

Annual Governance Statement

2012/13

Appendix C

Scope of responsibility

Fareham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Fareham Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Fareham Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Fareham Borough 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 our code is on our website at:

[http://www.fareham.gov.uk/
about_the_council/strategies/
policydocs.aspx](http://www.fareham.gov.uk/about_the_council/strategies/policydocs.aspx)

This statement explains how Fareham Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.



The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that 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 on going process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Fareham Borough Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The key elements of the systems and processes that comprise Fareham Borough Council's governance arrangements are summarised in this document.



Community Communication

The Council's approach to communication is set out in the Communications and Engagement Strategy which is monitored and updated annually by the Chief Executive's Management Team. New ways of communicating, such as the Council Connect stand in the town centre, have been introduced this year and there has been a major revamp of the Council's website.

The Council has a Public Relations and Marketing Team which encourages all departments to seek advice from them on the best communication methods to be used for events and information. There is also a Customer Engagement Manager who coordinates and undertakes community consultation exercises using a variety of methods. These include an e-panel of over a 1000 residents and the use of a youth engagement officer so that the views and needs of young people can be heard. The Public Relations and Marketing Team are also responsible for working with the media to convey important messages to residents.

The Council carries out a Residents Survey every two years to get the views and priorities of 4,020 randomly selected people from the electoral register. This is next due in 2013/14.

Community Action Teams (CATs) are well established in five neighbourhoods in the Borough, and CAT meetings take place three times a year. Residents are able to pick the topic to be discussed each time, and special meetings can be arranged at residents' request about specific issues. The Leader of the Council chairs a discussion at the summer meetings each year on the Council's vision, objectives, achievements and priorities.

The Council has adopted three Equality Objectives and developed an Action Plan for 2012-16 for how we can better meet these objectives. These objectives set out how we take into account the needs of the diverse groups that make up our community.



Council's Visions and Objectives

The Council's purpose and objectives are affected by changes in legislation and government. However, it uses the information from its communication channels to put these into a local context and identify local priorities.

Our Corporate Strategy 2011-2017 describes an overall vision for the Borough and sets out our priorities for improvement over a six-year period. The strategy highlights our commitment to make sure Fareham remains a safe and attractive place to live and work. This is updated and reviewed by the Executive annually and is available on our website.

http://www.fareham.gov.uk/about_the_council/strategies/keystrategies.aspx

The next major review is scheduled to be completed by March 2016.

A "Big Picture" report covering the hot topics in the Borough and what people are talking about is reviewed every six months by the Chief Executive's Management Team.



Service Quality and Value for Money

Local service agreements set out how well we are doing on delivering key services in line with our corporate priorities. They were launched in 2012 and are updated annually. The local service agreements include a list of key performance measures which are monitored. The Council was also proactive in launching a transparency portal on its website, as linked below, to provide information and data about the way it is being run. This gets regularly updated:

<http://www.fareham.gov.uk/about-the-council/financial-information/intro.aspx>

Monitoring, self-assessment against national standards, intelligence gathering and sharing with other organisations and feedback from customers all provide on-going information on the services we provide. Internal audit and external inspections provide an added layer of assurance of service and quality. The Council is developing a culture focusing on what matters to the customer, which will lead to better quality and value for money services.

The Council maintains a corporate efficiency action plan which identifies cost saving improvement actions. Further projects from this plan were delivered during 2012/13 and the savings target was achieved. This enabled the 2013/14 budget to be set which was balanced and sustainable, without the need to draw upon reserves.

The need for more efficiencies is regularly assessed by the Chief Executive's Management Team during the year.

The Council continued to jointly buy goods and services with other Councils, which again contributed £0.2m in savings this year to the cost of service delivery. We also continued to build upon successful services delivered jointly with other local authorities and further developed the Environmental Health partnership with Gosport Borough Council and the Eastern Solent Coastal Partnership in 2012/13.

Member and Officer Roles and Responsibilities

The Council's constitution sets out how:

- How the Council operates
- The roles, responsibilities and relationships between the Executive, Overview and Scrutiny, and the different committees.
- How decisions are made and what procedures are to be followed.
- The roles of Executive Members, Committee Chairmen and Chief Officers.
- The functions, responsibilities and post holders of the three statutory officers: Head of Paid Service, Monitoring Officer and Chief Finance Officer.

An update of the Constitution documentation is planned for 2013/14.

A member / officer protocol is in place which establishes effective communication between them. This was last updated in February 2009.

Decision Making

The Constitution sets out how different types of decisions are made including who has responsibility for making them. The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means.

Meetings are held in public except where personal or confidential matters are being discussed. The Forward Plan highlights any 'key decisions' due to be made by the Council. The Standing Orders for Meetings are in the process of being reviewed and updated.

The Scheme of Delegation sets out when and how the Executive Committee, portfolio holders and officers can make Executive decisions. Similar schemes have been agreed for Planning Development Control and Licensing and Regulatory functions. These are regularly reviewed.

Where partnerships have been developed with other agencies, decision making powers and delegated powers are documented and presented to members.

Risk Management

The Council has carried out a major revision to its Risk Management framework and Policy which further embed risk management in the everyday workings of the Council. The arrangements are tested every three years by internal audit and the next audit is due in 2014.

A Central Risk Directory identifies the links between the corporate priorities, significant projects, risks managed and assessed by Heads of Service, all of which contribute to the development of a single Corporate Risk Register.

The first Corporate Risk Register under the new framework was reviewed by the Audit and Governance Committee in March 2013. It is owned and monitored by the Chief Executive's Management Team and is being updated every six months.

Codes of Conduct

The Council has responsibility for hearing and considering complaints about the conduct of Councillors in Fareham. The Localism Act 2011 has changed the standards regime and the Council has put in place new arrangements to deal with matters of ethics, honesty and Members' conduct.

At the meeting of full Council on 21 June 2012, a revised Members' Code of Conduct, and arrangements for dealing with complaints about Members, were adopted that were consistent with the requirements of the Localism Act 2011. These new arrangements came into effect on 1 July 2012. Training was given to Members on the new code when it came into force.

A report is presented annually to the Audit and Governance Committee, who have responsibility for overseeing the new standards arrangements. The report set out the number of complaints received. A report will also be presented to the Committee in March 2014 providing an update on how the current arrangements are working with possible recommendations for improvement.

The Council's Disciplinary Code of Conduct and Disciplinary Rules and Procedure aims to maintain appropriate standards of conduct at work by employees. It ensures that employees are treated fairly and supports a healthy and pleasant working environment, through fair and effective management of disciplinary matters.

Codes of Conduct continued

The Trade Unions were consulted on the code and it was last amended in 2008. All new employees receive a copy of the code. Further guidance and processes, such as an electronic system where employees can register their interests, help ensure everyone is aware of the code.

Member and Officer Development

A revised member training and induction programme was introduced in 2012/13. A workshop was held in which members assessed how confident they felt on a list of subjects and how significant it was to their role as a member.

This was turned into a modular induction and training programme which members can take over a few months after being elected. The programme was approved by the Audit and Governance Committee in March 2013.

This programme is supplemented by specific topic briefings for all members. A total of 18 member training/briefing events took place in 2012/13.

A review of officer training & development has been undertaken and a new approach has been introduced. This will provide a more coordinated approach to the training needs of the organisation and ensure that employee development and training costs are made the most of. The Council will also be rolling out the Skillgate training suite during 2013/14.



Change Management

The Council seeks to avoid complacency and continuously challenges the way it works. It is adopting a system thinking approach across the organisation, putting the customer at the centre of the design of its services. This is being introduced through a structured learning and mentoring programme across the Council, which will include a series of workshops for officers and members. The Council also has a Business Transformation team which assists with process redesign.

During the early part of 2013/14 the Council launched a new approach to individual performance management to help us improve service delivery.

Financial Management

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council's Medium Term Finance and Treasury Management Strategies are updated each year and approved by Members. The Council has adopted an integrated approach to service and financial planning.

Finances are monitored through regular budgetary control reports and discussions with nominated budget holders, directors and the relevant portfolio holder. These meetings cover all aspects of service delivery that have a financial consequence.

Monthly summary financial information is published online for all Members, showing actual performance against budgets for the year to date.

Quarterly financial reports showing expenditure against targets are prepared and presented to the Chief Finance Officer and Executive Members. These reports focus on services with high spend /or which are subject to a lot of fluctuations. Regular Accountants' meetings are held to ensure consistency in the financial services provided to Budget Managers, maintaining Accountants' knowledge of current developments and allowing experiences to be shared.

Quarterly reports on the Council's loans and investments are presented to the Chief Finance Officer and the Executive Members along with a set of indicators as to the impact of capital investment decisions.

There is regular contact with advisors on treasury management and risk financing in order to keep pace with current developments.

Internal Audit and Audit Governance Committee

The Council has an internal audit service which delivers a risk based plan of work approved by the Audit and Governance Committee. This goes beyond purely financial governance. The service was again jointly delivered by an in-house team and an external contractor in 2012/13 which ensures that the whole scope of the plan could be delivered. Work was carried out in accordance with the CIPFA Code of Practice. As of 1st April 2013 this has been replaced by the Public Audit Internal Standards and we will be carrying out a review of the implications of this change.

Managers receive a report of findings and any recommendations at the end of each assignment which are tracked until they are put into practice. A summary of the work undertaken and the findings are reported quarterly to the Audit and Governance Committee.

The Council has an Audit Committee which undertakes the core functions in accordance with the CIPFA guidance. It reports directly to the Full Council. In 2012/13 the Audit Committee became the Audit and Governance Committee with its responsibilities extended to include those previously undertaken by the Standards Committee.

This committee meets four times a year and receives reports covering the range of governance issues set out in its terms of reference. In particular it receives the Head of Audit's Annual Report and the External Auditor's Annual Audit letter.

Ensuring Compliance with Relevant Laws and Policies

Fareham Borough Council and Southampton City Council have formed a legal partnership. This helps ensure that the Council has access to a wider range of solicitors for support. It also helps the Council in complying with any new legislation and having the right policies in place.

A review has been carried out of the top laws and policies where assurance is needed as part of the governance framework. Part of this assurance will be provided by the Internal Audit Service who will test compliance with a sample of key policies every year.

Key policies are regularly reviewed to ensure they are up to date and relevant. Contract Procedure Rules are reviewed annually by the Audit and Governance Committee and were last amended in November 2012.

The Council's Financial Regulations are being reviewed to streamline them down to the key rules that are necessary for the Council to manage its financial affairs within the resources available. The review of ten more of the twenty one regulations was completed by the Audit and Governance Committee in 2012/13. The regulations are supported by a series of documents which give further guidance on the purpose of the regulations and methods to ensure compliance. These are then put into a series of procedure notes and manuals used by individual services.

Employees receive a personal copy of key policies during their induction and have to acknowledge that they have received them. The induction process then seeks to deepen their understanding relevant to their role in the organisation.



Whistleblowing and Complaints

The Council's Whistleblowing Policy is reviewed every three years by the Audit Committee and was last reviewed in February 2013. The Policy is included in employees' contracts of employment and induction process. A reminder campaign is planned with the launch of the updated employee code of conduct as part of the Bribery Act action plan. New electronic reporting methods have been set up for employees and members of the public. A central database recording incidents of Whistleblowing and results has been set up and will be maintained by the Director of Regulatory & Democratic Services. From June 2013 all whistleblowing incidents will be reported to the Audit and Governance Committee.

Following a review of the complaints arrangements, a revised formal procedure was approved by the Executive in 2011/12. It reduces the number of stages in the complaints procedures, both of which are managed within departments

Complaints to the Local Government Ombudsman are dealt with by designated Council officers. An annual report covering complaints made to the Local Government Ombudsman is received by the Audit and Governance Committee. This showed a reduction in the number of complaints received, which was below the average for a district council in 2012/13. There were no conclusions of maladministration by the Council.

Counter Fraud

The Council has adopted an Anti Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements. Detailed risk assessments are being carried out on the top fraud risks faced by councils, with a view to maximising the cost effectiveness of our approach to the prevention and detection of the risks posed by these frauds in our borough.

This work is led by a small Corporate Counter Fraud team who also carry out investigations. The Council also employs a team of Benefit Fraud investigators who specialise in Housing and Council Tax Benefit Fraud.

The Audit and Governance Committee receives six monthly updates on the work carried out on the counter fraud framework and the types of and results of investigations carried out.

Enhancing the Accountability of other Service Providers

The Council has identified the groups and organisations which we work with on a regular basis which provide important services to the community. We have also identified what we have in place to enhance their accountability for the services they deliver. This will be subject to an annual report to the Chief Executive's Management Team. The Scrutiny Board plays an important role in working with other service providers and will invite them to appear at a meeting.

Partnership Governance

The Council delivers a variety of services by entering into partnership agreements. These are assessed for their significance to the Council in terms of the results they seek to deliver, their profile/reputation and the resources that are put into them.

Failure of a significant partnership is one of the top level risks managed on the Council's Corporate Risk Register.

6 partnerships were deemed significant to the council in 2012/13 compared to 11 in 2010/11. Lead officers are assigned to each partnership. They are responsible for day to day liaison and for providing the Chief Executive's Management Team with details of any significant changes to the circumstances / membership of the partnership.

Senior Officers and/or Members sit on the board of the Council's significant partnerships and take an active part in discussions and decision making.

The Council maintains a Corporate List of its significant partnerships with links to the agreements in place. These were last reviewed by the Chief Executive's Management Team in January 2013 to confirm the significance of the partnership, review any potential governance issues and review how it is performing.



Review of Effectiveness

Fareham Borough 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 directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness has been led by the Chief Executive's Assurance Group. This group has been set up by the authority to define the Governance Framework and gather assurances on its effectiveness. It consists of all five members of the Senior Management Team, which includes the Monitoring Officer and Chief Finance Officer, and is chaired by the Chief Executive Officer. The Head of Audit and Assurance also attends.

The group met three times in the year and reviewed the following sources of evidence:

- Analysis of each of the 21 parts of our governance framework against current knowledge, including that provided by reports seen by the Chief Executive Officers Management team during the year.
- Head of Audit's Annual Report 2012/13 and detailed analysis of outstanding recommendations.
- Summary of what reports and feedback we have received from external auditors, inspectors or other external agencies in the year.
- Internal review of how the Council can influence service delivery and the effectiveness of other public service providers.
- Review of progress made on the actions included in the previous Annual Governance Statement.

Head of Internal Audit's annual report

Internal audit cannot give absolute assurance. However, the conclusions drawn from the results of the work carried out in the year were that the Council again had good systems of internal control for the year 2012/13. These were working satisfactorily, despite the economic climate and reduction of funding available to operate those systems of control. The Council is striving to identify and focus its resources on those controls which represent a genuine high risk rather than to meet general best practice guidance in all areas.

There is generally good awareness amongst managers about their top risks. Actions are agreed to address weaknesses identified through the management or audit processes. How quickly the actions are fully implemented can vary given the competing demands and reduced resources available to services, but priority is placed on any essential actions identified.

There were no opinions of Minimal Assurance given in the year from our scale of Minimal, Limited, Reasonable and Strong. There were 3 opinions of Limited Assurance and action plans have been agreed with managers to tackle the issues raised which will be followed up in 2013/14.



External Assurances

The Council's independent external auditors for the year were Ernst and Young. They have worked throughout the year in accordance with their code of practice. The findings from this work were summarised in their Annual Audit letter which was circulated to Members and the statutory officers and presented to the Audit and Governance Committee. This letter was very positive and unqualified opinions were given.

External Assurances Continued

The results of other external inspections and audits undertaken during the year which have been used as a source of assurance were:

- Inspection by the Food Standards Agency.
- Inspections by the Driver and Vehicle Licensing Agency on our use of their databases.
- The operator risk score issued by the Vehicle and Operator Services Agency for our transport fleet
- Report of the Local Government Ombudsman
- Hampshire Safeguarding Children Board review of our self-assessment of our compliance with the Section 11 requirements.

The conclusion from the review of effectiveness is that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Audit and Governance Committee have reviewed the sources of assurances used this year and have scrutinised the content of the Annual Governance Statement.

Actions Taken to Strengthen the Governance Arrangements in 2012/13

The annual review of effectiveness have identified that the following actions were taken in particular during 2012/13 to strengthen our governance arrangements:

- The Communication's Strategy was updated and new forms of communication were introduced. This included a major review of the Council's website, introduction of the Council Connect stand in the town centre and Council Facebook and Twitter accounts.
- Local service agreements setting out how well we are doing against corporate priorities using key measures were introduced and are being reviewed annually.
- The Whistle Blowing policy was updated and refocused. New reporting channels for employees and members of the public were introduced.
- A revised Members' Code of Conduct and arrangements for dealing with complaints about Members was adopted that was consistent with the requirements of the Localism Act 2011.
- The Members training and development programme was refreshed and a modular approach adopted to improve the induction of new members.
- A new risk management framework and policy was adopted and the first Corporate Risk Register was produced in line with the new framework.
- A project had been progressed to review and implement revised debt recovery arrangements.
- The first counter fraud detailed risk assessment has been completed and an action plan approved for delivery which is in line with the risk faced by the Council.

Significant Governance Issues

Whilst there have been a number of improvements made throughout the year the Council constantly strives for continuous improvement. We have therefore selected the following improvements from our review of effectiveness for action next year:

A review has been carried out during 2013/14 to identify the groups and organisations which we work with which themselves provide a significant service to the community. This has included identifying how we are able to enhance their accountability and effectiveness.

A new individual performance management framework has been introduced for employees during the first quarter of 2013/14.

The constitution documentation is to be brought up to date during 2013/14.

A review of the new arrangements to manage the conduct of councillors is to be carried out and reported to the Audit and Governance Committee in March 2014.

A structured learning and mentoring programme is to be introduced across the Council to apply systems thinking to the way that services are provided, and put the customer as the driver for organisational change.

A workforce plan for the Council is to be adopted.

The Internal Audit Strategy and Charter will be updated following a review of the new Public Sector Internal Audit standards and to address any actions outstanding from our review of compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The detailed assessments of the Council's top fraud risks are to be progressed further and the action plan completed for the first assessment completed.

Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance 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 next to be specifically addressed are outlined above.

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:

Councillor S.D.T. Woodward
Executive Leader
Fareham Borough Council

Dated: 27 September 2013

Signed:

P.K. Grimwood
Chief Executive Officer
Fareham Borough Council

Dated: 27 September 2013