

Hastings Borough Council

Annual Governance Statement 2011/2012

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 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 2012, 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:
 - 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.
 - 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 at least annually by the Monitoring Officer and is codified into one document that is available on the intranet and external web pages.
 - Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme in place for new staff 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.
 - Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
 - The Council's Risk Champion is the Corporate Director for Environment who leads the Corporate Risk Management Group to meet regularly and discharge further work that is acknowledged as necessary.
 - The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors or members of the public to confidentially raise with the Council any suspicions they may have. There is also a customer complaints system that is monitored by senior management quarterly. The purpose of the customer

complaints system is that customer's allegations can be dealt with more efficiently in a structured way.

- Hastings Borough Council's Internal Audit continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the Council. The high-level risk management methodology was reviewed to provide more focus to member and senior officer management of risk. Both the Corporate Risk Register containing the Council's owned strategic risks and the Operational Risk Registers have been heavily refreshed during 2011/12.
- 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. The External Auditor passed an unqualified audit opinion on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- 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.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 31 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 using the Performance Plus computer system.
- Hastings Borough Council has now acted as the Trustee for all purposes to the Foreshore Trust for 18 months. Its business is conducted through the Charity Committee which meets every quarter.

The charity has a Protector to protect 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. At Annual Council, the Leader of the Council allocates responsibilities of the Cabinet to include Chair of the Charity Committee. A new Chair was appointed in May 2012 following the retirement of his predecessor.

Changes to the Council's Structure and Governance arrangements

8. There have been a number of changes to service provision that have impacted on the governance arrangements at Hastings Borough Council. The key changes are:
 - East Sussex County Council has terminated the On Street Parking agreement it has with Hastings Borough Council with effect from 31 March 2013 following a tender exercise.
 - The Council is working on delivering a number of joint services including a joint waste contract with Wealden, Rother and Eastbourne Councils.
 - In September 2011, the Council implemented a joint Building Control service with Rother District Council. Governance of this partnership forms part of the inter authority agreement.
 - The Members Code of Conduct and revised Standards arrangements were approved by Council on 21 June 2012 to meet the requirements of the Localism Act 2011. The new code of conduct is similar to the previous one except that it is based around the '7 Nolan Principles in Public Life' compared to previous '10 General Principles of Conduct'. The Council has chosen to keep a separate Standards Committee and made the necessary changes to comply with the new Act. The Constitution has been updated to accurately reflect this and has received Council's approval.
 - There has been a significant change in the organisational structure of the Council following a senior management structure review. This started with the formation of a 'Staff Commission' chaired by the Council Leader and comprising councillors, trade union representatives and volunteer staff members (who are not part of senior management). The Staff Commission researched and debated alternative senior management structures and put forward proposals for Members' consideration. A management consultant was then engaged by Members to critique and advise them on the chosen structure.
 - The outcome of the senior management restructure was ratified by Cabinet on 22 November 2011 and saw the reduction of five senior management posts, including those of the Chief Executive and Borough Solicitor with significant savings per annum ongoing.

- The responsibilities of Head of Paid Service (previously with the post of Chief Executive) and of the Monitoring Officer (part of the Borough Solicitor's remit) have been transferred to the Director of Corporate Resources and Head of Corporate Services respectively and ratified by Council.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Chief Finance Officer in Local Government (2010)'

9. The Chief Finance Officer is the Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.

Review of effectiveness

10. 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.
11. The Council contributes to the delivery of the town's Sustainable Community Strategy through its membership of the Local Strategic Partnership and via targets included in 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.
12. The Council's constitution, which is reviewed at least annually 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 - Director of Corporate Resources
 - Section 151 Officer - Head of Finance
 - Monitoring Officer - Head of Corporate Services
13. 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.
14. The arrangements for the provision of internal audit are contained within the Council's Financial rules, which are included within the Constitution.

Responsibility of the section 151 officer transferred from the Director of Corporate Resources to the Head of Finance who is now 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 2011. The Internal Audit service is managed, independently, by the Head of Finance 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 arrangements, 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.

15. 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.
 - Corporate Management Group and Audit Committee review of the Corporate and Operational Risks Registers
16. From the work undertaken by Hastings Audit in 2011/12 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 Council's standing or Annual Accounts.
17. The Council's management arrangements for securing data quality were reviewed by audit and found to be effective.

Significant governance issues

18. There are no significant governance issues and the Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'.

Reduction in Government grant funding: For 2011/12 and 2012/13, the Government has significantly reduced funding for local government. Hastings BC saw a reduction of £2.1m and £3.7m respectively. Beyond these years the indications are that funding will continue to be under extreme pressure as the current Government seek to reduce public spending. In response, to meet this challenge the Council commenced on a programme of service prioritisation, informed by consultation with the public, which has enabled a balanced budget for both financial years whilst retaining an appropriate level of reserves.

The Localism Act: The Localism Act, which came into force in 2011, will have a significant impact on the Council. We have already started to review our processes in light of the legislation, for example, we have introduced a pay policy statement in accordance with section 38 of the act and changed the Standards regime as described above in paragraph 8, fourth bullet point.

The Localism Act also raises issues particularly in relation to the planning and housing services. There are still areas that need to be finalised and at the moment the impact on these services is not fully known but we will continue to keep these areas under review.

19. This year has been a period of change and development. There have been continuing financial pressures and we have had to make some tough decisions. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

Signed:.....

Leader of the Council

Signed:.....

Director of Corporate Resources