

Rushmoor Borough Council

Annual Governance Statement 2017/18

1. Scope of Responsibility

- 1.1 Rushmoor Borough Council (the Council) is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and provides Value for Money (VfM). 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 Authority 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's website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Regulation 6(1) which requires the preparation of an Annual Governance Statement. 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.
- 1.4 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;

- is responsible for the Council’s risk strategy and
 - is professionally qualified and suitably experienced.
- 1.5 The Head of Financial Services post is proposed to change to the Executive Head of Finance and form part of the Executive Management Team under changes proposed to be introduced during 2018.

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 and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 2.3 The governance framework which has been in place at the Council for the year ended 31 March 2018, 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’s Executive seek to “Listen, Learn and Deliver - Better”, in delivering the priorities of the Council Plan. The priorities 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.

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 Council has approved revised Scrutiny arrangements with effect from the new municipal year, which will change from a system of Policy and Review Panels to a single Overview and Scrutiny Committee and a single Policy and Project Advisory Board. The Scrutiny process 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, Bribery and Corruption Policy set out the standards of service and conduct expected of employees. A review of the Anti-Fraud, Bribery and Corruption policy; the Gifts and Hospitality policy, the Anti-Money Laundering and the Whistle Blowing policy are due to be reviewed in the forthcoming year.

- 5.1.6 These policies are on the Council's intranet and in 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.
- 5.1.7 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. An independent investigator produces reports for such hearings.
- 5.1.8 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. The Council holds the South East Employers Charter for Member Development. Learning and development support includes Cabinet training, joint development activities with other local authorities and organisations, one-to-one mentoring with new Councillors, Councillors and community leadership roles training, Code of Conduct training and training for regulatory committees and hearings.
- 5.1.9 The current strategic plan for Councillors' development includes the following:
- Assessment of training needs
 - Members Induction Programme – including code of conduct training
 - Training and support for the introduction of the new decision-making structures
 - GDPR requirements for Councillors' roles
 - 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 roles
 - Training for regulatory roles, including audit, licensing and development management
 - Skills that support Councillors' community leadership and meeting roles
 - Review of members IT support and use of data

- 5.1.10 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.
- 5.1.11 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.
- 5.1.12 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.
- 5.1.13 In line with Public Sector Equality Duty, the Council has published its Equality Objectives, Workforce Profile and Statutory Gender Pay Gap. The Equalities Impact Assessment template has been reviewed and rolled out to all service areas. All completed EIAs are posted on the Council's web site on the Equalities page.

5.2 Principle B - Ensuring openness and comprehensive stakeholder engagement

- 5.2.1 The Rushmoor Borough Council Plan 2018/19 (the Council Plan) sets out the Council's vision and four-priority area. Each priority area has targets areas and outcome measures. The Key Projects and Actions for 2018/19 under each priority are listed in the plan together with deliverables for 2018/19. This links the priority areas through to the outcome measures. The delivery mechanism for each key project and action is shown as facilitating, or enabling or delivering. 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.
- 5.2.2 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.
- 5.2.3 Progress on delivering the Council Plan is communicated through a performance management framework. In 2017/18 Cabinet received quarterly reports on performance against the Council Plan and these will be considered quarterly from 2018/19. These reports focus on exception and corrective measures where key performance indicators have not been met. The

Overview and Scrutiny Committee will provide the scrutiny function on the delivery of the Council Plan.

5.2.4 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 Programme
- Information required under the Transparency Code on the Data.Gov.uk website

5.2.5 All Cabinet reports benefit from consideration by the Corporate Leadership Team (CLT) and have Monitoring Officer and the Chief Financial Officer sign off before publication.

5.2.6 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted a Digital Strategy in April 2017 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. The Council's "Love Rushmoor" mobile app, designed to make reporting of issues simpler for residents has over 500 users and plans are in place to promote its use through community champions network.

5.2.7 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.

5.2.8 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 that is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9m reduction in the budget, identified in the 2017/18 budget setting process. The 8-Point Plan is

supported by the Council's Transformation Programme, which is monitored by the Programme Steering Group. Within the Transformation Programme are three work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial - each led by a Senior Responsible Officer. Regeneration and Place projects feed into the 8-Point Plan. Governance arrangements have been 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 in 2016/17, to increase rental streams to the Council, generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account) and the Council expects to build on this success in future years. The Council allocated £15m for the purpose of property acquisition in 2017/18, with a further £25m in 2018/19 for commercial property and other investment opportunities, and £17m for 2019/20. This is a major part of closing the funding gap moving forward, alongside a major modernisation and improvement plan. The current funding gap is forecast to be around £3.8m by 2020/21. 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 a refreshed financial strategy built around a refresh of the Council's 8-Point Plan and 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, a key site to support the regeneration of Aldershot, which is unlikely to be achievable without Council intervention. The Council has also been awarded £8.4m of HIF funding to help deliver housing regeneration projects in the Borough and is currently undertaking a selection process for an investment partner to support delivery of its regeneration programme.
- 5.3.5 The new ten year contact for Waste, Recycling and Street Cleansing and Grounds Maintenance commenced in August 2017. This contract will deliver significant revenue savings. The Council's new depot for the contract is due to open in September 2018. The new service has a comprehensive, integrated ICT solution delivering a customer self-service portal and integration 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. The Property Minor Works Framework is now operational, ensuring best value and enabling council work to be awarded to SMEs as part of measures being taken by 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 Corporate Leadership Team
 - Heads of Service
 - Head of Finance and Solicitor to the Council

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

- 5.4.1 The new Chief Executive joined the Council in May 2017 and introduced measures aimed at improving governance and accountability. Cabinet reports are now submitted in the names of the Portfolio Holders and presented by them at Cabinet meetings, improving the decision making process with Portfolio Holders being well prepared, briefed and knowledgeable on each area of their brief. A new Corporate Leadership Team including all Heads of Service, the Chief Executive and Directors has been established to improve awareness and corporate understanding of decisions. New management arrangements for Heads of Service have been introduced so that they report to the Directors who have service responsibilities. This change has improved oversight and accountability at senior level. The Chief Executive has consulted upon a restructure of senior management team, aiming to strengthen the focus on the Council's priorities, which is planned to be introduced during 2018/19.
- 5.4.2 Arrangements are in place to scrutinise decisions and a good relationship exists between Officers and Members 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 CLT

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 2018/19 supported by an appropriate assessment of risk by the Head of Finance . The budget proposals were presented to an all Member seminar ahead of consideration by full Council, in order to facilitate understanding of budgetary issues and risks and to aid debate. The budget increased the council tax up to the maximum permissible level for Shire Districts before triggering a referendum, and reflects the expected growth in local business rates. The Council had previously accepted the four-year settlement figures for 2016/17 to 2019/20 offered by government to aid financial planning, which confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus continues to be used to support the revenue budget. 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 while reserves to support the general fund are planned to increase modestly over time. In line with comments from the recent Local Government Peer Challenge, these reserves are no longer being used to support on-going service provision. The savings requirement for the financial year 2017/18 of £550,000 was exceeded and some initial savings against the target of £1.55m for 2018/19 have already been achieved. Progress against the savings target will be monitored closely throughout the year.

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. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2016/17. 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 during 2017/18 were:

- Scrutiny of proposed Treasury Management Strategy and performance during the year
- External audit plan, progress reports and final audit results report on the Statement of Accounts and “Value for money “ conclusion and Audit Committee briefings from the external auditor
- Internal audit plan, progress updates and audit opinion, including setting of a Quality Assurance Improvement Plan and assessing compliance with Public Sector Internal Auditing Standards.

- Consideration of accounting policies and materiality levels for inclusion in the Statement of Accounts
- Approval of the Statement of Accounts and the Letter of Representation
- Code of Corporate Governance
- Annual Governance Statement
- Annual Review from the Local Government and Social Care Ombudsman
- Appointment of an Independent Person
- Risk Management and the Corporate Risk Register
- Report from Public Sector Audit Appointments (PSAA) on the results of auditor's work

5.4.6 The work of the Committee is to be supported by focussed training from the external auditor in May 2018, based around a checklist for self -review of the Committee's effectiveness. In addition, training on Treasury matters is to be supplied in July 2018 by the Council's Treasury Management Advisors alongside an opportunity for Members of the committee to scrutinise the performance of the advisors. A review of the Terms of Reference for the Committee is also being undertaken alongside a proposed work programme for the forthcoming year.

Scrutiny of budget matters falls within the remit of the Overview and Scrutiny Committee with the member Budget Strategy Working Group playing a role in budget strategy, achievement of the savings plan and Member engagement in the budget process. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

5.4.7 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 three members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate, matters are reported and considered by full Council.

5.4.8 All Heads of Service prepare Service Plans that contain key actions, performance targets and associated risks, necessary to deliver the objectives of the Council though Service Plans will be delayed in this financial year until the restructure proposals are complete

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 has undertaken a skills audit. With the arrival of the new Chief Executive, the Corporate Leadership Team and the Middle Management Group have undertaken team development training. The broader development and the corporate needs of the Council's staff , being a key part of the Council's operating model, were considered and prioritised by the CLT resulting in a Learning and

Development programme for 2018/19 based on the needs of staff, the Council Plan and new priorities.

- 5.5.2 The programme for 2018/19 will cover leadership and management development, commercial awareness and political skills, supported by working differently and learning from each other; project and programme management and understanding and working with the community. The Council is also committed to developing opportunities for apprenticeships.
- 5.5.3 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 and has published its gender pay gap information. 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.
- 5.5.4 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.
- 5.5.5 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 Corporate Leadership Team. 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 though contractual auditors from other authorities are used as necessary, 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, CLT and the Chair

of Licensing and General Purposes Committee. The HIA attends CLT 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. This includes regular management information, management supervision, and a structure of delegation and accountability. Two Corporate Investigation Officers are employed to ensure that the Council has adequate investigative capacity in order to provide deterrence to committing fraud.
- 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 as identified by the internal and external auditors and other review and inspection bodies. The Council's policy on risk has been reviewed and sets out the Council's overall approach to managing risk. The Corporate Risk Register and risk policy have been updated and risk policies and procedures, implemented across the Council. The Council's Corporate Health and Safety Officer co-ordinates the Council's approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to CLT and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan
- 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 Risk Management Group to review and maintain 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
- Compliance with the Transparency code
- A Monitoring Officer
- A Performance management system

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 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. This approach will be carried forward into the Council's new scrutiny and policy development arrangements with a similar group being established to shape regeneration in Farnborough alongside broad public and stakeholder engagement on key sites.

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 VfM.

5.7.3 The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2018/19 to further support the Council's preference for openness and transparency.

5.7.4 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA). The Council invited the LGA to undertake a peer challenge in December 2017. The report has been published and the recommendations have been accepted will be taken

forward from 2018/19 as part of the Council's Modernisation and Improvement Programme (Rushmoor 2020)

- 5.7.5 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.
- 5.7.6 It has not been necessary for the Council to request any authorisations for surveillance under the Regulation of Investigatory Powers Act.

Partnership Arrangements

- 5.7.6 The Council delivers its CCTV service, Community Safety Service and its Building Control Service in partnership with Hart District Council with shared funding. The CCTV service is currently being reviewed to ensure its fit with the strategic aims of both Councils, the coverage being supplied and the ability of the service to react to changing technology and future proofing.

Risks on Significant Projects

- 5.7.7 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. A Capital Strategy will be prepared for 2019/20 in line with new guidance.
- 5.7.8 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 2017/18 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.
- 5.7.9 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, other review agencies and inspectorates and the Peer Challenge Review.

- 5.8.2 The Council Plan and objectives are established for 2018/19 setting out the framework for the work programme, focusing predominantly on achieving efficiencies, transformation of services and the regeneration programme. That is developed in tandem with the Annual Budget Cycle 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 2018 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 rolling audit plan has been developed for 2018/19, with quarterly updates to both CLT and the Committee.
- 5.8.4 An external audit of the accounts year ending 31 March 2017 was undertaken by Ernst and Young LLP and reported to the Licensing and General Purposes Committee in September 2017. This 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 2017 and of its expenditure and income for the year then ended. The auditor also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor made some recommendations to strengthen the Council's governance arrangements in relation to the role of the Committee, a review of the Council's risk management framework and the way the Council reviewed the advice received from experts, all of which have been progressed during the year. 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 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.
- 5.8.5 In May 2017, L&GP received an audit report from the Head of Internal Audit (HIA) advising that the progress of the Council against the Public Sector Internal Audit Standards (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 report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, CLT and the Chair of Licensing and General Purposes Committee. During the year, work has been undertaken to achieve further compliance against the PSIAS as set out in the internal audit opinion for 2017/18. This has raised compliance to 285 out of the 336 fundamental principles, with a further 27 principles being partially compliant and 12 not being applicable. A Quality Assurance and Improvement Plan is included in the Opinion report and aims to raise compliance further in 2018/19.

5.8.6 The Opinion report also recommends the following areas for coverage within the Annual Governance Statement:

- Progress on the reconstituted risk management process
- Progress on meeting General Data Protection Regulation requirements
- Progress on the development of an Asset Management Strategy

5.8.7 Significant work has been undertaken during the year to develop a revised corporate risk register and improve reporting on risk both to Members and management, while both GDPR and asset management are picked up in the section below for action during 2018/19. Progress on these actions will be monitored by internal audit and reported quarterly to L&GP and CLT.

6. Significant Governance Issues

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

2017/18 Governance Issues

GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice	Develop and adopt <ul style="list-style-type: none"> • Capital Strategy; • Asset Management Plan; and Investment Properties Performance criteria	Head of Financial Services
EU General Data protection Regulation	Ensure that the necessary changes for the GDPR are completed and implemented from the 25 th May 2018	Deputy Monitoring Officer
Restructure of the Council's Senior Management Team	Monitor the risks created by the review and ensure that the Council has appropriate resilience during a time of change	Corporate Directors and Chief Executive
Introduction of new governance arrangements	Ensure that the working arrangements are transparent and understood and the necessary support and training is provided for	Head of Democratic and Customer Services

	Council Members	
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7. Summary

- 7.1 The Council has in place strong governance arrangements that 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.