

Hastings Borough Council

Annual Governance Statement 2007/2008

Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough 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.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough 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".
3. A copy of the code is on our website at www.hastings.gov.uk . This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

4. The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. 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 risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an 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 Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically.

6. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2008 and up to that date of approval of the Statement of Accounts.

The governance framework

7. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
8. Hastings Borough Council continues to have an established Corporate Plan setting out its objectives and there is an accompanying Performance Plan through which achievement of the authority's objectives is monitored.
9. Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are Overview and Scrutiny Committees covering all portfolios. An Audit Committee provides independent assurance to the council on risk management and control, and the effectiveness of the arrangements the council has for these matters. The Constitution is reviewed annually by the Monitoring Officer and is codified into one document that is available on the intranet and external web pages.
10. Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a comprehensive corporate induction programme in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council has an Internal Audit function and established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.
11. Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
12. The Council has had a risk management strategy since July 2002, and this is regularly reviewed. Leadership is provided to the risk management process by the Corporate Director Environmental Services who is the Risk Management Champion and the Deputy Leader who is designated as the Members Risk Management Champion. The Council has approached embedding of risk management in accordance with best practice guidance.
13. Hastings Borough Council Internal Audit continues to provide training and support to give managers at all levels a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process up and down the Council. The high-level risk management methodology is being reviewed to provide more focus to member and senior officer management of risk.

14. Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value Duty.
15. The Comprehensive Performance Assessment (CPA) framework currently assesses the council as 'good'. The Audit Commission's annual assessment of the council stated in its main messages that: "The Council is improving services in line with its priorities and in those areas which matter to local people. It can demonstrate some high performing services in comparison with other district councils, for example, Planning and overall, it exhibits a strong rate of improvement. There are tangible examples of change, for example, the continuing physical regeneration of the area".
16. Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, AGRESSO, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Financial Operating Procedures (FOPS) Manual held on the council's intranet which contains information on financial and business procedures and processes to be followed in all areas of the council. A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
17. Performance management in Hastings Borough Council and the reporting of performance management continues to be improved with a more focussed Corporate Plan setting out priorities and supported by a performance plan. The performance plan explains how the council will deliver the priorities and the commitments made in the Corporate Plan. The performance plan focuses on corporate priorities and reflects the council's determination to prioritise the areas of greatest importance for the people of Hastings. Performance indicators are recorded and monitored via the Performance Plus computer system.

Review of effectiveness

18. Hastings Borough 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 Corporate Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's Internal Audit and Risk Managements annual report and also by comments made by the external auditors and other review agencies and inspectorates.

19. The Council contributes to the delivery of the Community Strategy for Hastings through the Corporate Plan. This is supported by a planning framework, which includes policy framework plans and Directorate/Service Plans. The council monitors and reports publicly on progress so residents can see how issues that matter to them are being tackled. The plan is monitored on a quarterly basis by both by the Performance Review Panels and Overview and Scrutiny Committees.
20. Service Delivery Plans contain a variety of performance indicators and targets that are regularly reviewed.
21. The Council's constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and their senior managers. In particular the council has identified the three statutory posts as follows:
 - Head of paid service - Chief Executive
 - Chief Financial Officer - Deputy Chief Executive & Director Corporate Resources
 - Monitoring Officer - Borough Solicitor
22. The council continues to assess how its overall corporate governance responsibilities are discharged. In particular the council has adopted the CIPFA/Solace guidance and has developed a local code of corporate governance.
23. The arrangements for the provision of internal audit are contained within the Council's Financial rules, which are included within the Constitution. The Deputy Chief Executive & Director of Corporate Resources is responsible for ensuring that there is an adequate and effective system of internal audit of the council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 as amended in 2006. The internal audit service is managed, independently, by the Deputy Chief Executive & Director of Corporate Resources, and operates in accordance with the CIPFA code of practice for Internal Audit in Local Government 2006. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the council's corporate governance arrangement, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Corporate Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement. These are submitted to Members and Corporate Directors, as appropriate.

24. The council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance
- Information and Scrutiny reports.
- Work undertaken by Hastings BC audit during the year
- Work undertaken by the external auditor reported in their annual audit and
- Inspection letter
- Other work undertaken by independent inspection bodies

25. From the work undertaken by Hastings Audit in 2007/08 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the councils standing or Annual Accounts. Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Corporate Director or Senior Manager during the year.

26. Progress has been made to enhance Data Quality in 2007/08. A summary is as follows:

- a. Adoption of Data Quality Policy in September 2007, with action plan agreed (progress to be reported to September 2008 Audit Committee to coincide with annual assessment).
- b. Positive result from Data Quality Assessment, for 2006/07 period, HBC classified as "Performing well and above minimum requirements".
- c. Programme of Data Quality Reviews undertaken on areas identified as 'High Priority' including Development Control, Benefits, Forward Planning and Housing Options: Homelessness.
- d. Data Quality issues and changes made to data previously reported, included in quarterly performance reports to the Overview and Scrutiny Committees.
- e. Work in third and fourth quarters of 2007/08 focussed on preparation for the introduction of new National Indicators from 1st April 2008, and the related comprehensive review of existing Best Value PIs, Local

and Management PIs to create an appropriate suite of indicators for HBC from 1st April 2008.

- f. Risk assessment of National Indicators undertaken to identify focus of work and reporting in 2008/09. High-risk indicators identified as those where we need to establish a new process for reporting data not previously collected, e.g. biodiversity. Low risk indicators identified as those where existing reporting routes are well established (e.g. waste and recycling returns or homelessness statutory returns), or where a reliable external agency will be undertaking data collection e.g. DEFRA or MORI.
 - g. Data sharing principles developed with officers within in the East Sussex Performance Managers Group and Southern Performance Improvement Network to enable performance and benchmarking information to be shared.
27. The Council addresses all agreed recommendations made in inspection reports received on it. Significant progress has been made on the previous recommendations made in recent years as follows.
- a. Homelessness: our approach to homelessness prevention has resolved 134 cases, where advice casework has prevented the need for a homelessness application, up from 96 preventions the previous year. This has helped reduce the number of cases of homelessness from 241 for 2006/07, to 156 for 2007/08. The number of households in temporary accommodation fell from 236 for 2006/07 to 132 for 2007/08.
 - b. Recycling: In 2006/07 the Council met its statutory recycling target of 18%, reaching 18.25%. In October 2007/08 an alternate weekly collection scheme was introduced, further raising recycling levels above our statutory 20% target for the year. The provisional figure for the year is over 23%, and final figures are currently being confirmed with East Sussex County Council.
 - c. Council Tax collection: Following a scrutiny review of Council Tax collection, our rate for 2007/08 rose to 96.06%, from 95.3% the year before.
 - d. Sickness absence: Levels of sickness absence have fallen for the last two years, following a thorough review of processes for addressing sickness absence, and average number of days lost was 9.61 for 2007/08, down from 11.79 in 2006/07.

Significant governance issues

28. Other areas which have been highlighted in the review of the council's internal control include those listed below. In each case the directors responsible have identified the risk involved and prepared plans to contain the risks and deliver the necessary improvements.

29. Systems of internal control can be strengthened by regularly carrying out full cash reconciliations. It should be stressed that daily cheque reconciliations have at all times been carried out and have been fully effective in promptly detecting any discrepancies. The Council accepts that the overall reconciliation is a key control that needs to be performed on a monthly basis. A regime has been put in place to bring the overall reconciliations up to date, which is monitored weekly by senior management.
30. An external review was carried out by PKF (UK) LLP into income lost by the Council to an organisation providing cash collection services. It concluded that there had been weaknesses by the Council in its contract terms and conditions, and weaknesses in contract performance and action taken to manage that performance. It also concluded that the Council's corporate risk management arrangements need to be strengthened to ensure that contract risks – including that of contract failure – are properly identified, and that serious contract performance problems are alerted to senior management and Members at the earliest opportunity. The council has accepted all 5 recommendations (3 of which were high priority and 2 medium priority) and is progressing an action plan accordingly.
31. It is known that there are overspends in the Museum project and Audit will be taking a report to the next Audit Committee with actions to strengthen project management. There is also an Officer task group examining how best to improve capital programme expenditure forecasting and management.

Signed:.....

Leader of the Council

Signed:.....

Chief Executive