledge refresh.
- 3.5.3 Members of the Joint Pension Fund Panel and Board and officers in Corporate Operations have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate.
- 3.5.4 A training plan for members of the Joint Pension Fund Panel and Board has been prepared, and training logs for individual members are maintained.
- 3.5.5 The County Council continues to regularly review the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example, recruitment, retention, operating models, ways of working and people development to provide effective leadership and deploy appropriate resources to meet the needs of services. In addition, each Directorate can articulate areas of their workforce where there are specific issues or concerns and have Workforce Strategies and plans in place where necessary.
- 3.5.6 The Annual Workforce Report continues to provide a good understanding of our people in relation to the various stages of the 'employee life-cycle' (Attract, Resource, Onboard, Develop, Reward and Recognise, Progress and Perform, Retain and Exit), and references areas of attention and further work to be undertaken to address the workforce challenges facing the County Council in the light of the national and local labour market post pandemic.
- 3.5.7 The Council's Valuing Performance policy provides a framework for staff and managers to meet, discuss and set goals in line with service requirements, following which regular reviews of performance, learning and progress takes place. Staff continue to be held accountable for their own and their teams' performance and are encouraged to use the range of learning opportunities that are available across the Council.
- 3.5.8 The Council has a thorough management and leadership development program available both for existing leaders as well as those identified as

'high potential'. These leadership programs are underpinned by a leadership competency framework.

- 3.5.9 Our senior leadership development framework is in the process of being reviewed to take account of the changing needs of our workforce in order to ensure that they best meet the future leadership needs of the Council, taking particular account of the changes in our ways of working, IDW agenda, and the increasing challenge to balance service delivery and demand.
- 3.5.10 Organisational development is delivered through a range of means led by both Corporate and Directorate Management teams as appropriate.
- 3.5.11 Lessons learnt exercises are regular practiced where necessary and appropriate and are undertaken through a 'system wide' perspective. We continue to use our agreed 'organisational' principles to shape and develop areas of organisation design and development to ensure our operating models are fit for purpose over the short to medium term.
- 3.5.12 There is an emphasis on the need for high performance and resilience. Health and wellbeing and continuous development are critical elements in the regular one to one discussions between managers and staff particularly for those roles that include hybrid working. The suite of resources continues to be developed and provides a significant range of information and support for managers and staff.
- 3.5.13 Health and Wellbeing continues to be a key focus for CMT, the IDW Steering Group and Directors and their DMTs and forms part of regular discussions at team meetings across the organisation.
- 3.5.14 To further support our understanding of our workforce's experiences post the pandemic and to continue to support recovery, regular monthly wellbeing 'pulse' surveys are undertaken where 1/12<sup>th</sup> of the organisation is polled. Results of these surveys continue to inform activities or actions that would support staff in meeting the County Council's objectives.
- 3.5.15 The Wellbeing Task Group, chaired by the Director of Public Health and Director of People and Organisation with actions embedded within the overarching strategic Inclusion, Diversity and Wellbeing work program have continued to lead in this space alongside representatives from all Directorates.
- 3.5.16 The County Council recognises the importance of its staff networks to supporting the inclusion and diversity of its workforce. All formal networks continue to have action plans in place, which align with and support the strategic Inclusion, Diversity and Wellbeing work programme.
- 3.5.17 Of specific note during 2022/23 is the work undertaken to enhance our colleagues knowledge and understanding of people in terms of gender and LGBT+ through facilitated conversations across the organisation entitled 'let's talk about gender and LGBT+'. This supports individual and organisational learning and development and progresses our Inclusion and Diversity agenda.

### **3.6 Managing risks and performance through robust internal control and strong public financial management.**

- 3.6.1 The County Council's Corporate Strategy is underpinned by the Corporate Performance Management Framework, which establishes how the County Councils performance against the strategic plan is to be measured and reviewed on a regular basis. This currently includes twice yearly reporting of progress made towards achieving the objectives of the *Serving Hampshire* Strategic Plan, year-end *Serving Hampshire* Performance Report is also published on the County Council's website.
- 3.6.2 The County Council's Risk Management Strategy, covering the period 2022-2025, was approved by Cabinet in October 2022. Oversight of this Strategy is provided by the Corporate Risk Management Board, who drive forward initiatives and improvements to achieve the Strategy's aims and objectives. This includes provision of corporate guidance on risk management best practice, to support staff to manage risk effectively and consistently.
- 3.6.3 To strengthen risk management arrangements, three cross directorate sub-groups for part of the overall risk governance approach, reporting to the Corporate Risk Management Board – the Resilience Management Group, the Health & Safety Management Group, and the Information Governance steering group.
- 3.6.4 The Risk Management Board continue to report on a quarterly basis to CMT, setting out the latest position on the Corporate Strategic Risk Register providing a high-level overview of Directorate risk registers and any key risk updates, any broader developments or improvements as well as potential emerging risks the Risk Management Board are currently considering.
- 3.6.5 The Risk Management Board submit an annual report to the Audit Committee who are responsible for considering the effect of the County Council's risk management arrangements and having oversight of the Corporate Strategic Risk register. The corporate guidance for staff clearly sets out the organisation's governance structure for managing risk effectively, including roles and responsibilities.
- 3.6.6 Key operational and strategic risks at both directorate and corporate level are actively managed and monitored by a named Risk Owner and Risk Control Manager. These risks are recorded in the Corporate Risk Management System and must have review dates and state the governance structure that is providing adequate monitoring and oversight of risk controls. All risks on the Corporate Strategic Risk Register are also reviewed on an annual basis by the Risk Management Board with the relevant Risk Owner/Control Manager.
- 3.6.7 A comprehensive Information Governance Framework is in place, overseen by the Data Protection Officer, with further oversight by the Risk Management Board, which includes the County Council Senior Information Risk Officer, and Directorate Senior Information Risk Officers.

- 3.6.8 The County Council regularly monitors its IT systems in the context of cyber security and in recognition of the ever-changing risks in this area, a programme of work continues to be progressed which seeks to further strengthen and improve awareness and management of cyber security risks.
- 3.6.9 The Audit Plan 2022-23 was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the County Council's key risks and objectives, this includes a periodic review of the County Council's risk management processes.
- 3.6.10 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.
- 3.6.11 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Anti-Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
- 3.6.12 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to Senior Management and the Audit Committee.
- 3.6.13 The County Council's Audit Committee is well established and reports to Full Council. Members of the Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention.
- 3.6.14 The Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.
- 3.6.15 The County Council has a well-developed and effective scrutiny function, the structure of which is formalised through the County Council's Constitution. A pre-scrutiny approach enables Members to be engaged early in the process to ensure they can robustly challenge the Council's decision-making, to participate in policy review and development, and monitor the performance of the County Council as a whole.
- 3.6.16 A wide range of policy topics have been scrutinised in line with the organisation's strategic objectives including in-depth scrutiny by way of task and finish activity. The scrutiny function is supported by experienced officers in Democratic and Member Services together with input from specialist officers in the service directorates.
- 3.6.17 The County Council has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Corporate Management team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer (CFO) or his representative.

- 3.6.18 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.19 Financial management in key risk areas across the County Council focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance Service, with a particular focus on the change management programmes that have been a feature of Directorate activity for many years.
- 3.6.20 A framework for the roles and responsibilities of budget holders and their interaction with the Finance Service has been rolled out across all directorates and are proving effective in improving the financial accountability and expectations of budget managers. As part of the approach, the CFO maintains a system of robust scrutiny of the current financial position and forward forecast for the next three years for each Directorate alongside appropriate reporting to CMT and Cabinet.
- 3.6.21 The County Council's approach to financial management enables the CFO to develop a prompt financial response to new risks. For 2022/23, whilst some latent impact of the Covid pandemic continues to affect some aspects of social care, it has been the period of high inflation that has impacted revenue and capital spending more widely. The County Council has been able to mitigate this pressure using a range of measures including use of its reserves, robust 'open book' negotiation with suppliers and careful review of its forward purchasing of energy.
- 3.6.22 However, as reported to Cabinet in February 2023, the cumulative impact of inflation and growth in demand for statutory services by 2025/26 is forecast to exceed the anticipated increase in Government funding and council tax income by £132m. This risk is rated high in the Corporate Risk Register. The CFO and CMT are currently working with Cabinet Members to formulate a plan to ensure the budget is balanced for each of the next three years.
- 3.6.23 The new CIPFA Financial Management (FM) Code was formally adopted across local government from the 2021/22 financial year. The FM Code sets out the six principles of good financial management, which it then translates into a list of financial management standards which local authorities should test their conformity against.
- 3.6.24 The County Council has undertaken an evidence backed assessment of its compliance with all of the financial management standards in the Code. Based on this, the County Council has ascertained that it is compliant with the Code. Although compliant, the County Council will still always actively seek to make further developments and improvements as opportunities are identified for example through risk reviews and performance management.
- 3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.**

- 3.7.1 The report writing guide, protocols and templates referred to in the Code of Corporate Governance and the involvement of senior directorate officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The Corporate Performance Management Framework provides a transparent cycle of reporting on core performance metrics to the Corporate Management Team and Cabinet. Corporate performance reports are published online and are accessible to staff, partners and the public.
- 3.7.3 The 'Internal Audit Charter' is presented annually for approval by the Audit Committee. The Charter makes provision that 'Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and, in particular, those who serve on committees charged with governance (i.e. the Audit Committee).'
- 3.7.4 The on-going work of internal audit is presented through a quarterly progress report to Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.5 Representatives of External Audit routinely attend Audit Committee meetings and present all External Audit reports. Any recommendations for corrective action detailed within External Audit reports are highlighted to Members who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting couple with the inclusion of any overdue recommendations within the internal audit progress report.
- 3.7.6 The internal audit plan includes provision to review the County Council's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.8 Financial reporting complies with relevant statute, codes and good practice guidance and financial and performance information are reported consistently throughout the year alongside each other. Where relevant and appropriate performance comparisons are made to other organisations.

#### **4 Obtain assurances on the effectiveness of key controls**

- 4.1 Appropriate assurance statements are received from designated internal and external assurance providers.
- 4.2 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and directorate level.

Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and carries out tests to confirm the level of compliance. The results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.

- 4.3 This assurance is given to each manager in respect of the controls they are responsible for in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and opinions.
- 4.4 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections of adults' social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.
- 4.5 External sources of validation are used to inform assessment of the organisation's overall performance, as part of the Corporate Performance Framework.

## **5 Evaluate assurances and identify gaps in control/assurance**

- 5.1 The County Council has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.
- 5.2 The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.3 The Assistant Director Legal Services and Monitoring Officer and the Chief Internal Auditor have evaluated the reports from the internal and external assurance providers which have also been reported to the Audit Committee. This Annual Governance Statement sets out the County Council's arrangements for receiving reports and identifying weaknesses in Internal control.
- 5.4 One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance. This has included:
- a self-assessment assurance statement being completed every year by all Chief Officers giving assurance about the governance arrangements in their Directorate.
  - consultation with other relevant officers throughout the County Council.

- 5.5 In line with the Internal Audit Charter approved by the Audit Committee in July 2021 and which is available on the County Council's website, the key elements of the Corporate Governance framework are risk assessed and reviewed periodically by Internal Audit.
- 5.6 The assurance statements cover a range of Corporate Governance and performance issues which refer to the existence, knowledge and application within directorates governance policies generally.
- 5.7 The Internal Audit Team's work forms the basis of a report to the relevant Chief Officer or Key Corporate Manager for any follow up work necessary, and feeds into this Annual Governance Statement.
- 5.8 Directorate Corporate Governance assurance statements were sent out to directorates in early 2022.

## **6 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance.**

- 6.1 Following the approval of the Risk Management Strategy 2022-25, the Risk Management Board will continue to drive forward achievement of the Strategy aims and objectives. This will include a particular focus on ensuring that Risk Registers are frequently reviewed to ensure that these continue to represent the key risks the County Council are managing, that the controls identified are appropriate, and there is assurance these are being managed effectively.
- 6.2 This will also look to ensure that there is alignment with the County Councils Corporate Resilience framework and supporting plans and to build further resilience and capability within the organisation which will safeguard our ability to provide an effective response to emerging incidents which are outside of our control. **Action Owner Stephanie Randall**
- 6.3 The Audit Committees Terms of Reference will be reviewed to take account of the latest guidance issued by CIPFA. **Action Owners David Kelly & Neil Pitman**
- 6.4 The Monitoring Officer will review the County Council's scrutiny arrangements in the light of the new Council operating structure. **Action Owner David Kelly**
- 6.5 Learning from the ETE experience generally, and exercise Knox specifically, Universal Services will develop a Business Continuity exercise policy over 23/24 alongside the new directorate Bronze Plan designed to ensure plans and scenarios are tested on a regular basis, and that the lessons learned from them are documented and actioned. This will likely include running the exercises developed but not used in ETE. **Action Owner-Mike Bridgeman**
- 6.6 Adults' Health and Care will strengthen further its approach to care governance and quality assurance by implementing a phased, internal self-assessment. This will form part of the Directorate's preparations for the Care Quality Commission's assessment of local authority social care functions,



with the internal self-assessment approach aligned with the CQC Single Assessment Framework. **Action Owner – Philippa Mellish.**

6.7 The CareDirector Implementation will support the improvement in the recording of client data through:

- Data migrated to the new system will be subject to data validation rules to ensure the records are in line with Data Retention rules
- As part of the system training staff will receive reminders about GDPR and best recording practice, like good searching techniques to avoid duplicates, data quality, and their responsibilities. All CDIR users will be required to sign a new Form of Undertaking via the LMS which will record their knowledge and adherence to Data Protection law and HCC policy
- The CareDirector System includes functionality for supporting greater data quality such as:

System setting **Required Person Searches** – this dictates the number of person searches that must be completed before a new person record can be created.

**Duplicate Detection rules** – These are applied on record creation and will warn users if they might be about to create a duplicate.

**Merge records** – there is functionality to merge records if duplicates are detected by the scheduled job.

The CareDirector Go-live date has been replanned for implementation in November 2023. **Action Owner Sarah Snowdon**

**7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.**

**In response to the Action Plan identified in the 2021/22 Annual Governance Statement: -**

- 7.1 The longer-term Risk Management Strategy 2022-25 and Risk Register was approved by Cabinet in October 2022 following endorsement by CMT.
- 7.2 The Risk Management Board have continued to drive forward the Strategy aims and objectives, including a particular focus on implementing improvements to the corporate risk management system which incorporate renewed control effectiveness descriptions and evidence that measures are sufficient.
- 7.3 Work to further develop and mature the assurance framework underpinning our Corporate Strategic Risks (including ensuring alignment with our broader Corporate Resilience approach), will remain a focus for the Risk management Board in 2023.

- 7.4 A development resource to support staff and managers to manage risk effectively, has been developed and deployed. This included providing an update to the Audit Committee in December 2022 in relation to the corporate risk management processes and governance arrangements in place within the County Council.
- 7.5 A major Business Continuity exercise facilitated by Emergency Planning spanning most of the Highways service was carried out in Q3, alongside a desk-based exercise carried out by Waste and Resource Management. Exercises for DMT and admin were developed with Emergency Planning and are ready to run, but their scheduling was overtaken by the creation of Universal Services. ETE targets and participants identified for the corporate Business Continuity exercise Knox (run in Q4) were carried over into Universal Services
- 7.6 The Adults' Health and Care CareDirector Programme remains complex and technically challenging. To retain focus and pace the programme now has new Executive oversight by the Deputy Chief Executives, including regular assurance sessions and highlight reporting. Additional programme resource and new robust governance frameworks have been implemented alongside additional metric reporting and independent assurance role from the People and Organisation Directorate. The delivery of the programme remains a priority on the Action Plan.
- 7.7 Following updates being made to the EIA guidance and the introduction of a new EIA tool during 2021, the County Council continues to monitor and review these resources to ensure they remain fit for purpose, and able to effectively support directorates with their service planning.

## Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Chief Executive

Date: 2023

Signed:

Leader of the Council

Date: 2023

