



Hampshire
County Council

**ANNUAL GOVERNANCE STATEMENT
2017/2018**

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 2017-2018.

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, engages 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 2018 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 founded 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 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 An officer group comprising the Head of Governance and representatives from Democratic and Member Services, Legal Services and the Insight and Engagement Unit has been established to specifically monitor new legislation. The Legislation Implementation and Review Group meet quarterly, or as required, and provides an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.

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 departmental and partnership strategies and priorities.

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 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 consultation is supported by the County Council's Insight and Engagement Unit team who operate within the Market Research Society's ethical Code of Conduct.
- 3.2.4 The results of all significant consultations are presented at the relevant Executive Member Decision Day to demonstrate how participants' views have been taken into account.
- 3.2.5 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.
- 3.2.6 In the autumn, a summary of the accounts, investment management and administrative arrangements is made available online to current, pensioner, and deferred members.
- 3.2.7 The Statement of Investment Principles is published and made available to scheme employers within three months of any amendments.
- 3.2.8 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 departmental 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 Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Management Framework. 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.
- 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 Resources advises the Pension Fund Panel and Board 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 available. The Panel and Board takes advice from the actuary, the Fund's investment managers or specialist consultants or advisers as required on allocating assets, selecting investment managers, and investment performance 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. A review group comprising the Head of Legal, Head of Finance, Corporate Equalities Lead and Assistant Chief Executive undertake periodic cumulative EIAs to understand the overall impact of service proposals on groups with characteristics protected under the Equalities Act (2010).
- 3.4.6 The budget setting process is well established and Departments 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 meet reductions in Government grant funding 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.
- 3.4.7 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.
- 3.4.8 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at Corporate, Department and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

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 Member on how to manage their relationships effectively.

- 3.5.2 The County Council has a well-established cross-party forum, the Member Development Group (MDG) that supports and oversees the development of Members in a number of ways, such as internal and external briefings and courses. This includes a well received monthly Briefing Programme together with ad hoc departmental briefings. The MDG is supported by the Democratic & Member Services Manager (Partnerships and Member Support) and the People Change Commissioner in the Workforce Development Team.
- 3.5.3 Members of the Joint Pension Fund Panel and Board and officers in Corporate Services 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 regularly reviews 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 in order to provide effective leadership and deploy appropriate resources to meet the needs of services.
- 3.5.6 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 are 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.
- 3.5.7 There is an emphasis on the need for high performance and resilience, of which health and wellbeing and continuous development are critical elements in the regular discussions between managers and staff.

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 quality of services for users is to be measured and reviewed on a regular basis. This includes quarterly reporting of progress against the *Serving Hampshire* Strategic Plan. The County Council's Annual Performance Report is published on the County Council's website and includes a summary of key areas of performance, including an analysis of any major performance risks and mitigations, as well as providing an overview of sources of external validation and customer feedback.
- 3.6.2 The County Council has in place a Risk Management Strategy, with oversight of arrangements provided by the Risk Management Board. The Audit

Committee are responsible for considering the effect of the County Council's risk management arrangements.

- 3.6.3 A comprehensive Information Governance Framework is in place, overseen by the Risk Management Board, chaired by the Senior Information Risk Officer.
- 3.6.4 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources.
- 3.6.5 The Audit Plan 2017 – 18 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.
- 3.6.6 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.
- 3.6.7 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.
- 3.6.8 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.
- 3.6.9 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.
- 3.6.10 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.
- 3.6.11 The County Council has a well-developed and effective scrutiny function, the structure of which is formalised through the County Council's Constitution. This function is resourced to ensure that Members are able to robustly challenge the Council's decision-making, have active engagement in policy review and development, and monitor the performance of the County Council as a whole.
- 3.6.12 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 or her representative.

3.6.13 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.

3.6.14 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 Department, with a particular focus on the change management programmes that have been a feature of Departmental activity for many years.

3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.

3.7.1 The decision making guidance, protocols and templates referred to in the Code of Corporate Governance and the involvement of senior departmental 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 CMT and Cabinet. Performance information is published online and is easily 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 departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.

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.

- 4.3 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.
- 4.4 External sources of validation are being increasingly used to inform assessment of the organisations performance as a core 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 Head of Law and Governance 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 Departments.
- consultation with other relevant officers throughout the County Council.

5.5 The assurance statements cover a range of Corporate Governance and performance issues and they refer to the existence, knowledge and application within departments of governance policies generally.

5.6 In line with the Internal Audit Charter approved by the Audit Committee in June, 2017 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.

5.7 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 Departmental Corporate Governance assurance statements were sent out to Departments in 2017.

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

6.1 Work will continue to establish the new *Serving Hampshire* Strategic Plan, and to finalise the revised Corporate Performance Framework. New systems for the collection and analysis of customer experience are being developed to support the ambition to place greater emphasis on customer feedback and external sources of validation. This work includes the development of methods to engage employees further and capture staff feedback.

6.2 The County Council understands that the working environment is becoming more challenging and that prolonged periods of excessive pressure have a negative impact on health. As a responsible employer it is important that the County Council takes action to promote the health of staff and mitigate any risks to their health and to the quality of the services that they provide to

Hampshire citizens. Given this, the County Council is taking steps to ensure an organisational approach to workplace health and wellbeing and is developing a workplace programme of activity, including a staff survey, which will initially focus on promoting, supporting and championing resilience and mental wellbeing in the workplace.

- 6.3 The County Council will continue to take steps to embed the changes in data protection law resulting from the General Data Protection Regulations and associated UK legislation, including the review and adoption of new Policies, processes and procedures. Regular reports on progress will be presented to the Risk Management Board.
- 6.4 Resources have been put in place to bring maintenance and monitoring of MySQL databases which historically have sat outside of the corporate support model, into alignment with the rest of the infrastructure. In addition, documentation to support the decision making process and procedures to update / patch the SAP environment will be put in place
- 6.5 Audits undertaken in the 17-18 year within the Adults' Health and Care Department have shown that recording on AIS has been at times incomplete or absent. In other instances the recording has not been completed consistently or within the expected timeframe. The Department is implementing a wide range of actions to seek to continuously improve including raising awareness of the issue and the responsibilities of staff and managers through staff communications and manager cascade; updating staff training; and refreshing the Social Care Practice Manual. The Department's Safeguarding, Quality and Governance Team are proactively following this up and auditing progress to ensure improved compliance with Departmental expectations. The Department is also undertaking a fundamental review of current processes as part of the Working Differently programme to improve staff recording, this includes streamlining the approach to and recording of case management notes to simplify and to focus on the key information. In the medium term, Adults' Health & Care are in the process of acquiring a new social care system which will further streamline the approach to recording and improve the ways that staff are able to do this, for instance enabling staff to update the system in real time in a mobile way out of the office.
- 6.6 The County Council will undertake a review of its Insurance Arrangements, including the levels and scope of insurances and an analysis of its risk appetite in respect to retained risk.
- 6.7 The County Council's Risk Management Board will undertake a review of the County Council's Risk Management Strategy including the operation of corporate and departmental risk registers.
- 6.8 The County Council's Departments will review their contract management arrangements taking a more proactive risk based approach.
- 6.9 Internal Audit are currently compiling a Council wide 'assurance map' to ascertain all assurances received to mitigate controls in place to manage the organisation's key risks, The outcome of this work will be presented to the Audit Committee to inform the effective discharge of their duties.

- 6.10 Corporate Resilience is a priority for the County Council, and as such renewed engagement with all County Council Departments has begun in order to ensure compliance with the Corporate Resilience Strategy. The new Corporate Resilience Framework will be published and tested in 2018, and supported by new guidance for Departmental level plans and a new template for Service Recovery Plans. The new template will ensure that easier language and formatting is used to enable service level users to interact better with their plans. This will be supported by greater departmental level engagement and support by the Emergency Planning Team.
- 6.11 A thorough analysis of all DBS related processes and technology has been carried out, resulting in a detailed action plan that is being managed by a dedicated project team. The Action Plan will ensure that all corrective action is undertaken in a controlled and robust manner and includes carrying out a complete review of all DBS data held on SAP as an initial activity. All data omissions or inaccuracies will be corrected in SAP by the end of August 2018. In addition to the immediate changes already put in place to ensure better compliance with policy and assurance that all checks are initiated and recorded appropriately, the project team will also review and, if necessary, implement further changes to business processes within the Recruitment Team to further tighten the process. An assessment of the current technologies being used to initiate and record both new employments and changes or moves to existing employments is underway with the objective of identifying and developing further system controls and validations within the end to end process. Additionally, improvements to how the organisation and managers can monitor DBS checking compliance and data recording will be addressed. A cross-cutting theme from the review will be to update and enhance guidance and clarify roles and responsibilities of both hiring managers and the Recruitment Team to support the steps required to successfully complete recruitment in line with safer recruitment requirements and expected accountabilities

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 2016-2017 Annual Governance Statement:-

- 7.1 Work has been undertaken to develop a new Strategic Plan, to replace the previous Corporate Strategy Shaping Hampshire. The new *Serving Hampshire* Strategic Plan covers the period 2017-2021. The County Council updates records of its sources of external validation every six months. Alongside the *Serving Hampshire* performance measures, this external validation source informs the County Council's judgement of overall performance. The new Strategic Plan will be underpinned by a revised Performance Management Framework, providing the local governance structure for performance management and reporting to Cabinet. As agreed by Cabinet in 2016, the revised Framework includes a more extensive use of the outcomes of external assessments as well as customer feedback in judging the organisation's overall, annual performance and subsequent

areas for improvement. These combined sources of information sit alongside the County Council's existing programme of internal audit and the annual equality and corporate governance statements, including staff feedback. Regular reporting against an agreed set of performance indicators will continue to be undertaken aligned to the priorities identified in the revised Strategic Plan.

- 7.2 The Risk Management Board oversaw the implementation of the improvements agreed following the Information Commissioner's consensual audit. These actions were included in the County Council's preparations for implementing the General Data Protection Regulation and associated UK legislation.
- 7.3 Following further investigation it was agreed by the Digital 2 Board to not proceed with automated dashboard reporting for corporate performance indicators as the cost in staff time outweighs the benefit. Existing processes meet current reporting requirements.
- 7.4 The proposed role of the Channel Design Authority has been incorporated into the Digital Board.
- 7.5 The Members Development Group were fully involved in reviewing and shaping the Member Induction Programme following the County Council all out Election in 2017 and have undertaken an important mentoring role within their political groups to the 30 new Members that were elected. All new Members attended a number of Workshops to provide information about their role, including decision making and overview and scrutiny. The Workshops also presented returning Members with a refresher opportunity.

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:

Signed:

Chief Executive

Leader of the Council

Date:

Date: