

**Hastings Borough Council**

**Annual Governance Statement 2009/2010**

**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](http://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 2010, up to the 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 carried out a major review of its risk management strategy that was approved by the Audit Committee in June 2009. The actions arising out of it have been discharged except for risk management training to members which was consciously deferred until July to allow for the elections to pass. We have made good progress in embedding risk management within the Council but it is acknowledged that further work is necessary to become a 'risk managed' organisation. This is being led by the Corporate Director for Environment who is the Council's Risk Champion.
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 was reviewed to provide more focus to member and senior officer management of risk. The Strategic Risk Register was refreshed in December 2009.

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 Council performs well in its use of resources, improving on the individual judgements secured in 2008. No areas covered by the appointed auditor's judgements deteriorated and arrangements for preparing and publishing the annual accounts improved.
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.

### **Review of effectiveness**

17. 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.
18. The Council contributes to the delivery of the Community Strategy for Hastings through the Corporate Plan. 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 Overview and Scrutiny Committees.
19. 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 for  
Corporate Resources

Monitoring Officer - Borough Solicitor

20. 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.
21. 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 Chief Auditor 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.
22. The council's review of the effectiveness of the system of internal control is informed by:
  - Directorate assurance based on management and performance Information
  - 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
23. From the work undertaken by Hastings Audit in 2009/10 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.

24. The Council's management arrangements for securing data quality are effective and PKF again judged the Council to be performing well and above the minimum standards specified by the Audit Commission.
25. The Council continually seeks to improve its services for stakeholders and made the following significant achievement.

As from the previous Annual Governance Statement in relation to the Museum Contract Extension recommendations, the Council committed to provide an update on progress in rolling-out a formal project management methodology:

- Hastings Borough Council has now adopted and implemented the 'Kirklees Project Management Framework', a tailored version of PRINCE2.
- Fifteen senior project managers have been trained to use the framework and are now acting as champions within the Council. They are now using their experience and ideas to roll out the framework through the wider organisation.
- We are now planning further courses and awareness drives to widen the pool of trained staff and help those involved in projects to better understand their roles and responsibilities.
- New projects are being run using the framework.

### **Significant governance issues**

26. A key element of the annual governance review process is to identify any significant control issues. Whilst it is up to the individual authority to determine what is significant within its own environment, CIPFA have produced a list of what may be considered generally as a significant issue.
27. There has been a change in Government and different national priorities may emerge. This together with a reduction in Public Sector expenditure will have financial and economic implications for the council.
28. The other significant issues have been covered in the Annual Audit and Inspection Letter 2008/09 under its key findings and are that the Council should continue to focus on:

- balancing the overall financial position over the medium term while planning for a reduced resource base
- delivering planned efficiencies identified through the Priorities Income and Efficiencies Review (PIER) process
- successfully completing those measures funded by direct grant from the Government
- embedding new organisational structures and delivering the refreshed workforce development plan
- improving performance against the Equalities Framework for local government

(It should be noted that the Council has now undergone a self assessment process with a critical friend and attained the Equalities Framework standard. This will be externally assessed within the next 2 years).

Signed:.....

Leader of the Council

Signed:.....

Chief Executive