
ANNUAL GOVERNANCE STATEMENT

— 2018-2019 —



Scope of Responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and that proper standards and public money are upheld and safeguarded and accountability properly demonstrated. We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which our functions are exercised, whilst having regard to a combination of economy, efficiency and effectiveness.

We are responsible for putting in place proper arrangements for the governance of our affairs and facilitating effective exercise of our functions (which includes arrangements for the management of risk).

The Council has responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including our systems of internal control. We have prepared this Annual Governance Statement (AGS) to comply with the requirements of the Accounts and Audit regulations 2015, and in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes by which we direct and control, and the activities through which we are accountable to, and engage with, the community. Our system of internal control is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives by evaluating the likelihood of those risks being realised and highlighting any resulting impact. However, it cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council has a **local Code of Governance** which sets out our governance arrangements. A new code will be published on the Council's website after being reviewed and updated this year to reflect all the changes following the transformation.

Assurance Opinion

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three year plan, from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service lead and/or Corporate Director, Chief Financial Officer and Chief Executive. The report includes recommendations for improvements that are included within an action plan and requires agreement by service leads, Chief Financial Officer and/or Corporate Directors and Chief Executive. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.

The following opinion is based on the audit activity undertaken during 2018/19. The Head of Internal Audit is satisfied that sufficient assurance work has been carried out to allow the formation of a reasonable conclusion on the adequacy and effectiveness of Eastleigh Borough Council's internal control environment.

'On the basis of the reviews and testing that the section has undertaken during 2018/19, the Head of Internal Audit can confirm that the Council's framework of governance, risk management and control is adequate in the majority of areas reviewed. However, given the transition to new ways of working, audit testing found that not all controls are operating in practice. This has been highlighted within the appropriate audit report and progress with the implementation of recommendations is closely monitored by the Head of Internal Audit, Management Team and Audit & Resources Committee who reports quarterly to both groups. '- Jo Cassar (Head of Internal Audit)

Sign off by CEO and Leader

The Council has strong governance arrangements in place, which we are confident, protect its interests and provide necessary assurances to our customers and stakeholders. Any matters identified where we can enhance our governance arrangements further, will be addressed through regular monitoring by the Head of Performance and Governance in consultation with the Chief Internal Auditor. Updates of any progress will be provided within the next AGS.



Councillor Keith House
Leader of the Council

A handwritten signature in black ink, appearing to read 'Keith House'.



Nick Tustian
Chief Executive

A handwritten signature in black ink, appearing to be a stylized 'N' followed by 'Tustian'.

Progress on improvement of areas requiring focus identified in the 2017/2018 Annual Governance Statement

| Number | 2017/18 Governance issues identified | Planned action | Status |
|--------|--|---|--|
| 1 | Ensure effective governance arrangements for sign off of new IT systems and processes. (responsible officer: Chair of Change and Improvement Board) Completion Date: March 2019 | A review of current arrangements regarding the sign off process in respect of new systems and processes going live is required to ensure all stakeholders are fully consulted and there is a clear audit trail in place | Complete - every project plan will have a targeted go-live date. As the live date approaches formal meetings will be held to review any priority 1 and priority 2 issues on the issues log. The stakeholders (typically subject matter experts, functional and operational managers of that function, Internal Audit, project lead and Head of IT) agree collectively that any outstanding issues can be closed off. A project closure report is then presented to the IT Board. |
| 2 | Ensure effective vacancy management arrangements are in place. (responsible officer: Head of HR) Completion Date: September 2018 | Ensure we have effective arrangements and controls in place to recruit to 'hard to fill' posts to provide continuity of service | Complete - all requests go through the internal forms workbench process and nothing is actioned until sign off is completed. Hard to fill posts are an issue for all organisations at the moment given low unemployment rates, skills shortages and salary constraints and practices. The Council is effectively using market supplements and agencies where appropriate to ensure posts are filled. |
| 3 | Confirm appropriate controls are in place to effectively administer and comply with new General Data Protection (GDPR) Legislation from May 25th 2018. (responsible officer: Head of Legal Services) Completion date: May 2018 | Work has already commenced across the organisation to ensure the Council is prepared for new GDPR legislation | Complete – Internal Audit have carried out the first review since GDPR was introduced and confirmed arrangements are appropriate. |

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| 4 | Staff policies are fit for purpose and up to date ensuring effective governance across the Council. (responsible officer: Head of HR) Completion date: March 2019 | A review of current staff policies is currently being undertaken with the majority of policies already reviewed | The main HR policies have been updated and published, with the exception of the pay policy which is due to be updated 2019/20. |
| 5 | Review of fraud procedures (responsible officer: Head of Internal Audit) completion date: September 2018 | A review of fraud procedures is required following a significant period of transformation within the organisation | Anti-Fraud and Corruption Policy updated February 2019 and will be communicated to all staff and councillors. |

Governance issues brought forward from 2016/17 governance review

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| 1 | Internal Audit review of developers' contributions highlighted opportunities to streamline processes. (responsible officer: Head of Internal Audit and Head of IT) completion date: March 2019 (brought forward from 2015/16 AGS) | Internal Audit review will be completed by May 2018. Work is underway to develop an enhanced process streamlining arrangements for administering section 106 agreements via Salesforce (the Councils' primary software platform) | Audit complete. The S106 will be a feature of the next release of Arcus built environment and this is programmed for later this year with go live dates unlikely to feature in 2019. |
| 2 | Absence of a Local Plan. (brought forward from 2015/16 AGS) | The Emerging Local Plan was agreed in December 2017 subject to the completion of final technical evidence and delegated sign off by the Chief Executive. Consultation on the new Local Plan to be launched in the summer of 2018 with proposed submission date of October 2018. | The Local Plan and all supporting evidence was submitted to government by 31 October 2018. This will now be considered by an Independent Planning Inspector and dates for the public examination will be posted when available. All evidence and documents are available to view on our website. |

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| 3 | Whistleblowing policy requires review and updating (brought forward from 2015/16 AGS). (responsible officer: Head of HR) | New policy now published | Complete - policy updated and published and will be made publically available to demonstrate operating principle and values. |
| 4 | The need to establish clear governance arrangements which will allow partnerships to be evaluated. (brought forward from 2015/16 AGS) | Internal Audit has carried out a review of partnership arrangements with Southampton City Council in respect of building control and licensing. Recommendations have been taken forward. Internal Audit will continue to monitor progress of the implementation of these recommendations. | Partnership review to be completed 2019/20 to determine if current partnership arrangements are appropriate. |
| 5 | Internal Audit review of cash and banking highlighted weaknesses in reconciliation processes (Review of accounts payable identified opportunities to streamline processes around ordering, duplicate payments and reconciliation. (Responsible officer: Head of Finance) | Processes have been reviewed and where appropriate streamlined. Internal Audit will also continue to monitor progress against this item. A review of accounts payable is included in the 2018/19 Internal Audit Plan. | Completed – Internal Audit monitoring implementation of recommendations during 2019/20. |

Key elements of the governance framework and an assessment of its effectiveness for 2018/2019

The Council has an overarching vision for the borough: "To lead and support Eastleigh borough and its communities: developing a strong and sustainable economy that supports improved standards of living for residents; promoting thriving and healthy communities; and maintaining an attractive and sustainable environment that residents value."

We will do this by:

- Having a vision and a plan for the future of our borough.
- Engaging with customers to continually improve our services
- Meeting the needs of our residents, businesses and other key stakeholders.
- Strengthening our relationships with partners.
- Operating in a business-like, commercially focused way.
- Having a skilled, high performing workforce.
- Making the best use of technology.
- Ensuring our services are well planned and efficient.

Acting in the public interest requires a commitment to effective arrangements for:**Principle A**

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

- The roles and responsibilities of our councillors and staff and the processes we use to govern Council business are defined in the Council's Constitution; which has been updated and will be reviewed in 2019/20.
- We have codes of conduct in place for councillors and staff to make sure that public business is conducted with fairness and integrity and that we define high ethical values and the standards of behaviour we expect.
- Our **Constitution** sets out how we operate and how we make decisions. The Council must make decisions efficiently, transparently and accountably.
- Our Monitoring Officer undertakes a review of the Constitution annually to ensure the Council's arrangements remain compliant with legislative requirement and is fit for purpose in supporting the council's strategic objectives.
- Our Whistleblowing Policy was reviewed and updated in 2018 as part of the corporate policy review.
- We publish a register of interests to ensure that any conflict of interest remains open and transparent.
- We also publish a councillor gifts and hospitality register which is maintained by the Monitoring Officer.
- In 2018 we reviewed and updated our corporate complaints procedure and the number of cases referred to the Ombudsman.

Acting in the public interest requires a commitment to effective arrangements for:**Principle B**

Ensuring openness and comprehensive stakeholder engagement

- Our Council meetings are open to members of the public to attend and residents and other stakeholders are welcome to record and film them.
- Our committee agendas, minutes and decisions, (including Cabinet decisions) are made publically available on the Council's website to ensure transparency and openness. All our public meetings are also held in accessible venues around the borough.
- We communicate our work, purpose, aims and vision regularly through a number of different communications channels. The Borough News is delivered to 55,000 homes and we have a range of social media channels through which we communicate updates.
- We publish and regularly update a range of content and open data on our Freedom of Information, Publication Scheme and Transparency Code pages on our website.
- In 2018/19 we delivered a residents' survey to better understand the views and opinions of our customers and gain feedback on the work we do for them.
- We offer a **Primary authority** partnership for businesses as a single point of contact for Environmental Health matters. Following some resourcing issues in 2018/19 and a review of our payment options we have now received positive feedback on this service.
- In 2018 we carried out a Community Governance Review at parish level across our borough to ensure arrangements for community governance across the borough reflect 'the identities and interests of the community in the area' and are 'effective and convenient'
- We publish a **contracts register** on a quarterly basis as part of requirements under the Transparency Code.

Governance principle Assurance on compliance

In addition to the overarching requirements for acting in the public interest found in principles A & B, achieving good governance also requires a commitment to, and effective arrangements for:

Principle C
Defining outcomes in terms of sustainable economic, social, and environmental benefits.

- We published a draft Corporate Action Plan in 2018/19 outlining the economic, social and environmental outcomes we want to deliver.
- We submitted our Local Plan 2016 - 2036 to the Secretary of State for formal examination before October 2018 along with supporting evidence and representations that we received in response to our consultation in June – August 2018. The next stage will be public hearings expected in 2019.
- We began introducing a new corporate performance framework in 2018/19 which included development of new business plans ready for roll out in 2019/20.
- As part of the Corporate Performance Framework we also put in place a new performance reporting and monitoring cycle. New service performance meetings and quarterly strategic performance reviews with Cabinet leads begin in April 19.
- Running parallel to the Corporate Performance Framework we introduced a new Employee Performance process in 2018/19 setting a standardised approach to ensuring effective employee performance.
- A partnership review is due to be carried out in 2019/20 as part of the Internal Audit review work.

Governance principle Assurance on compliance

In addition to the overarching requirements for acting in the public interest found in principles A & B, achieving good governance also requires a commitment to, and effective arrangements for:

Principle D
Determining the interventions necessary to optimise the achievement of the intended outcomes.

- We produce a Medium Term Financial Plan (MTFP) annually, taking into account known issues and applying a number of assumptions to the Council’s finances. The MTFP provides, on a rolling basis, a projection of our finances over a four year period and in doing so establishes the broad financial principles around which councillors can develop portfolio plans and consider, at a high level, the Council’s budget strategy.
- In 2018/19 we launched our Change and Improvement programme designed to coordinate all future change and continuous improvement projects/activity across the Council following on from the Council’s Future Eastleigh transformation programme which came to a conclusion the previous financial year.
- In 2018/19 an internal project management audit was undertaken with a number of recommendations made to improve project controls.
- We are continuing to undertake a review of our corporate policies and a full list of policies has been published on the Council website.
- We have in place a process for monitoring all statutory government returns to ensure completion. A failure in this area was highlighted in 2018 due to robust monitoring and corrective action was taken to identify future resource to ensure completion.
- The Planning Advisory Service (PAS) undertook a performance support assessment of the Development Management service following a period of significant change, most notably with the adoption of a new Council structure and the introduction of a new back office computer system in 2017. The assessment made comment and recommendations on training, systems and processes that have been embraced resulting in improvements to the quality and efficiency of the Development Management service.

Governance principle Assurance on compliance

In addition to the overarching requirements for acting in the public interest found in principles A & B, achieving good governance also requires a commitment to, and effective arrangements for:

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- The designated role of Head of Paid Service is accountable to the Council for all aspects of management including sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers and building relationships with all councillors.
- We have undertaken a transformation programme in the last two years to make us a more efficient Council.
- We updated our councillor training and induction programme.
- We undertook a full review of staff policies and out of date policies which have now been updated and published.
- We also introduced our Employee Performance Framework in 2018/19 with a new approach to monitoring staff performance and rewarding high performing individuals.
- A group of our senior managers undertook Lean Six Sigma process redesign training to be able to continue to make service and process improvements in their areas.
- Our Behaviour Framework clearly sets out the organisation's expectations in terms of how staff conduct themselves and their attitude and approach to work and our customers. The framework will be reviewed in 2019/20 as part of the internal audit review work programme.

Governance principle Assurance on compliance

In addition to the overarching requirements for acting in the public interest found in principles A & B, achieving good governance also requires a commitment to, and effective arrangements for:

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| <p>Principle F Managing risks and performance through robust internal control and strong public financial management.</p> | <ul style="list-style-type: none"> • We have a risk management approach which includes robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public. • Our Chief Finance Officer (section 151 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters. • We established a project team to ensure we met our obligations under the new General Data Protection Regulations (GDPR) which came into effect in May 2018. An internal audit is now being conducted to assess our effectiveness with the measures that have been introduced under ICO guidelines. • We introduced a more robust process to ensure we report data breaches under GDPR. • A governance review working group has been set up to meet quarterly. • The Audit & Resource Committee act as the Council’s audit committee for internal and external audit, overseeing and reviewing the Council’s internal audit plan, risk management arrangements and ensure effective relationships between internal and external audit. The committee also receives and considers the work of external audit and approves our governance and assurance statements, statement of accounts, and anti-fraud and anti-corruption arrangements. |
| <p>Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> | <ul style="list-style-type: none"> • The views of Internal and external audit are reported regularly to the Audit & Resources Committee. • The Head of Internal Audit’s Annual Internal Audit Report and opinion forms part of the review of effectiveness along with the Annual Governance Statement. • We are committed to being open, accountable and transparent by making information available to our customers on our website. This includes the Freedom of Information Model Publication Scheme and the Transparency Code 2015 pages which are regularly reviewed and updated. • Our Freedom of Information (FOI) and Environmental Information Regulation (EIR) processes have been reviewed and updated to comply with ICO guidelines. |

New issues identified for 2018/2019

In the approvals process for this Annual Governance Statement, the following key areas were identified as meriting particular attention over the next 12 months. Actions arise as a result of Internal Audit recommendations following review of corporate governance. Implementation will be monitored by the Corporate Governance Group on a quarterly basis.

| 2018/19 Governance issues identified | Deadline | Responsibility |
|---|------------|---|
| Review of staff code of conduct to assess compliance, including declaration of interests and gifts and hospitality | March 2020 | HR |
| Communication of the Anti-Fraud and Corruption Policy by way of staff training | March 2020 | Internal Audit |
| Partnership review to be carried out | March 2020 | Strategic Planning in conjunction with Internal Audit |
| Review into how the Council can better promote ethical standards, performance and review of our Behaviour Framework | March 2020 | Decision will be based on on Internal Audit recommendations |
| Review of Constitution to be completed and a clear documented project brief to be created | March 2020 | Monitoring officer |
| Review of compliance with transparency arrangements | March 2020 | Performance & Governance |
| Development of Communication Strategy and Channel Shift Policy (consider updating statement of community involvement as part of strategy) | March 2020 | Communications & Marketing |

The Annual Governance Statement has been compiled using the following assurance framework



