



Hampshire  
County Council

**ANNUAL GOVERNANCE STATEMENT  
2018/2019**

**FOR**

**HAMPSHIRE COUNTY COUNCIL**

**AND**

**HAMPSHIRE PENSION FUND**

## **Annual Governance Statement for Hampshire County Council and Hampshire Pension Fund**

### **1. Scope of Responsibility**

Hampshire County Council is responsible for ensuring that

- its business is conducted in accordance with the law and to proper standards.
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.
- there is a sound system of internal control which facilitates the effective exercise of the County Council's functions and which include arrangements for the management of risk.

These responsibilities also extend to the administration of the Hampshire Pension Fund, which is undertaken by the Pension Fund Panel and Board. The combined Panel and Board is responsible for investment, management and governance of the Fund. This Statement explains how the County Council has complied with the Code and meets with the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement during 2018-2019.

### **2. The purpose of Corporate Governance**

The governance framework comprises the systems and processes, and cultures and values, by which the County Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievements of the County Council's strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the County 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.

The governance framework has been in place at Hampshire County Council for the year ending 31 March 2019 and up to the date of approval of the annual report and the statement of accounts.

The County Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering

'Good Governance in Local Government'. A copy of the Code is available on the County Council's Web site at:

[Code of Corporate Governance](#)

**3. Core Principles of good governance**

**3.1 Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.1.1 The County Council's Constitution is founded on it operating in an open and transparent way, and for the Leader of the County Council and the Chief Executive to set the tone for the organisation by creating a climate and culture of openness, support, and respect.
- 3.1.2 The County Council is committed to the highest ethical standards and has adopted a governance framework to re-enforce this philosophy as well as procedures to investigate any issues should the need arise. The framework, policies and procedures are set out in the County Council's Code of Corporate Governance which was adopted by the County Council during 2016-17. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the County Council to integrity, ethical values and the rule of law.
- 3.1.3 An officer group comprising the Head of Governance and representatives from Democratic and Member Services, Legal Services has been established to specifically monitor new legislation. The Legislation Implementation and Review Group meet quarterly, or as required, and provides an effective mechanism for tracking new legislation and ensuring that the County Council is taking appropriate steps to implement it.
- 3.1.4 The County Council has established improved governance arrangements for overseeing and driving forward work to improve inclusion and diversity across the Authority and its services. This includes a Steering Group Chaired by the Chief Executive, and an Operational Forum bringing together Equalities Leads and Champions. A strategic work programme has also been agreed, alongside updated Corporate Equality Objectives, linked to the County Council's Strategic Aims. Regular reporting is provided to the Corporate Management Team and Cabinet via the Steering Group. This activity enables the County Council to meet, and go beyond, its statutory obligations under the Equalities Act.

**3.2 Ensuring openness and comprehensive stakeholder engagement.**

- 3.2.1 The County Council's Corporate Strategy – the *Serving Hampshire* Strategic Plan - contains clear strategic aims which are communicated on the County Council's website and through various communications. The Plan provides an operating model for business planning and is informed by various departmental and partnership strategies and priorities.
- 3.2.2 Clear guidance and protocols on decision making, effective arrangements for the approval of exempt reports and easy to use templates for decision reports and records ensure that the County Council takes decisions in

public when appropriate and after a full consideration of relevant factors. Details of the framework relevant to decision making is set out in the Corporate Governance Framework.

- 3.2.3 Public consultation and engagement to inform decision making is undertaken in accordance with the County Council's Consultation Policy, which includes five principles of consultation setting out when and how the County Council will consult the public. Significant consultation is supported by the County Council's Insight and Engagement Unit who operate within the Market Research Society's ethical Code of Conduct.
  - 3.2.4 The results of all significant consultations are presented at the relevant Executive Member Decision Day to demonstrate how participants' views have been taken into account.
  - 3.2.5 The County Council has also improved mechanisms for consulting and engaging its employees and now regularly undertakes organisation-wide staff surveys on priority topics (e.g. inclusion and diversity; health and wellbeing).
  - 3.2.6 Each financial year, an annual report on the Pension Fund is prepared for the Fund's employers to consider at an Annual Employers Meeting to be held by 31 October in the next financial year. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.
  - 3.2.7 In the autumn, a summary of the accounts, investment management and administrative arrangements is made available online to current, pensioner, and deferred members.
  - 3.2.8 The Statement of Investment Principles is published and made available to scheme employers within three months of any amendments.
  - 3.2.9 Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners
- 3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.**
- 3.3.1 The strategic aims set out in the *Serving Hampshire* Strategic Plan include a description of the County Council's overarching ambitions for delivering positive economic, social and environmental outcomes for Hampshire. These aims are underpinned by a series of key priorities, which reflect, and are supported by, other detailed departmental plans and strategies. Progress against the strategic aims and priorities is tracked through quarterly performance updates to the County Council's Corporate Management Team and Cabinet. Arrangements for reporting corporate performance are set out in the County Council's Corporate Management Framework. All reports to decision making bodies must also demonstrate their link to the *Serving Hampshire* Strategic Plan, as well as the results of the relevant impact assessments.

**3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.**

- 3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the County Council ensures that decisions are only made after relevant options have been weighed and associated risks assessed. Details of the guidance and protocols are set out in the Code of Corporate Governance.
- 3.4.2 The Director of Corporate Resources advises the Pension Fund Panel and Board on all Pension Fund investment and administrative matters.
- 3.4.3 The Pension Fund's independent adviser advises the Panel and Board on investment matters.
- 3.4.4 The Pension Fund Panel and Board uses the Fund's actuary and other consultants as necessary, for advice on matters when in-house expertise is not available. The Panel and Board takes advice from the actuary, the Fund's investment managers or specialist consultants or advisers as required on allocating assets and investment return targets.
- 3.4.5 Equality Impact Assessments (EIAs) are used throughout the organisation to assess the impact of service proposals and to inform decision making. A review group comprising the Head of Legal, Head of Finance, Corporate Equalities Lead and Assistant Chief Executive undertake periodic cumulative EIAs to understand the overall impact of service proposals on groups with characteristics protected under the Equalities Act (2010).
- 3.4.6 The budget setting process is well established and Departments prioritise budgets and spending in order to achieve intended outcomes. In recent years the budget setting process has inevitably focussed on the achievement of savings to meet reductions in Government grant funding but this aims to be achieved whilst remaining true to the Council's strategic aims and objectives. This includes the consideration of the wider social value that the County Council can generate through its operations.
- 3.4.7 A medium-term financial strategy and three-year capital programme is updated each year together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the County Council operates.
- 3.4.8 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at Corporate, Department and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.

**3.5 Developing the County Council's capacity including the capability of its leadership and the individuals within it**

- 3.5.1 The relationship between Members and Officers is led by the Leader of the Council and the Chief Executive who have established a culture of mutual respect and co-operation. The role of the Chief Executive is set out in the

County Council's Constitution and is well understood by the Members of the County Council. The Protocol for Member Officer Relations also provides clear guidance for both officers and Members on how to manage their relationships effectively.

- 3.5.2 The County Council has a well-established cross-party forum, the Member Development Group that supports and oversees the development of Members to support them in carrying out the responsibilities of their role. This is delivered informally, for example through internal training to support flexible working to make the best use of technology on mobile devices including accessing committee and panel papers electronically using specialist software, and via internal and external seminars and courses. The established monthly Briefing Programme continues to be well received.
- 3.5.3 Members of the Joint Pension Fund Panel and Board and officers in Corporate Services have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate.
- 3.5.4 A training plan for members of the Joint Pension Fund Panel and Board has been prepared, and training logs for individual members are maintained.
- 3.5.5 The County Council regularly reviews the shape of its workforce against the needs of the service in the context of its capacity and capability requirements. This then informs a range of strategies, for example; recruitment, retention, operating models, ways of working and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of services.
- 3.5.6 The Council's Valuing Performance policy provides a framework for staff and managers to meet, discuss and set goals in line with service requirements, following which regular reviews of performance, learning and progress takes place. Staff are held accountable for their own and their teams' performance and are encouraged to use the range of learning opportunities that are available across the Council.
- 3.5.7 There is an emphasis on the need for high performance and resilience, of which health and wellbeing and continuous development are critical elements in the regular discussions between managers and staff. A Wellbeing survey was completed by staff in early 2019, the feedback from which is informing outcomes to continue to consider how best to support staff in their health and wellbeing.
- 3.5.8 The County Council recognises the importance of its staff networks to supporting the inclusion and diversity of its workforce. Existing networks have been strengthened and new networks established. New mechanisms have been put in place to support Network Chairs and Vice Chairs, and to invest in their leadership capabilities and skills. In turn, the Networks provide valuable support to employees across the organisation. An Inclusion and Diversity (I&D) survey was undertaken in late 2018, the feedback from this has been considered by the I&D steering group in order to inform and identify actions to further improve in this area.

- 3.6 Managing risks and performance through robust internal control and strong public financial management.**
- 3.6.1 The County Council's Corporate Strategy is underpinned by the Corporate Performance Management Framework, which establishes how the quality of services for users is to be measured and reviewed on a regular basis. This includes quarterly reporting of progress against the *Serving Hampshire* Strategic Plan. The County Council's Annual Performance Report is published on the County Council's website and includes a summary of key areas of performance, including an analysis of any major performance risks and mitigations, as well as providing an overview of sources of external validation and customer feedback.
- 3.6.2 The County Council has in place a Risk Management Strategy, with oversight of arrangements provided by the Risk Management Board. The Audit Committee are responsible for considering the effect of the County Council's risk management arrangements.
- 3.6.3 A comprehensive Information Governance Framework is in place, overseen by the Risk Management Board, chaired by the Senior Information Risk Officer.
- 3.6.4 The Audit Plan 2018-19 was developed to operate at a strategic level providing a value adding, and proportionate, level of assurance aligned to the County Council's key risks and objectives, this includes a periodic review of the County Council's risk management processes.
- 3.6.5 The audit plan remains fluid to ensure internal audit's ability to react to the changing needs of the County Council.
- 3.6.6 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an embedded Anti-Fraud & Corruption Strategy and Policy and Anti Bribery Act Policy.
- 3.6.7 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to Senior Management and the Audit Committee.
- 3.6.8 The County Council's Audit Committee is well established and reports to Full Council. Members of the Audit Committee have no executive responsibility for the management of the organisation, thus ensuring that they are sufficiently independent to scrutinise and challenge matters brought to their attention.
- 3.6.9 The Audit Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.
- 3.6.10 The County Council has a well-developed and effective scrutiny function, the structure of which is formalised through the County Council's Constitution. A pre-scrutiny approach enables Members to be engaged early in the process to ensure they are able to robustly challenge the Council's decision-making,

to participate in policy review and development, and monitor the performance of the County Council as a whole. This function is supported by experienced officers.

- 3.6.11 The County Council has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessment. The Section 151 Officer is a member of the Corporate Management team and all formal financial decision making has the benefit of the advice and review of the Chief Financial Officer or her representative.
- 3.6.12 Key financial regulations and financial strategies form an important part of the Corporate Governance Framework together with effective risk based financial and performance reporting.
- 3.6.13 Financial management in key risk areas across the County Council focusses on activity and performance management alongside the budget management processes and the financial management framework throughout all tiers of the organisation is appropriately advised and supported by the Finance Department, with a particular focus on the change management programmes that have been a feature of Departmental activity for many years.

### **3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.**

- 3.7.1 The decision-making guidance, protocols and templates referred to in the Code of Corporate Governance and the involvement of senior departmental officers, legal officers and finance officers ensures that public reports are written in a clear and accessible way with sufficient information to enable members of the public to formulate informed opinions on the matters for decision.
- 3.7.2 The Corporate Performance Management Framework provides a transparent cycle of reporting on core performance metrics to the Corporate Management Team and Cabinet. Performance information is published online and is easily accessible to staff, partners and the public.
- 3.7.3 The ‘Internal Audit Charter’ is presented annually for approval by the Audit Committee. The Charter makes provision that ‘Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and, in particular, those who serve on committees charged with governance (i.e. the Audit Committee).’
- 3.7.4 The on-going work of internal audit is presented through a quarterly progress report to Audit Committee providing an overview of service performance; delivery against the plan; and progress made by the organisation in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.5 Representatives of External Audit routinely attend Audit Committee meetings and present all External Audit reports. Any recommendations for corrective

action detailed within External Audit reports are highlighted to Members who will track through to implementation. This is achieved through the clear and concise nature of the minutes to each meeting couple with the inclusion of any overdue recommendations within the internal audit progress report.

- 3.7.6 The internal audit plan includes provision to review the County Council's approach to governance, risk and controls for partnership working. Such reviews are formally reported through the Audit Committee with any significant issues highlighted accordingly.
- 3.7.7 Where appropriate internal audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.8 Financial reporting complies with relevant statute, codes and good practice guidance and financial and performance information are reported consistently throughout the year alongside each other. Where relevant and appropriate performance comparisons are made to other organisations.

#### **4 Obtain assurances on the effectiveness of key controls**

- 4.1 Appropriate assurance statements are received from designated internal and external assurance providers
- 4.2 Key controls relating to risks, internal control (including financial management), and governance processes are identified by managers as part of the governance framework and recorded on regular returns. These are consolidated into the risk registers at corporate and departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. Together the results of each review enable an audit opinion on effectiveness to be provided to management, and any actions for improvement to be agreed.
- 4.3 This assurance is given to each manager in respect of the controls they are responsible for in the form of an audit report and regular summaries are provided for Chief Officers and the Audit Committee to ensure each level of the County Council's management is kept informed of findings and opinions.
- 4.4 External sources of assurance include the annual opinion and value for money conclusion by external auditors, and statutory inspections of adults' social care services, and children's services. These reports are subject to consideration by senior management and Members of the County Council, and appropriate response to any recommendations for improvements are agreed. These reports and responses are normally approved in public and published.
- 4.5 External sources of validation are being increasingly used to inform assessment of the organisation's performance as a core part of the Corporate Performance Framework.

## **5 Evaluate assurances and identify gaps in control/assurance**

- 5.1 The County Council has made adequate arrangements to identify, receive and evaluate reports from the defined internal and external assurance providers to identify weaknesses in controls.
- 5.2 The County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the officers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.3 The Head of Law and Governance and the Chief Internal Auditor have evaluated the reports from the internal and external assurance providers which have also been reported to the Audit Committee. This Annual Governance Statement sets out the County Council's arrangements for receiving reports and identifying weaknesses in Internal control.
- 5.4 One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance. This has included:
  - a self assessment assurance statement being completed every year by all Chief Officers giving assurance about the governance arrangements in their Departments.
  - consultation with other relevant officers throughout the County Council.
- 5.5 In line with the Internal Audit Charter approved by the Audit Committee in July 2018 and which is available on the County Council's website, the key elements of the Corporate Governance framework are risk assessed and reviewed periodically by Internal Audit.
- 5.6 The assurance statements cover a range of Corporate Governance and performance issues and they refer to the existence, knowledge and application within departments of governance policies generally
- 5.7 The Internal Audit Team's work forms the basis of a report to the relevant Chief Officer or Key Corporate Manager for any follow up work necessary, and feeds into this Annual Governance Statement.
- 5.8 Departmental Corporate Governance assurance statements were sent out to Departments in 2018.

## **6 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance**

- 6.1 The review of the County Council's Risk Management Strategy including the operation of corporate and departmental risk registers commenced in 2017/18 will be completed.

- 6.2 Further develop the County Council's capacity and leadership to drive forward inclusion and diversity across its workforce and wider services. This will include making a submission to the Inclusive Employers' Standard assessment and undertaking a further staff survey, using the results to inform an updated version of the County Council's Equalities work programme in 2020. Work will also be done to establish principles to define and encourage staff participation in employee networks.
- 6.3 The improvements to the County Council's insurance arrangements identified in the review undertaken in 2018/19 will be implemented, an actuarial valuation of the County Council's self-insurance fund will be undertaken, along with a full market test of the County Council's principle insurance Policies.
- 6.4 Further embed the improvements in regard to the completeness and timeliness of recording on the Adults Health and Care Client information System. This will be through ongoing team communications reinforcing the message, completion of the mobile offline forms project and embedding the use of mobile field devices. Development of the new Social Care Practice Manual offline version and continued stabilisation in the use of new technologies including SharePoint and Office365.
- 6.5 To review ongoing ownership and accountability for the County Council's Anti Fraud & Corruption Strategy and related policy documents to ensure internal audit retain sufficient independence to objectively review and report on the framework of governance, risk and control of organisational arrangements.

**7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored**

**In response to the Action Plan identified in the 2017-2018 Annual Governance Statement: -**

- 7.1 Revised performance pages have been published on the County Council's intranet and further work has been undertaken with Departments to develop customer experience performance Metrics
- 7.2 The staff wellbeing survey was launched in January 2019. Thereafter, the organisation-wide findings were reported to the County Council's Corporate Management Team in early February, with high level messages communicated to staff through the Chief Executive's and Director's bloggs. Work is currently underway to plan how this intelligence can be used to inform a corporate wide strategy. The updated portal gives staff access to a wide range of wellbeing related information and some useful on-line toolkits, supported by e-learning. Connect 5 (mental wellbeing training) has being piloted in the Adults Health & Care Department with 120 staff trained to-date. Feedback indicates it has been well received and it may be extended across the organisation.
- 7.3 A gap analysis of the County Council's data procedures has been undertaken and procedures have been updated since the GDPR

implementation date reflecting updated guidance from the information Commissioners Office

- 7.4 The MySQL databases have been moved into alignment with the rest of the IT infrastructure. In addition, documentation to support the decision-making process and procedures to update / patch the SAP environment has been put in place.
- 7.5 Excellent progress has been made to improve the completeness and timeliness of recording on Adults Health and Care client information system and ongoing team communications reinforcing the message. Mobile devices, offline forms and the new Social Care Practice Manual have all helped to support the teams to meet their obligations.
- 7.6 A comprehensive review of the County Council's insurance arrangements has been completed and a Report recommending improvements has been approved by the Corporate Management Team. A new Insurance Strategy has been prepared and Departments have been consulted through the Risk Management Board.
- 7.7 A revised and condensed risk management process is being drafted to include and integrate risk assurance mapping. A pilot has been agreed to test the new process against the Adults Health and Care business planning arrangements. Following a successful pilot, the new process will be evaluated by the Risk Management Board for roll out across the County Council.
- 7.8 Information Technology have recruited a professional contract manager to review contracts as part of T19, with a target to remove £200K of recurring revenue. This will continue into T21 as the County Council seeks to drive further value from its supply chain. The Economy Transport and Environment Department has made positive progress in this area – for example, the frameworks maintained by Engineering Consultancy. Children's Services' focus on contract management for new fostering frameworks is resulting in positive impacts in respect of capacity building and fostering rates. Resourcing and managing the new accommodation frameworks in a similar way intends to replicate these outcomes in other areas of high spend.
- 7.9 A new Corporate Resilience Plan has been approved and tested. A Corporate Exercise was developed and delivered on 6 February 2019. In addition training was developed and delivered before the Corporate Exercise. Learning points from the Corporate Exercise have been shared with participants. New guidance has been written and published and new templates have been prepared for Service Recovery Plans.
- 7.10 The Disclosure and Barring Service action plan that was put in place in 2018 has made significant progress in making the necessary corrective actions, with final changes being made by the end of April 2019. This has been an iterative programme, building on making corrections in SAP in a specified order to maintain control and to ensure that records are accurate following thorough review by individual managers. Specially developed upload programmes have been built to make the bulk corrective actions in SAP to mitigate any risk associated with manual data entry.

The significant data corrections will be supported by a new self-service report that will be available to all managers through their Shared Services Portal at the end of April 2019. This will enable managers to monitor Disclosure and Barring Service (and Non-Police Personnel Vetting) checks and check statuses themselves for the staff who they manage, and therefore ensure that any required checks and re-checks are carried out in a timely manner. Clear guidance will support this report along with re-enforcement of manager accountabilities.

Changes within Recruitment Team internal practices, processes and team structures have been made, this includes having dedicated specialist individuals who are responsible for pre-employment checks with targeted knowledge and experience in this area.

In addition, significant enhancements are planned for the tool that is used to request Disclosure and Barring Service checks from the Ministry of Justice and integrate the returned results into SAP. Again, this will improve automation, reduce time frames and ensure further robustness in the end-to-end process.

### **Declaration**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

Chief Executive

Leader of the Council

Date:

Date: