



**ANNUAL GOVERNANCE STATEMENT
2021/2022**

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 2021-2022.

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 2022 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 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 Covid 19 Specific legislation was reviewed by senior officers in Legal Services who worked closely with Departments on the implementation of the relevant provisions.
- 3.1.5 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 Chief Executive, and an Operational Forum, bringing together Equalities Leads and Champions, several new groups have been established. These include a Group chaired by the Director of HR, Organisational Development, Communications and Engagement to oversee the County Council's formal staff networks and a new Wellbeing Task Group, focused on driving forward work to improve employee wellbeing. In addition, Inclusion Sponsors have been identified within each department. These Senior Offices play an important role in strengthening the County Council's external facing inclusion work, ensuring improvement actions are embedded within departments 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. 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. The work programme has been further developed this year to include Health and Wellbeing and is reported 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 departmental 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.
- 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. For example in order to ensure specific groups identified as at risk of worse outcomes from COVID-19, a cohort of community researchers from these groups were identified and trained in order to undertake in-depth engagement and target messaging within their communities. Digital platforms, such as Facebook Live, are also 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' continues to support the County Council's insight into residents' opinions and formed a tool in informing its COVID-19 Recovery Strategy.

- 3.2.6 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. During 2021/22, staff surveys have focussed on employees' health and wellbeing during the pandemic, as well as the County Council's new ways of working once restrictions were lifted and office-based staff could attend the office again
- 3.2.7 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.
- 3.2.8 The Investment Strategy Statement is published and made available to scheme employers within three months of any amendments.
- 3.2.9 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 six monthly to Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Performance 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. Equality Impact Assessments are also required of relevant decisions, and in this year a new requirement was introduced to apply two decision-making tools to assess the carbon emissions and resilience impacts of relevant projects and decisions.
- 3.3.2 The new Strategic Plan 2021 – 2025 was agreed by Cabinet in July 2021 and passed by Full Council in September 2021. Alongside the new Strategic Plan, a revised corporate Performance Management Framework was agreed, which incorporates monitoring of the agreed Climate Change Strategy and the recommendations from the Hampshire 2050 Commission of Inquiry.
- 3.3.3 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 March 2022 (subject 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 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 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 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. A review group including the Head of Legal, Head of Finance, Departmental Equalities Leads and Departmental Transformation Leads was put in place to oversee the production and review of EIAs relating to SP23 proposals and to produce the cumulative EIA to understand the overall impact of savings proposals on groups with characteristics protected under the Equalities Act (2010). A new requirement for departments to assess the equality and inclusiveness of their services and develop action plans accordingly was also introduced in 2021.
- 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 offset the increased costs of pay and price inflation and growth in 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.
- 3.4.7 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. 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).

- 3.4.8 Risks associated with the achievement of intended outcomes are detailed in the corporate electronic Risk Register which itemises risks held at Corporate and Department level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation. Corporate and departmental risk registers have been reviewed and updated. These risk registers are regularly reviewed by the Corporate Risk Management Board, with key risks being reported to CMT.
- 3.4.9 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. 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.
- 3.4.10 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. The first, established between the two Councils is the Manydown Garden Communities (MGC) 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. 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. 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 Executive Member for Policy and Resources for approval.

- 3.4.11 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 HR, OD, Communications and Engagement 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. 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.
- 3.4.12 Further details of the County Council's response to the Covid 19 Crisis are set out in a series of reports to Cabinet set out in the Schedule to this Statement.

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 Following the County Council's all-out election in 2021, an innovative Member Induction Programme, supported by the cross-party Member Development Group, was delivered against the backdrop of Covid-19. This involved several virtual sessions covering key organisational topics such as local government finance, adult and children's safeguarding, education, inclusion and diversity, climate change, data protection and handling social media, together with in-person events held in line with Government's Covid-19 guidelines and e-learning to ensure both new and returning Members were inducted as soon as possible during challenging times. The established monthly Briefing Programme continues to be well received. The Council moved to virtual delivery of the Programme during 2020 which resulted in high levels of attendance due to the flexibility virtual delivery offered, and the Programme continues to be delivered in this way. The Programme has included annual corporate topics such as finance, treasury management and the County Council's workforce reporting together with regular Covid-19 updates and focusing 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 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 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 Department has a Workforce Strategy that aligns the strategic objectives of the services delivered with strategic workforce requirements.
- 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 arising as a result of the 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 leadership programmes are in the process of being reviewed to take account of the changing needs of our workforce in order to ensure that they are addressing the management and leadership needs of our staff, 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 approached through a variety of means including through regular joint Corporate and Departmental Management discussions. Lessons learnt exercises are regularly 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.

- 3.5.11 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 particularly during the period of extended home working for many staff groups. The suite of resources has been further developed during the year and provides a significant range of information and support for managers and staff. Health and Wellbeing continue 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.
- 3.5.12 To further support our understanding of our workforce's experiences during the pandemic and to support recovery, an Inclusion and Wellbeing Survey of all staff was undertaken in May 2021, alongside the regular monthly wellbeing 'pulse' survey where 1/12th of the organisation is polled. Results of these surveys have helped inform and shape the County Council's new ways of working for office-based staff
- 3.5.13 The Wellbeing Task Group, chaired by the Director of Public Health and Director of HR, OD, Communications and Engagement with actions embedded within the overarching strategic Inclusion, Diversity and Wellbeing work program have continued to lead in this space alongside representatives from all Departments.
- 3.5.14 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. Of specific note during 2021/22 is the work undertaken in support of our people who classify themselves as disabled has enabled conversations across the organisation entitled 'let's talk about being disabled' in order to support individual and organisational learning and development.
- 3.5.15 The Corporate Management Team have also commissioned a review of the Inclusion and Diversity Strategy and Action Plan, both of which are on-going.
- 3.5.16 Inclusion and Diversity activity is now overseen by the Director of HR, OD, Communications and Engagement.

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

- 3.6.3 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. The Corporate Performance Management Framework has been revised alongside the new Strategic Plan, and has been implemented from April 2022

- 3.6.4 The County Council has in place a Risk Management Strategy that is currently being developed into a longer term 2022-2025 version to be approved by Cabinet. Oversight of the 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.
- 3.6.5 To further strengthen risk management arrangements a new cross departmental Health & Safety Management Group has been formed to feed directly into the Corporate Risk Management Board. The Risk Management Board continue to report on a quarterly basis to CMT, setting out the Corporate Strategic Risk Register, Department key risk updates and any broader developments, improvements or emerging risks. 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 (including those related to Covid-19) at both department 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 Senior Information Risk Officers representing each Department.
- 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 has been undertaken to strengthen and improve our cyber security arrangements going forward.
- 3.6.9 The Audit Plan 2021-22 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. 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. With the continuing Covid-19 situation, the Policy and Resources Overview and Select Committee has considered the financial impact of Covid-19 on the Council, economic recovery and resilience. The scrutiny function is supported by experienced officers in Democratic and Member Services together with input from specialist officers in the service departments.
- 3.6.16 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 his representative.
- 3.6.17 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.18 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. A framework for the roles and responsibilities of budget holders and their interaction with the Finance Department has been rolled out across non-social care departments and are proving effective in

improving the financial accountability and expectations of budget managers. This programme has been extended and will continue over the next year within the social care departments.

- 3.6.19 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. 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.
- 3.6.20 Following the outbreak of Covid-19, the County Council has been closely monitoring all aspects of the financial impact of the crisis. During 2021-2022 Directors have continued to review the impact on a monthly basis. Appropriate reporting has developed as the pandemic progressed and settled into quarterly reporting to the Corporate Management Team and on to Cabinet at regular intervals. The County Council has continued to report pandemic costs and losses to MHCLG/DLUHC and has ensured appropriate claiming and application of relevant Government grant
- 3.6.21 Financial resilience within the County Council has remained strong throughout the pandemic, and funding has been identified to supplement Government grant to meet the one-off costs and losses of Covid-19, expected to continue until 2023-2024, without significantly impacting on the wider financial strategy.

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

- 3.7.3 The report writing guide, 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.
- 3.7.4 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.
- 3.7.5 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).'

- 3.7.6 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.
- 3.7.7 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.
- 3.7.8 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.
- 3.7.9 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.10 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 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.
- 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 being increasingly used to inform assessment of the organisation's 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 Department.
- 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 departments of 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 Departmental Corporate Governance assurance statements were sent out to Departments in early 2022.

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

- 6.1 The longer-term Risk Management Strategy 2022-25 and Risk Register will be taken for approval by Cabinet in mid-2022 following endorsement by CMT. The Risk Management Board will drive forward the Strategy aims and objectives, with particular focus on improvements to the corporate risk management system to incorporate renewed control effectiveness descriptions and evidence that measures are sufficient. **Action Owner Patrick Blogg**
- 6.2 A training programme to further develop staff and managers to manage risk effectively, will be developed. This will include specific session with the Audit Committee to work through in more detail the corporate risk management processes and governance. **Action Owner Patrick Blogg**
- 6.3 ETE will continue to test its Business Continuity processes and procedures through a series of regularly planned exercises, involving relevant operational services and the Department Management Team. Learning from these exercises, alongside actual events such responding to significant weather events, will be embedded into revised processes and procedures as necessary. **Action Owner Mike Bridgeman**
- 6.4 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 **RequiredPersonSearches** – 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 is currently being replanned for implementation in 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 2020/21 Annual Governance Statement: -

- 7.1 The robust Risk Management Framework has been strengthened further through the embedding of key processes and systems, and the introduction of risk management guidance for all staff. All key department and corporate strategic risks have been transferred into new Risk Management System and are now actively managed and monitored. Regular and proactive monitoring continues to provide reassurance through the corporate strategic risk review cycle, departmental DMT reviews of key risks and the quarterly reporting cycle to CMT.
- 7.2 Whilst no specific weaknesses have been identified, a programme of work has been undertaken to strengthen the County Council's cyber security arrangements to ensure they keep pace with the ever-changing threat of cyber-attack.
- 7.3 The County Council has published its new Strategic Plan, setting out its strategic priorities for the period 2021-2025, and alongside this, the current Performance Management Framework has been updated and has been implemented from April 2022.
- 7.4 To ensure health and safety risks are sufficiently represented at a corporate level, a new corporate Health and Safety Management Group has been set up. Along with the Resilience Management Group and the Information Governance Steering Group, all three subgroups feed directly into the corporate Risk Management Board.
- 7.5 The EIA guidance has been updated and a new tool was developed and implemented in May 2021.
- 7.6 The pandemic has caused an increase in demand which is likely to have had a negative impact on recording. All staff have access to personal computers for portable use to ensure access to recording despite working from home, with options for staff to work from the office should it be needed. There is a renewed focus upon improving recording in 22/ 23 with the development of a new recording system. The new design is incorporating improvements in access and ease of recording. This is likely to be introduced later in 2022/ early 2023. Training on proportionate recording is being prioritised. There is a particular focus on recording of safeguarding through management meetings and an increase in detailed safeguarding training being provided which includes recording. Safeguarding meetings are now recorded to ensure timely and accurate recording. A quality assurance framework has been introduced with managers auditing the quality of recording regularly. Excellent practice validation standards have been introduced which incentivise practitioners to ensure good practice in this area. The social care

practice manual is being reviewed to ensure that the best guidance is available to staff on recording.

- 7.7 The Action Plan for 2021 identified a two-phase corporate approach to Contract Management training. This is designed for non-professional Contract Managers as a prerequisite to acquiring contract management responsibilities, to ensure consistency of approach. The first phase has now been launched in the form of an online training module, providing Managers with an overview of the fundamentals of managing contracts and outlining their responsibilities. The second phase which will include an assurance framework and checklist, will be developed to help departments to understand if their contracts are being managed effectively and thereby delivering their intended outcomes, is due to be finalised and launched in the second half of 2022. The combination of these two phases will ensure that there is effective, compliant and proactive management of contracts within Departments.

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: 2022

Date: 2022

[Report to cabinet 13 July 2021](#)

[Report to Cabinet 12 October 2021](#)

[Report to Cabinet 7 December 2021](#)

[Report to Cabinet 8 February 2022](#)

[Report to Cabinet 15 March 2022](#)