

ANNUAL GOVERNANCE STATEMENT – 2013/14

1.0 INTRODUCTION

- 1.1 As prescribed by the Account and Audit Regulations 2011, the Council is required to produce an Annual Governance Statement (AGS) following an assessment of its governance framework.
- 1.2 The Leader of the Council and the Head of Paid Services (Chief Executive) are required to sign the AGS and be satisfied that the document is supported by reliable evidence. It is published with the Statement of Accounts and will be reviewed by the External Auditor.

2.0 THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 2.1 The Statement seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. There is 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.
- 2.2 In compiling the Statement, the Council has regard to its Internal Control arrangements including the outcomes of the annual Good Governance Review, review of annual assurance statements provided by Senior Management, risk registers, any external auditor reports and other management arrangements. It further considers the process applied in maintaining and reviewing the governance framework including the authority, executive, audit/scrutiny committees and other assurance mechanisms.
- 2.3 Whilst the Council maintains high standards of governance and internal control some areas for improvement have been identified by the review process mentioned above, these have been reported in the AGS. An Action Plan has been developed accordingly and this will be monitored by, and subject to a biannual progress report to, the Council's Executive Management Team and Audit Committee.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial consequences arising directly from this report.

4. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

- 4.1 There are no equalities & diversity or environmental matters associated with this report.

5.0 CRIME & DISORDER IMPLICATIONS

- 5.1 There are no crime and disorder issues arising directly from this report.

6.0 CONCLUSIONS

- 6.1 The Annual Governance Statement reports that the Council has sound levels of internal control and good governance arrangements.
- 6.2 The statement does identify some areas for improvement and these will be managed by the Council's Executive Management Team.

7.0 RECOMMENDATIONS

- 7.1 That the Audit Committee approve the Annual Governance Statement for the Financial Year ended 31 March 2014 as reported in Appendix 1.

For Further Information Contact

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Background Papers

New Code of Good Governance – 23/3/08
AGS 13-14 – Audit Committee 20/6/14

**THE ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2013/14**

1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It 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 best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the Governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a code of good governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code can be found on our website: <http://www.newforest.gov.uk/committeedocs/sc/CDR03688.pdf>. This statement explains how New Forest District Council has complied with the code and also meets the requirements of regulation 4 (3) of the Accounts & Audit Regulations 2011 in relation to the publication of a statement of corporate governance.

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at New Forest District Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the six core principles below. A review of compliance against this Local Code has been reported separately, with opportunities for improvement recorded within a separate action plan.

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk;

5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council's overarching vision, values and strategy for the year 2013/14 is contained in the Corporate Plan "Delivering for our Communities" which sets out what the Council aims to achieve for the period 2012 - 2016. <http://www.newforest.gov.uk/index.cfm?articleid=12103>. This plan includes a dedicated aim in relation to governance; "Maintaining strong Governance" as well as new values.

The Council has in place service action plans to deliver each of the aims of the Corporate Plan, for which responsibility is with the Heads of Service to deliver with their teams. The Executive Management Team oversees the performance and progress made against each plan.

The quality of service delivery is checked with users through regular consultation initiatives. Outputs from consultation are used to inform future service delivery.

The Council has Medium Term Financial Plan (MTFP) which sets out the Council's spending plans by each Portfolio, on a rolling basis.

The Council has also developed over the years a number of successful joint or collaborative working arrangements with the public and other agencies. This has continued into 2013/14, for example, with the New Forest National Park Authority (with regards to financial services, IT services, shared accommodation and processing of Tree Perseveration Orders) continued joint working and assets sharing arrangements at the Ringwood Gateway (which includes Hampshire County Council and Ringwood Town Council) and new management arrangements for Internal Audit within four Dorset Councils.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers (Delegations) in respect of policy and decision-making processes. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

4. Review of Effectiveness

The 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 authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council has undertaken a mid year review of its governance arrangements/agreed actions as well as a year end review. The importance of maintaining strong governance arrangements is

evidenced by a new dedicated corporate aim. This aim and its achievements are recorded on the Councils website.

This Council has always maintained a strong internal control environment. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

The review concluded;

1. The Constitution and other Council Policies were reviewed and improvements approved included;
 - Updated Whistleblowing Policy following a change in legislation
 - Updated Employee Declarations of Interest
 - Implemented a new Payment Card Policy
 - Update the Risk Management Strategy
 - Updates to the Local Plan
 - Undertaken a number of Task and Finish Group reviews
 - New Community Grants framework
 - Delivered a planned and prioritised investment strategy for Council assets
2. The Council's arrangements for financial management and reporting are sound and are well documented. All proposals for expenditure and income are supported by a business case that includes links to the Corporate Plans; these are scrutinised initially by the service Portfolio Holder prior to inclusion as a formal bid to Cabinet and the Council. The planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final proposals and the council tax levels are considered and approved by the Council each year.
3. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and the Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements in place with an annual report published to Cabinet.
4. There is ongoing review of existing and emerging corporate risks and risks to not fulfilling service action plans which may impact on the Council achieving its corporate objectives. The governance review 2013/14 identified opportunities for improvement in this area. Work has been undertaken during the year with details being reported to the Audit Committee during the year.
5. During the year the Council undertook a desk top Business Continuity event. Internal Audit recognised a number of improvements made since the last year. The service will look to continually improve processes.
6. The winter storms of 2013/14 demonstrated the Council's ability and resilience to respond to community needs and manage a range of responses.
7. The Council's bankers are the Co-Operative Bank. During the year risks surrounding continued service have been monitored with contingency arrangements put in place.
8. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively.
9. An Executive Director has Section 151 responsibilities (Chief Finance Officer). The Head of Legal and Democratic Services is the Monitoring Officer. All committee reports are reviewed

by members of the Executive Management Team, which includes the Executive Directors as well as being provided to the Head of Legal and Democratic, prior to any decisions being made. This safeguards the Council to ensure legal decisions are taken and that decisions consider the Councils' corporate priorities and risks.

10. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
11. The Performance Management framework ensures strategic monitoring with a focus on national indicators and the achievement of both the Corporate and Portfolio Plans. Performance indicators are reviewed during the year.
12. The Audit Committee met regularly and received training. The Committee has both a forward plan and training plan in place and are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2011. The Assurance Framework was reviewed and approved during the year. The Committee also reviews the effectiveness of the Councils' system of Internal Control and receive a statement of conformance against the Public Sector Internal Audit Standards.
13. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Executive Director's responsibilities, to maintain proper control over the Council's financial affairs as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer following consultation with the Heads of Service. The Committee has also received reports and updates from the External Auditor.
14. The Internal Audit team operates to the Standards as set out in the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was updated and approved during the year.
15. Internal Audit Managers' annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall opinion that;
 - Arrangements are in place to ensure there is an adequate and effective framework of governance, risk management and control in place
 - Systems and internal control arrangements continue to be effective and agreed policies and regulations have been complied with in the majority cases. There have been weaknesses identified during the year; however recommendations have been made to address these with progress of their implementation monitored. Internal Audit is content that management are implementing the required actions to strengthen controls. These actions have been taken into account whilst forming the overall opinion.
 - Managers are therefore aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls
 - Adequate arrangements are in place to deter and detect fraud. Although training will need to be undertaken to inform Officers and Members of the updated fraud related policies.

This Opinion report, presented to the Executive Management Team and Audit Committee further comments on the control environment against the agreed Assurance Framework

16. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.

17. Heads of Service have been asked to report any significant governance or internal control issues. No significant issues were raised.
18. All organisations, worldwide face increasing cyber related threats. The Council maintains good standards and continually reviews opportunities to further strengthen these. However during 2013/14 the Council received an external attack. There was no data loss that the Council is aware of, and the Council reported the incident to the Information Commissioners Officer. The Council is awaiting the conclusion of this process.
19. Internal Audit has reported an adequate opinion on the overall control environment, however the following audit areas have received high priority recommendations that have not been resolved promptly; Payment Card Industry Data Security Standard Accreditation, Asset Management and VAT.

5. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. In our conclusion we consider that governance issues can be grouped by;

- i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;
- ii) Issues that the governance framework has identified and which require action to mitigate the exposure of the Council.

Under the first element there are no areas where the Council is not compliant but judgement is made that these areas have partial compliance and improvements should be made;

1. Completion of the Financial Regulations review
2. Constitution review
3. Service plan update and reviews
4. Implementation of uncompleted high priority audit recommendations

The second element considers significant financial or reputational risk as recorded within the Council's Strategic Register. The high risk areas that are monitored closely are;

1. Economic conditions limit growth and employment;
2. Continued financial austerity, lower levels of government funding and the introduction of legislative changes;
3. Affordable housing does not meet the needs of the district;
4. Maintaining 5 quality Health & Leisure Centres;
5. Protection of the coastline; and
6. External pressure for development

Action, as detailed in the attached plan will be subject to biannual review by the Executive Management Team and Audit Committee.

6. CERTIFICATION

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2014 and up to the date of approval of the annual report and statement of accounts.

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

Signed:

Leader of the Council

Signed:

Chief Executive

Date:

Date:

Annual Governance Statement 2013/14 Action Plan

Topic	Action	Responsible Officer(s)	Deadline
Financial Regulations	To review and update Financial Regulations.	Executive Director (S151) in consultation with the Head of Legal and Democratic Services	31.12.14
Housekeeping of Constitution	To ensure post titles and details of policies contained within the Constitution are up to date	All Heads of Service in liaison with the Head of Legal and Democratic Services	31.3.15
Service reviews	To review the existing service review actions and progress and update accordingly	Executive Management Team with all Heads of Service	30.9.14
Uncompleted high priority audit recommendations	To action uncompleted audit recommendations	Head of Service	30.9.14
Strategic Risk - Economic conditions limit growth and employment	<ul style="list-style-type: none"> • Review the Council's economic development strategy • Engage with relevant Local Enterprise Partnerships (LEP) to identify funding opportunities • Undertake actions via the LEP task and finish groups • Develop a web based business portal to offer a single point of contact with the Council to support businesses within the district 	Head of Leisure and Employment	31.3.15
Strategic Risk - Continued financial austerity, lower levels of government funding and the introduction of legislative changes	<ul style="list-style-type: none"> • Develop a Medium Term Financial Plan including Service Review Programme that delivers the Council's priorities and organisational changes to deliver Council objectives • Introduce Universal Credit for new benefit claims 	Executive Director (S151) Head of Housing & Customer Services	31.3.15
Strategic Risk - Affordable housing does not meet the needs of the district;	<ul style="list-style-type: none"> • Continue to deliver Housing Strategy including the acquisition and construction of properties • Continue to work with partner Registered Providers to deliver additional homes in the District 	Head of Housing & Customer Services	31.3.15
Strategic Risk - Maintaining 5 quality Health & Leisure Centres	Monitor business performance to support current spending commitments	Head of Leisure & Employment	31.3.15
Strategic Risk – Protection of the coastline	<ul style="list-style-type: none"> • Have in place a coastal maintenance programme identifying priority projects • Undertaking agreed coastal monitoring studies • Assess the impact of early erosion of the 2013/14 storms and related issues 	Head of Property Services	31.3.15
Strategic Risk - External pressure for development	Deliver the Sites and Development Management Plan	Head of Planning and Transportation	31.3.15