

Hastings Borough Council

Annual Governance Statement 2010/2011

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 2011 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 2011, 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 a strategic overview and the priorities that guide our investment and activities. Part II of the Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
9. Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are two Overview and Scrutiny Committees which cover 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. External Audit 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. Members attended risk management training during July 2010.
13. Through the leadership of the Corporate Director for Environment, we have continued to make good progress in embedding risk management within the Council. The Corporate Risk Management Group meets regularly to discharge further work that is acknowledged as necessary to becoming a 'risk managed' organisation.
14. 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 heavily refreshed and presented to the Audit Committee in September 2010.

15. 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. An unqualified audit opinion on value for money was received from our External Auditor.
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. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 30 Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the Service's Part II commitments, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored via the Performance Plus computer system.

Changes to Governance arrangements

18. On 13 January 2011, the Charity Commission made a Scheme altering the Trusts of the Hastings and St. Leonards Foreshore Charitable Trust (the Foreshore Trust) to make Hastings Borough Council the Trustee for all purposes. The Scheme made provision for protection of the Charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities, by the appointment of a Protector. The Protector must be a qualified accountant and the first Protector was appointed by the former Trustees pending the making of the Scheme. The Scheme also made provision for input into Trustee decisions by users of the Foreshore, through the Coastal User's Group, in relation to policy decisions on the use of the foreshore, including events and leasing arrangements and standards and specifications for maintenance of Trust land. The scheme also provided for input into decisions dealing with the distribution of

surpluses through grants for charitable purposes in the Borough, a new object under the Scheme, through the Grant Advisory panel, which is constituted of persons not connected to the Council who have experience in the voluntary sector. All member decisions on behalf of the Council as Trustee are transacted through the newly formed Charity Committee, though there is a scheme of delegation to officers from the Committee to allow for the smooth day to day operation of the Trust. The priority under the Scheme is the maintenance of the land and Trust assets but the transfer of the trusteeship also opens the way for possibilities of setting up visitor and resident attractions along the beach edge in fulfilment of the Trust's primary object which is to hold the foreshore for the common use, benefit and enjoyment of Her Majesty's subjects and the public generally for ever.

19. During the year, East Sussex County Council terminated its Highway agency agreement (except for the traffic element) it had with Hastings Borough Council. Staff affected were transferred across to the County Council.
20. East Sussex County Council also put out to tender its On Street Parking agreement it has with Hastings Borough Council. It is currently evaluating its options and Hastings Borough Council will learn the outcome of their decision shortly.

Review of effectiveness

21. 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 and effectiveness of Internal Audit. 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 annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.
22. 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.
23. 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 of Corporate Resources

24. 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.
25. 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 2011. 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.
26. 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 covering a planned scrutiny review programme but also any item can be subject to a scrutiny review
 - Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report
 - Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money
 - Other work undertaken by independent inspection bodies, for example, Benefit Performance Review and Department for Works and Pensions Review of the Future Jobs Fund programme
 - Corporate Management Group and Audit Committee review of the Corporate and Operational Risks Registers

27. From the work undertaken by Hastings Audit in 2010/11 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.
28. The Council's management arrangements for securing data quality were reviewed by audit and found to be effective.

Significant governance issues

29. 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.
30. The Council continually seeks to improve its services for stakeholders and made significant achievements in combating severe weather disruption and achieving a balanced budget despite some of the worst cuts experienced by any district/borough council. .
31. It continued to make further organisational and financial efficiencies as well as embedding its workforce development plan which is closely monitored and ongoing.
32. Given account all of the various sources of assurance, it is considered that there are no significant governance issues to report at this time.

Signed:.....

Leader of the Council

Signed:.....

Chief Executive