

FAREHAM
BOROUGH COUNCIL

Annual Governance Statement 2013/14

Fareham Borough Council
Civic Offices, Civic Way, Fareham PO16 7AZ

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

This statement explains how Fareham Borough Council has complied with the code and also meets the requirements of the 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 ongoing 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 2014 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. We are seeing a consistent growth in followers on social media channels like Facebook and Twitter which give us ways to have informal two-way conversations with a wider range of people. We have also started using the Council Connect stand to display a range of material on targeted themes throughout the year.

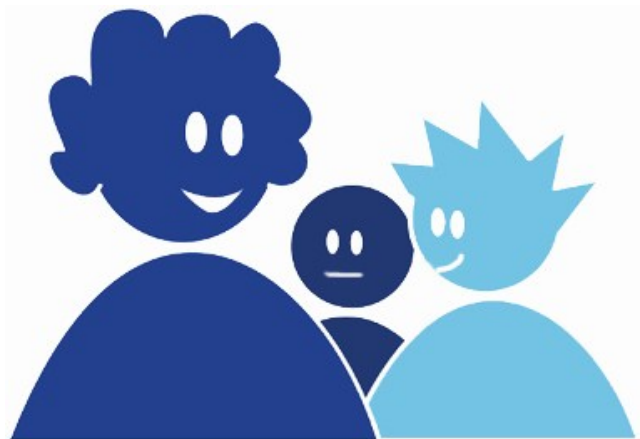
The Council has a Public Relations and Marketing Team which encourages all departments to seek advice on the best communication methods to be used for events and information. For example, we are increasing our use of specialist software and video presentations. The Council has also adopted three Equality Objectives which set out how we take into account the needs of the diverse groups that make up our community.

The Public Relations and Marketing Team are also responsible for working with the media to convey important messages.

The Council carried out a Residents Survey of randomly selected people from the Electoral Register in October 2013. 1,291 responses were received (32%). 91% said they were happy with how the council ran things. A survey of tenants and leaseholders is planned for 2014/15.

Community Action Teams (CATs) have been established in five neighbourhoods in the Borough, and meetings take place three times a year with additional meetings arranged for specific hot topics. The Leader of the Council chairs a discussion at the summer meetings each year on the Council's vision, objectives, achievements and priorities. A review of the effectiveness of the CATS meetings from the customers point of view is planned for 2014/15.

The Council has a Customer Engagement Manager who coordinates and undertakes community consultation using a variety of methods. These include an e-panel of over a 1000 residents. During 2013/14 we improved our co-ordination of consultation exercises to gather more information on when they are happening across the Council and to help spread them out across the year. In 2013/14 this included a major consultation on the name of the new Community with most votes cast by the public for 'Welborne'.



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. 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 has started and is scheduled to be completed by March 2016.

This review will be taking into account what we are finding from the 'System Thinking' work being undertaken about what really matters to the customer.

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

The Council is currently implementing a programme of cultural change 'which will lead to better quality and value for money services. We are introducing Systems Thinking' into our services which redefines the purpose from the customers point of view and puts them at the heart of the processes we use to deliver them.

We have Local Service Agreements in place which 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 during the year and between years. These indicators are being revised as we determine what measures truly match the purpose of the service. Internal audit and external inspections provide an independent layer of assurance on the services being provided.

The Council has been 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

The Council maintains a corporate efficiency action plan which identifies cost saving improvement actions. Further efficiency actions, totalling £0.8m, were agreed during 2013/14, and the efficiency action plan has been updated to reflect this. The Chief Executives Management Team regularly review the delivery of the plan, and positive progress has been noted, enabling a balanced and sustainable budget to be set for 2014/15, with sound prospects for the forthcoming budget year.

The Council continued to jointly buy goods and services with other Councils, and built upon successful services delivered jointly with other local authorities, by strengthening the arrangements of the Environmental Health Partnership with Gosport Borough Council.



Member and Officer Roles and Responsibilities

The Council's Constitution sets out:

- 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.

A member / officer protocol is also in place which establishes effective communication between the two roles.

Some work was carried out to update the Constitution documentation during 2013/14 and the process for approving changes was rationalised. More work is planned for 2014/15.

A new Monitoring Officer was appointed during 2013/14 and a training and development programme is being completed to support the new post-holder.

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 were updated in 2013/14 and minor changes made

to the Executive portfolio responsibilities. 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. Minor changes were made in 2013/14 to the delegated decision making.

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 embed risk management into the everyday workings of the Council. The arrangements are tested every three years by internal audit. There were no major findings from the audit carried out in 2013/14.

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 Corporate Risk Register is owned and monitored by the Chief Executive's Management Team and reviewed every six months by the Audit and Governance Committee. A major review of insurable risks is planned for 2014/15.

Codes of Conduct

In accordance with the Localism Act 2011 we have a Code of Conduct which sets out the behaviours expected from our members, and we have arrangements in place to deal with matters of ethics, honesty and Member conduct. A report was presented to the Audit and Governance Committee in March 2014, who have responsibility for overseeing the arrangements, giving a review of how the first year of the current arrangements had gone.

A report is presented annually to the Committee setting out the number of complaints about member conduct that have been received.

Work has now started to produce a unified Code of Conduct for Hampshire which will include new guidelines on registering gifts and hospitality, giving consistency for members who work for more than one Council.

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 an appropriate culture and working environment, through fair and effective management of disciplinary matters.

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 modular induction and training programme is in place which all members are invited to participate in. The induction modules for new members are completed within a few months of being elected.

This programme is supplemented by specific topic briefings for all members. A total of 16 member training/briefing events took place in 2013/14 with 197 attendees in total, averaging 12 attendees per briefing.

In 2014/15 we will be carrying out a further training needs survey to compare the impact of the training delivered since the 2012/13 survey.

A review of officer training & development has been undertaken and a new approach was introduced in 2013/14. This is based around a simplified individual performance management process. It has also included a more coordinated approach to the identification of the training needs of the organisation and helps us make the most of money spent on employee development and training. The Council now also receives the benefits of an on-line training suite called Skillgate.



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. We have completed the first phase of the structured learning and mentoring programme to support the change, which included a series of workshops for senior officers and members. We are now applying the 'systems thinking'

approach to key front line services and sharing the lessons learned to all employees via 'show and tell' days.

Other changes that have been successfully managed during 2013/14 were the launch of a new approach to individual performance management and a significant departmental restructure.

Financial Management

The Council has adopted an integrated approach to service and financial planning which allows for pressures and opportunities in service delivery to be considered and reflected in the financial plans of the Council at the earliest opportunity. The Council's Medium Term Finance and Treasury Management Strategies are updated each year and approved by Members.

Finances are monitored regularly through reporting 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, the Chief Executive Officer, and to the Council's Executive along with a set of indicators which measure the impact of capital investment decisions.

Treasury investments are made, having taken into account advice from the Council's treasury management consultants in order to reflect current market developments.

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).

Internal Audit and Audit and Governance Committee

The Council has an internal audit service which delivers a risk based plan of work approved by the Audit and Governance Committee.

In 2013/14 the service was jointly delivered by an in-house team and an external contractor which helps the delivery of the whole scope of audit work.

Managers receive a report of findings following an internal audit review and an action plan is agreed to address any weaknesses found. These actions are tracked until they are completed. A new action management system is being developed in 2014/15 to improve the information available to managers and help capture updates on implementation.

A summary of the work undertaken by internal audit and the findings are reported quarterly to the Audit and Governance Committee.

The new Public Sector Internal Audit Standards came into effect on 1st April 2013 and we have carried out a full assessment of our level of

compliance. We considered we fully conformed with 44 of the 52 standards and partially conformed with another 6. An action plan is in progress to strengthen areas of compliance where it is deemed of benefit to the Council. This includes refreshing the Audit Strategy in terms of the needs of the organisation and professional codes of practice.

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 Results Report.

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 to agree the most significant laws and policies where assurance is needed as part of the governance framework. Part of this assurance is provided by the Internal Audit Service who test compliance with a sample of key rules 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 December 2013.

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. Nineteen of the twenty one regulations have now been reviewed and presented to the Audit and Governance Committee. 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.

Alternative methods of inducting new employees on the content of key policies are currently being considered.



Whistleblowing and Complaints

The Council's Whistleblowing Policy is reviewed every three years by the Audit and Governance Committee and was last updated in October 2013. The Policy is sent out as part of the pack of information given to new employees and periodic updates are communicated through the staff intranet. Designated channels including electronic reporting methods are available for employees and members of the public. A central database recording incidents of whistleblowing and the results of investigations arising has been set up and all whistleblowing incidents are reported to the Audit and Governance Committee.

A formal complaints procedure is in place which consists of 2 stages (Head of Service review then Director review) plus an option to go to the Local Government Ombudsman. 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. There were no conclusions of maladministration by the Council in the report for 2013/14.

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. The first of these on Housing Fraud was compiled in 2013/14 and good progress has been made to deliver the resulting action plan approved by the Audit and Governance Committee.

This work is led by a small Corporate Counter Fraud team who also carry out corporate fraud 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 nature and results of investigations carried out.

Enhancing the Accountability of other Service Providers

The Council has identified the groups and organisations who we work with on a regular basis and who provide important services to the community themselves. We have also identified what we have in place to enhance their accountability for the services they deliver.

The Scrutiny Board plays an important role in working with other service providers and will invite them to appear at a meeting. The Scrutiny Board also receive an annual report on the performance of the multi-agency Community Safety Partnership which includes the police, probation and fire services.

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.

10 partnerships were deemed significant to the council in 2013/14. 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 2014 to confirm the significance of the partnership, review any potential governance issues and review how each is performing.

A Joint Panel to due to be set up in 2014/15 to oversee the new Environmental Health Partnership.

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 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 twice in the year and reviewed the following sources of evidence:

- Analysis of each of the 23 parts of our governance framework against current knowledge, including that provided by reports seen by the Chief Executive Officer's Management team during the year.
- Head of Audit's Annual Report 2013/14 including levels of recommendation implementation and results of the policy compliance testing.
- Summary of what reports and feedback we have received from external auditors, inspectors or other external agencies in the year.
- 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 but an opinion was provided to the Audit and Governance Committee in June 2014. The opinion given was that:

The Council had a good framework of governance, risk management and control for the year 2013/14 which was generally working effectively. There is awareness amongst managers about their top risks and the importance of control mechanisms, and action plans are agreed to address any major weaknesses found.

There is still work to be done to improve the speed in which recommendations are implemented. In particular we will be holding more detailed discussions into the context of findings from audits to try and ensure that any new recommendations are seen as relevant by managers.

We are also developing an online action management system to improve the management information available on outstanding recommendations.

This opinion is given based on the audits that have finished, and will be updated if the audits currently in progress gives rise to the need to change the opinion. It is also given against a back drop of fundamental reviews of key front line services from the customer's point of view. Audit coverage is therefore planned to ensure that these do not significantly weaken the Council's control framework in place to address any material risks it faces.

In forming this opinion I have not placed any direct reliance on related projects or other assurance providers other than External Audit in relation to the governance framework.

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 Results Report 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 by the auditors.

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

- Report of the Local Government Ombudsman 2012/13.
- Final report following the inspection by the Food Standards Agency.
- Three-yearly audit of the Waste Management service by the Health and Safety Executive.
- Certificate issued by the Public Service Network Authority
- Inspection by the Driver and Vehicle Licensing Agency on our use of their web-enabled enquiry service.
- Licence renewal and operator risk score issued by the Vehicle and Operator Services Agency for our transport fleet.
- Results of the Risk Management Standards Assessment Health check carried out by Zurich Municipal.
- Results of IT Health checks (external and internal penetration tests) carried out by an external firm.



Review of Effectiveness Conclusion

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 2013/14

The annual review of effectiveness have identified that the following significant actions were taken during 2013/14 to strengthen our governance arrangements:

- ✓ A structured learning and mentoring programme has been 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.
- ✓ The Standing Orders for meetings have been updated and a new process agreed for approving changes to the constitution.
- ✓ A review of the first year of the new arrangements to manage the conduct of councillors was carried out and reported to the Audit and Governance Committee in March 2014.
- ✓ A new individual performance management framework was introduced for employees during the first quarter of 2013/14.
- ✓ A full assessment of conformance with the new Public Sector Internal Audit standards was carried out and an updated Internal Audit Charter adopted in November 2013.
- ✓ Good progress has been made on delivering the action plan arising from the Housing fraud risk assessment.
- ✓ Arrangements have been strengthened to demonstrate compliance with the Right to Work legislation in relation to TUPE transferees.
- ✓ A review was 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 included identifying how we are able to enhance their accountability and effectiveness.

Planned Governance Improvements

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

- Governance arrangements to be established for the following projects: New Welborne Community, the Local Housing Company and the Western Wards Swimming Pool. A panel to be set up to oversee the Environmental Health Partnership with Gosport Borough Council.
- A review of the effectiveness of the Community Action Teams to be carried out.
- Satisfaction survey of Tenants and Leaseholders to be carried out.
- The project to update the constitution documentation to be further progressed.
- The project to streamline the Council's Financial Regulations to be finalised and an amalgamated set of rules launched.
- Revised Member Code of Conduct to be adopted based on the standard code being developed for all Hampshire Councils.
- The delivery and effectiveness of the revised approach to members' training and development to be reviewed.
- Training and development programme to be completed by the new Monitoring Officer.
- The Audit Strategy for the Council to be refreshed and applied to the risk assessment of the Audit Universe.
- A new action management system to be developed to improve the efficiency in the way that we manage recommendations arising from audit reports.
- New arrangements for Health and Safety Management to be embedded as part of the Environmental Health Partnership.
- Improved Data Protection training to be rolled out using Skillgate.
- The new responsible officer for emergency planning and business continuity to become embedded in the role and to carry out a review of our arrangements. Findings to be reported to the Audit and Governance Committee.

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 to be specifically addressed with new actions 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: 23 September 2014

Signed:



P.K.Grimwood
Chief Executive Officer
Fareham Borough Council

Dated: 23 September 2014