

## 1. Scope of Responsibility

- 1.1 Rushmoor Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.
- 1.3 The Council has established governance arrangements, which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Council Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance, which is publicised on the Council website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement.
- 1.4 The Council meets the requirements of Regulation 6 (1)(b) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Licensing and General Purposes Committee when they consider both the draft and final Statement of Accounts and is approved by the Licensing and General Purposes Committee in advance of them agreeing the Statement of Accounts.
- 1.5 The Chief Financial Officer has responsibility for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972. The Council has designated the Head of Financial Services as the Chief Financial Officer. While this arrangement does not conform precisely with the requirements of the CIPFA Statement, it does not impact on the effectiveness of the Chief Financial Officer in undertaking her role. The Chief Financial Officer (the Head of Financial Services) :
  - Is a key member of the leadership team, helping to develop and implement strategy and deliver the Council's strategic objectives sustainably and in the public interest

- is actively involved in and able to influence all material business decisions in line with the Council's financial strategy;
  - leads the whole Council in the delivery of good financial management;
  - directs a fit for purpose finance function; and
  - is professionally qualified and suitably experienced.
- 1.6 In addition, the Head of Financial Services, (the designated Section 151 officer) attends the Directors Management Board for any item that requires Section 151 Officer input. All Statutory Officers have regular 1:1 sessions with the Chief Executive.
- 1.7 The issues identified as significant governance issues and the progress made by management throughout the future financial year 2017/18 to address these issues will be reported regularly to the Licensing and General Purposes Committee with an assessment made in reducing the risk as part of their Governance role within the Council.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with, and leads the community, residents and service users. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds, which it is entrusted to spend.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. 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 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 (i.e. so they deliver value for money – efficiently, effectively and economically).
- 2.3 The governance framework which has been in place at the Council for the year ended 31st March 2017 has seen reports submitted to the Licensing and General Purposes Committee on the progress made on issues identified in the previous Annual Governance Statement and any ongoing issues are identified for consideration in this Statement

## 3. The Governance Framework

- 3.1 The Council is a Borough District, which was set up in 1974 combining the Urban Districts of Farnborough and Aldershot. The Council's strategic vision and corporate

objectives, including financial self-sustainability, are set out in the Council Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

#### 4. Communicating the Council's Vision

4.1 The Council's vision is "*Rushmoor Borough Council working with others to improve the quality of people's lives*" as set out in the Council Plan 2017/18. The Council Plan has been informed by the Rushmoor Strategic Partnership, a non-statutory, non-executive organisation working within the boundaries of Rushmoor, bringing together the skills of the public, private, voluntary and community sectors when working at a local level. The Council's Executive has during the course of the last year, undertaken a major review of the Council's priorities based on the concept of "*Listen, Learn and Deliver- Better*", leading to the identification of four new priorities underpinning the Council's stated purpose. These are

- *Sustaining a thriving economy and boosting local business*
- *Supporting and empowering our communities and meeting local needs*
- *A cleaner, greener and more cultural Rushmoor*
- *Financially sound with services fit for the future*

4.2 These Priorities are underpinned by the 8-Point Plan for financial sustainability and by three key transformation projects: Organisational Development; Customer and Digital and Commercialism; and by the Council's Regeneration and Place Projects. The Council Plan sets out the key actions and activities that the Council will be pursuing to achieve these priorities. Regular monitoring reports to both Cabinet and Policy and Review Panels (scrutiny) will ensure performance is appropriately measured.

#### 5. Key elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

##### **5.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

5.1.1 The Council is managed by a cabinet system. The Council's Constitution sets out how it operates, how decisions are made (including Officers Delegated Powers contained in Part 3 of the Constitution) and the procedures followed to ensure that decisions are efficient, transparent and accountable to local people. Some of these procedures are statutory whilst other are discretionary in nature. The Constitution is divided into 16 Articles and sets out the detailed rules governing the Council's business. It is published on the internet at

<http://www.rushmoor.gov.uk/article/3625/The-constitution>

- 5.1.2 The Council's Constitution details the role of the Policy and Review Panels performing scrutiny and overview functions. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.
- 5.1.3 The Head of Democratic and Customer Services, with advice from the Monitoring Officer keeps the constitution under review in order to ensure that the arrangements are up to date and compliant with the Council's legal duties. The Licensing and General Purposes Committee consider changes to the constitution prior to submission to Council for adoption.
- 5.1.4 The Solicitor to the Council is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution. Heads of Service have the primary responsibility for ensuring decisions are properly made within the scheme of delegation at appropriate levels of responsibility.
- 5.1.5 The Council's Constitution contains a Code of Conduct for Councillors, which was reviewed in 2014 and contains the statutory code relating to disclosable pecuniary interests; requirements relating to the disclosure of non-pecuniary interests and sets out the expected behaviour and standards to be adhered to by Councillors. In addition, the Protocol for Member-Officer Relations, the Disciplinary Procedure, the Code of Conduct for Officers, the Whistle Blowing Policy and the Anti-Fraud and Corruption Policy set out the standards of service and conduct expected of employees. These policies have been added to the Council's intranet and inserted into the Staff Handbook to increase awareness of their requirements. In order to enable third party challenge to Council operations there is a publicised complaints procedure, reviewed in 2016 to meet the Regulators Code and staff training has been undertaken on the revised procedure.
- 5.1.6 Complaints under the Code of Conduct for Councillors are initially assessed by the Monitoring Officer and the Chief Executive, following which, if appropriate, a panel of the Licensing and General Purposes Committee considers allegations of inappropriate behaviour by a Councillor. An Independent Person appointed under section 28 of the Localism Act 2011 provides appropriate scrutiny of the Council's Licensing and General Purposes Committee by sitting on the panel who hears any formal complaint. Reports for such hearings are produced by an independent investigator.
- 5.1.7 In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. The Council has a cross-party Member Development Group, appointed by the Cabinet, with responsibility for the strategic planning of councillors' learning and development activities. In December 2016, the Council was re-awarded the South East Employers Charter for Member Development, following an assessment of the Council's approach to councillors learning and development support. This included support to the Council's new Cabinet, joint development activities with other local authorities and organisations, one-to-one mentoring with new councillors, work to understand skills for future

councillors and community leadership roles, and a varied and on-going programme of training activities including training on the code of conduct and for regulatory committees and hearings.

5.1.8 The current strategic plan for councillors' development includes the following:

- Assessment of training needs
- Members Induction Programme – including code of conduct training
- Programme that supports Corporate priorities and objectives
- Range of training and delivery methods including one-to-one mentoring with new Members and those in new Cabinet roles
- Training for Regulatory roles, including licensing and development management
- Skills which support councillors community leadership roles
- Review of Members IT support

5.1.9 Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. Staff behaviour is covered by the Officers Code of Conduct which places duties on Officers to declare their standing interests or interests relating to matters as they arise. Both Members and Officers record any gifts and hospitality received in accordance with the Council's agreed procedure.

5.1.10 Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge which is essential in ensuring that the Council delivers its priorities, and will be vital in making both service changes and achieving financial sustainability. This is reflected in the Protocol for Member/Officer Relations which is part of the Council's constitution.

5.1.11 Appropriate briefings, supported by training from key officers and third parties to the Licensing and General Purposes Committee, are utilised to enhance the Governance Framework.

## **5.2 Principle B. Ensuring openness and comprehensive stakeholder engagement**

5.2.1 The Council's annual Council Plan sets out the Council's vision and priorities, assimilating them into key actions with deliverable outcomes. This links the objectives through to the outcomes, identifying the service areas responsible; key milestones and performance indicators. The Council works closely with the County Council and other local public bodies, particularly the Enterprise M3 Local Enterprise Partnership, neighbouring authorities, and community and voluntary groups, via the Community Matters Partnership and Rushmoor Voluntary Services, to ensure effective delivery of its services.

5.2.1 The Council Leader, on an annual basis presents to full Council the forthcoming priorities of the administration. This is used to influence the policies and strategies produced by the Council.

- 5.2.2 Progress on delivering the Council Plan is communicated through a performance management framework. In 2016/17 Cabinet received 6 monthly reports on performance against the Council Plan and these will be considered quarterly from 2017/18. These reports focus on exception and corrective measures where key performance indicators have not been met. The Policy and Review Panel's provide the scrutiny function on delivering the Council plan.
- 5.2.3 In order to demonstrate its openness the Council also publishes:
- Its Pay Policy Statement to support the Annual Budget
  - Its Constitution
  - Council, Cabinet and Committee Reports
  - Records of Executive Decisions
  - Cabinet Work Plan
  - Information required under the Transparency Code on the Data.Gov.uk website
- 5.2.4 All cabinet reports benefit from consideration by the Directors Management Board (DMB) and have Monitoring Officer and the Chief Financial Officer sign off before publication.
- 5.2.5 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted in April 2017 a Digital Strategy with a strong customer focus. This seeks to enable the delivery of the Council's work through the digital redesign of services around the customer experience to facilitate a "One Council Approach". This strategy requires the use of digital technologies to integrate front and back office systems and to join up customer contact(s). Analysis of customer data and interactions will be undertaken to gain insight and understanding of customer needs, enabling development of front office systems that can meet customer need. During 2016, the Council developed the "Love Rushmoor" mobile app to make reporting of issues simpler for residents.
- 5.2.6 The Council also uses traditional methods of communication with its residents such as Arena (the Council's magazine). The Council actively seeks the views of customers and staff through customer satisfaction surveys, community consultations, working with community groups, events and exhibitions, social media and through its web site. The Council has a walk in Customer Services Unit, where customers can seek advice and access services.

The Council promotes how people can have their say in a number of ways. It publicises individual consultations through traditional media (media, posters, flyers, exhibition boards, etc.), email, social media and its website. The Council's Statement of Community Involvement advises as to how consultations are conducted.

### **5.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

- 5.3.1 The Council Plan is supported by the 8 Point Plan which is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9 million reduction in the budget. The 8 point plan will be supported by the Council's Transformation Programme which is to be monitored by the Programme Steering Group. Within the Transformation Programme will be 3 work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial- each led by a Senior Responsible Officer. Other major projects supporting the 8-point plan may fall under the Regeneration and Place programme or be held by services as part of their service delivery. Governance arrangements will be strengthened for all major projects via an improved traffic light system of highlight reporting and clear accountability.
- 5.3.2 In the past year, the Council has seen results from its 8-point plan, which has enabled it to strengthen its financial position and helped it to meet the pressures arising from future changes in central government funding, the economic climate and other known risks. The purchase of commercial property to increase rental streams to the Council has generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account). The increased focus on financial sustainability, via the Council's 8-point plan, the addition of more commercial income streams and greater communication of the financial position has seen a shift in culture throughout the organisation.
- 5.3.3 The Council continues to face significant financial challenges for the future and will continue with the financial strategy built around the Council's 8-point plan through the Transformation Programme, with the retention of sufficient reserves to support improvement and to mitigate fluctuations in income and expenditure, particularly from the operation of the business rates retention scheme.
- 5.3.4 Whilst operating within a constrained budget the Council Plan recognises the need to drive the regeneration of Aldershot and Farnborough Town Centres to deliver the environmental improvements, supporting the Town Centres. Financial resources have been committed to acquiring key properties in Union Street Aldershot Key Site to support the regeneration of Union Street which is unlikely to be achievable without Council intervention.
- 5.3.5 The Council has awarded its Waste, Recycling and Street Cleansing Contract commencing in August 2017 for a period of ten years to deliver high quality and best value services. This contract will deliver significant revenue savings on the current service which costs £4.5M per year. The Council will also provide a new depot to deliver the services from and to enable the development of a commercial portfolio to draw upon other revenue streams. The new service will have a comprehensive,

integrated ICT solution which will also deliver a customer self- service portal, and integrations with existing Council systems such as the mobile app.

- 5.3.6 The Council's Procurement Strategy recognises the importance of ethics and sustainability with appropriate evaluation of supplier's proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring. In 2017 the Council arranged a Property Minor Works Framework, ensuring best value and enabling council work to be awarded to SME's as part of measures being taken the Council Plan to support SMEs.
- 5.3.7 The Council has further demonstrated its support of sustainability through an appropriate programme of self-financing capital investment in renewable energy projects in Council owned properties.
- 5.3.8 The employer supported volunteering scheme helps the Council's employees to volunteer with organisations to compliment the work of the Community Matters Partnership. From using existing skills, to taking on a new challenge, the scheme gives staff the time and support to try volunteering for 2 days per year for full time staff.
- 5.3.9 The Council aims to make risk management, integral to the governance arrangements in the Council and the risk register and risk monitoring report is considered by the Licensing and General Purposes Committee. Controls Assurance is an important part of the process to assure the Council that the identified risks are being properly controlled. This is carried out at periodic intervals by:
- the Licensing and General Purposes Committee;
  - The Directors Management Board
  - Heads of Service
  - Head of Finance and Solicitor to the Council

The Council recognises that there is work to be done on a Risk Management Policy and the Council's Risk Management Group will be leading on this during the forthcoming year.

#### **5.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

- 5.4.1 The Councils former Chief Executive retired in February 2017 and the new Chief Executive took up post in May 2017. The senior management structure of the Council was last reviewed in 2014/2015, which resulted in the revised role of DMB to enhance its strategic role and to devolve operational issues to Heads of Service. The DMB consists of two Corporate Directors and the Chief Executive. Any further review of the role of the Directors and the Senior Management Team, other than minor changes, will take place as part of the Organisational Redesign and Cultural Change Project , set within the Transformation Programme.



- 5.4.2 Arrangements are in place to scrutinise decisions and an excellent relationship between Officers and Members existing based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant parties at the right level of responsibility, ensuring all strategic decisions are led by Members. The implementation of the agreed policies at officer level is overseen by DMB which is supported by Senior Management Team.
- 5.4.3 In order to achieve its approach to maintaining financial sustainability over the medium – term as set out in the Council’s Medium –Term Financial Strategy, the Council has set a budget for the financial year 2017/18 supported by an appropriate assessment of risk by the Head of Finance. The budget proposals were presented to business ratepayers and voluntary sector organisations. The budget increases the council tax up to the maximum permissible level and reflects the expected growth in local business rates. The Council accepted the four-year settlement figure offered by government to aid financial planning, which figures confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus has also been sharply reduced. Key efficiencies and sustainability projects will be supported by continued use of the Service Improvement Fund and the Strategy for the Flexible use of Capital Receipts and driven by existing projects within the Council’s 8-Point Plan. The savings requirement for current financial year (2017/18) is £550,000.
- 5.4.4 All key decisions to be taken by Cabinet are included in the Cabinet Work Programme, which is published and available to the public. Executive decisions taken under delegated powers, by either officers or individual Cabinet members, are recorded and are available for viewing on the Council’s website.
- 5.4.5 The Licensing and General Purposes Committee is an essential part of good governance. This committee was formed from an amalgamation of the Licensing and General Purposes Committee and the Standards and Audit Committee from the start of the 2016/17 municipal year, following an observation from the Council’s external auditors that to accord with best practice, the Council should ensure the oversight and consideration of governance issues, associated with internal control, risk management and financial reporting was assigned to one committee. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2015/16. Internal and External Audit both have direct access to and support the Licensing and General Purposes Committee. The detailed matters reviewed by the Licensing and General Purposes Committee were:
- Treasury Management matters including Council borrowing;
  - Earmarked Reserves;
  - Future Internal and External Audit Work
  - The findings of both External and Internal Audit on control matters
  - The Statement of Accounts for 2015/16 and associated external audit findings.

Scrutiny of budget matters falls within the remit of the Corporate Services Policy and Review Panel with the member Budget Working Group have assisted in the preparation of the budget. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

- 5.4.6 The Licensing and General Purposes Committee is also responsible for councillor conduct issues. The Monitoring Officer and Chief Executive conduct an initial assessment into complaints under the Members Code of Conduct, with hearings being held before 3 members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate matters are reported and considered by full Council.
- 5.4.7 All Heads of Service prepare Service Plans that contain key actions and performance targets necessary to deliver the objectives of the Council.

### **5.5 Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it.**

- 5.5.1 To support the achievement of its strategic priorities, the Council is committed to ensuring it has the right people with the right skills, and is undertaking a skills audit. The broader development and the corporate needs of the Council’s staff were considered and prioritised by the Senior Management Team in September 2016 resulting in a Learning and Development programme for 2017/18 based on the needs of staff, the Council and project work linked to the Council’s 8-Point Plan on financial sustainability. The programme covers Digital and Social Media ; Commercial skills and Political Skills, supported by working differently and learning from each other; leadership and management skills ; project and programme management and understanding and working with the community.
- 5.5.2 This programme is supported within a performance framework covering all officers, including a Development Review system with targeted, relevant training. The Human Resources Policy and Procedures setting out the appointment process are transparent.

There are regular team meetings, and one to ones within services to support staff. The Council implements the national agreement on pay and conditions of service. The Council has achieved its commitment to pay the Foundation Living Wage for all staff other than casual staff. The Council provides an Employee Assistance Programme to assist staff in balancing the pressures of work with the needs of home life, including a confidential telephone service. The Council, acting through its Chief Executive, provides regular staff briefings and a weekly newsletter.

- 5.5.3 The Council has a protocol for Member / Officer Relations which ensures an understanding between elected members and officers of their respective role and that a shared understanding of these roles and objectives is maintained.

- 5.5.4 Significant delegated executive decisions are publically available on the internet.
- 5.5.5 To support decision making the Council works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Certain key partners such as partner Housing Associations and the North East Hampshire and Farnham Clinical Commissioning Group, who provide essential Council Services, are subject to independent oversight by Policy and Review Panels.

## **5.6 Principle F – Managing risks and performance through robust internal control and strong public management**

- 5.6.1 The Chief Executive of Rushmoor Borough Council is the Head of Paid Service and is part of the Directors Management Board (DMB) and Senior Management Team (SMT). Cabinet portfolios are assigned on a functional basis and subject to appropriate officer support.
- 5.6.2 As part of the budget process opposition parties have the facility to prepare alternative proposals under the procedure in the Budget and Policy framework which forms part of the constitution.
- 5.6.3 The Head of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided direct, and work towards Public Sector Internal Audit Standards. The Head of Internal Audit (HIA) reports to the CFO and has unfettered access across the organisation, including to the Chief Executive, the Board and the chair of Licensing and General Purposes Committee. The HIA attends Directors Management Board on a regular basis to provide updates against the audit plan, to raise awareness of risk and present the audit opinion.
- 5.6.4 The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with good practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability. In October 2015, a review was carried out to determine the need for anti-fraud and investigatory resources within the Council, within the Benefits arena but also wider across the organisation. As a result, two Corporate Investigation Officer roles were introduced on a trial basis to support the need for the Council to maintain adequate investigative capacity in a period of financial constraint, provide a deterrent to committing fraud and use their unique investigative skills to support a number of key organisational priorities. The Cabinet reviewed the outcomes of the trial period in April 2017, and due to its success made the roles permanent.
- 5.6.5 The Licensing and General Purposes Committee has responsibility for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting processes and the Annual Governance Statement. In addition, the Licensing and General Purposes Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues

identified by the internal and external auditors and other review and inspection bodies. The Council's policy on risk is under review and will set out the Council's overall approach to managing risk. A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy, updating policies and procedures, holding risk workshops run by the Council's insurers and ensuring implementation of policies across the Council. The Council's Corporate Health and Safety Officer attended training on Risk Management in May and is co-ordinating the approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to Directors Management Board and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan which was reviewed during 2016/17.

5.6.6 Each year new Members of the Council are inducted prior to the Council's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Council. All Statutory Officers receive training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

5.6.7 The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. All reports contain a section advising on risks. Matters are published in the Cabinet Work Plan to enable the public to be aware of future decisions. In the event of an urgent item requiring a decision not published in the Cabinet Work Plan, the agreement of the Chair of the relevant Policy and Review Panel must be obtained to exempt the decision from agreed scrutiny protocols. Arrangement for Urgency and Exceptions are set out in the appendix to the Access to Information Procedure Rules in Part 4 of the Council's Constitution.

5.6.8 In addition to the quarterly performance reports, there are quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. The annual budget is supported by the Head of Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the out-turn of the Council and are prepared in accordance with professional standards and subject to external audit.

5.6.9 In order to demonstrate robust internal control the Council has:

- A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy,
- An appropriate suite of Anti-Fraud and Corruption Policies;
- Assurance provided by the Head of Internal Audit through the Audit Opinion
- Assurance provided via the external auditor's Annual Audit Results Report
- A balanced budget supported by appropriate reserves
- Licensing and General Purpose Committee supported by an Independent Member

## **5.7 Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- 5.7.1 The Council is proactive in engaging with residents and other key stakeholders whose views are reflected in the refreshed Council Plan. In 2016/17 after engaging and communicating with key stakeholders, the Council formed a cross party group, the Aldershot Regeneration Task Force, to drive forward the regeneration of the town centre. Aldershot is a Step-up Town for the sub region and the Council, and partners, including the Enterprise M3 Local Enterprise Partnership, is working to secure a growth package of investment for the town.
- 5.7.2 As part of the Transparency Agenda the Council agreed to publish Senior Officer salaries over £50,000 and invoices over £250 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Council is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM).

The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2017/18 to further support the Council's preference for openness and transparency.

- 5.7.3 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA).
- 5.7.4 External Audit is provided by Ernst & Young LLP, utilising the contracts initially let by the Audit Commission. Management of contracts with audit firms for the delivery of external audit services to local public bodies is now held by Public Sector Audit Appointments Limited (PSAA). The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

### **Partnership Arrangements**

- 5.7.4 The Council delivers its CCTV service, Community Safety service and its Building Control Service in partnership with Hart District Council with shared funding. The review of the effectiveness of the system of internal control of these Partnerships will be subject to review in this municipal year.

### **Risks on Significant Projects**

- 5.7.5 The Council has some significant projects which are included in the capital programme. These may require considerable levels of one-off funding from the Council. The Council has now utilised the bulk of its capital receipts to support the capital programme, much of which will be funded by borrowing in forthcoming years, with consequential effects on the revenue budget in terms of borrowing costs and minimum revenue provision. Affordability of the programme is addressed via the

Annual Treasury Management Strategy and the Prudential Indicators for Capital Financing.

Given the complexity of some projects, particularly the Town Centre regeneration projects, there remains an on-going risk in respect of the long-term financial commitments arising from these projects. The Head of Finance considers this financial risk as part of the Medium Term Financial Strategy and the budget report. Individual reports to support investment in projects have been prepared in 2016/17 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

- 5.7.6 The issues on both partnership risk and project risk have been incorporated into this governance statement where necessary.

## 5.8 Review of Effectiveness

- 5.8.1 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and comments made by the External Auditors and other review agencies and inspectorates.
- 5.8.2 The Council Plan and objectives are established for 2017/18 through an updated Business Planning process and a refresh of the Council Plan, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and transformation of services, where the most significant savings may be made. That is developed in tandem with the Annual Budget Cycle, Efficiency Plan, and the Medium Term Financial Plan (MTFP), underpinned by adequate reserves to support financial resilience.
- 5.8.3 An internal audit programme is undertaken, which in the current year has focused on key items of risk in the Audit Plan. The risk universe has been updated to show auditable areas as at January 2017 and the risk criteria have been reviewed to ensure the capture of all relevant areas to be considered in determining the level of risk exposure within an auditable area. Internal Audit reports to the Licensing and General Purposes Committee in relation to the Audit plan, progress against the plan, the audit opinion on the system of internal control and any risk issues. A new rolling audit plan has been developed for 2017/18, with quarterly updates to both Directors' Management Board and the Committee.
- 5.8.4 An external audit of the accounts year ending 31st March 2016, undertaken by Ernst and Young LLP, was reported to the Licensing and General Purposes Committee in September 2016, which provided an Unqualified Opinion that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended. External audit attend the Committee on a regular basis to discuss the external audit plan, progress against the plan, audit fees and the Audit Results Report. In May 2017 L&GP

received an audit report from External Audit advising that the progress of the Council against the PSIAS self-assessment should be reported within the Annual Governance Statement as well as the revised future reporting lines of the Audit team. The Audit team now report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, the Leadership team and the chair of Licensing and General Purposes Committee. In addition, Ernst and Young provide updates on key risks for local government, enabling the committee to be sited on wider risks affecting the sector and prompting discussion and consideration of how those risks are managed at Rushmoor.

## 6. Significant Governance Issues

6.1 The Annual Governance Statement identifies the following governance issues and major risks for the Council. These are:

### 2016/17 Issues

GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Risk Management	Review and update the Risk Management Policy, the Corporate Risks Register and Adopt an Asset Management Strategy	Head of Financial Services
EU General Data Protection Regulation	Review and prepare for changes to the data protection regime	Deputy Monitoring Officer
Risk of non-delivery of key projects (to meet Council's aims and its future financial sustainability)	Embed new governance processes for Transformation Programme and Regeneration and Place work stream, including full project scoping (robust cost estimates, benefit identification, resourcing requirements) and updated highlight reporting methodology	Corporate Directors

## 7. Summary

7.1 The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our residents and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.