1. SCOPE OF RESPONSIBILITY

(1) Basingstoke and Deane Borough Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The 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, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

(3) The 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 (2007 and 2012 addendum).

(4) A copy of both the Local Code of Governance (15/16 and 16/17) are available on the council’s website at www.basingstoke.gov.uk, or can be obtained from the Monitoring Officer. This statement explains how the council has complied with the code adopted for the period 16/17 and also meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 (and the December 2012 Addendum to Delivering Good Governance in Local Government: Framework).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

(1) The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. How it is accountable to, engages with and leads the community are also included. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

(2) The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. All risk of failing to achieve policies, aims and objectives cannot be eliminated and internal control only provides reasonable and not absolute assurance of effectiveness.

(3) 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. The likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically is also included.

(4) The governance framework has been in place at the council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.
3. **THE GOVERNANCE FRAMEWORK**

The key elements of the systems and processes that comprise the council’s governance arrangements are as follows:

**(1) Identifying, communicating and reviewing the council’s vision**

(a) The council and Cabinet meet regularly to set the strategic direction of the council. The policy, scrutiny committee and the audit and accounts committee monitor service delivery.

(b) The council carries out public consultation which has informed the objectives within the Community Strategy (undertaken by the Basingstoke Area Strategic Partnership) and its own Council Plan.

(c) The council reviews its Council Plan annually as part of its policy and budget framework process which considers strategic, service and financial planning for the medium term. The Council Plan 2016 to 2020 sets out the council’s ambitions for the borough, identifying key priorities and activities for the period of the plan under three priority themes, together with one cross-cutting theme. The themes are preparing for controlled and sustainable growth, improving residents’ quality of life and supporting those that need it. The Council Plan contributes to the shared vision for the borough which has been agreed by the council and all partners in the Basingstoke Area Strategic Partnership (BASP). It links to and is supported by a range of other published strategy and policy documents. The Council Plan has been approved by Cabinet and was ratified by Full Council on 22 February 2018. The Council Plan can be found on the council's website.

(d) The vision as evidenced by the Council Plan is translated into the objectives which filter down through the Directorate Service Plans and Service Delivery Plans and into the appraisal objectives of individual members of staff.

(e) Outcomes from the council’s vision and priorities are communicated through articles in Basingstoke & Deane Today and published through the Annual Report. Both publications can be found on the council’s website.

(f) The council’s governance arrangements are kept under review to ensure that such governance remains compatible with the council’s vision. During 2013/14 the Constitution was rewritten and this is being reviewed to ensure its on-going compliance and that it best reflects the arrangements of the council.

**(2) Measuring the quality of services and ensuring they represent the best use of resources**

(a) The council has an effective performance management framework. The system is driven by the Council Plan which focuses attention on corporate priorities. This is cascaded through Directorates and service delivery plans, and individual employee appraisals.

(b) The council’s Procurement Strategy was revised in 2013/14 and extended to include contract management, widely accepted as best practice. During 2014/15 procurement and contract business partners were allocated across the council to support activity in this area and to ensure consistency and transparency across the board.
(c) Through reviews by external auditors, external agencies, internal audit and the performance panel, the council constantly seeks ways of ensuring the economic, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised. There is a Transformation and Improvement team who support services to deliver improved and innovative services and processes.

(d) In addition, the council’s Performance Panel monitors and scrutinise progress against key indicator targets and notes corrective action on behalf of the scrutiny committee. Performance monitoring and reporting is reviewed and revised as part of the corporate planning process to ensure that they reflect the Council Plan focus and key activity. Links are also made to the aims and key activity of each Cabinet Member.

(e) The council has a Risk Management Policy which provides a framework for the management of risk throughout the council. There is a corporate risk register in place that contains the council’s strategic risks that are reviewed every six months by the Strategic Leadership Team (SLT) before being presented to the Audit and Accounts Committee.

(3) Defining and documenting roles and responsibilities

(a) The council has adopted a Constitution, which sets out how the council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also defines and documents non-executive functions. A new Constitution was adopted in June 2014 and is being reviewed to ensure its continuing effectiveness. The Council agreed a series of updates to the Constitution at its meetings on 22 February 2018; 22 March 2018 with a further paper proposed for consideration at its July meeting.

(b) The council is responsible for the adoption of the Budget and Policy Framework. It is the responsibility of the Cabinet to implement it. The council’s statutory officers are its Chief Executive, who is the Head of Paid Service, the Executive Director of Finance and Resources, who is its Chief Financial Officer, and the Head of Law and Governance who is the Monitoring Officer.

(4) Developing, communicating and embedding codes of conduct for standards of behaviour

(a) The Local Code of Corporate Governance was presented to the audit and accounts committee on 27 June 2016 for approval. The purpose of the code is to ensure that the council is committed to corporate governance, and to identify the arrangements that have been made to ensure its effective implementation and application in all aspects of the council's work.

(b) The council has a Stewardship Team, which provides advice and guidance to SLT on the council’s Governance arrangements. This team comprises the Executive Director of Finance and Resources, the Head of Law and Governance, the Chief Internal Auditor, the Head of Human Resources and Organisational Development and the Policy and Performance Manager.

(c) Councillors’ behaviour is governed by a code of conduct which is set out in the Constitution. This code of conduct was updated in respect of the Localism Act.
and Council agreed the updated code on 16 May 2013. Councillors have to sign an undertaking to abide by its provisions and complete a register of their personal interests. Suspected breaches of this code of conduct are investigated by the council’s Monitoring Officer. New Arrangements for dealing with alleged breaches of the Member Code of Conduct were agreed by the Council in July 2016.

(d) Staff behaviour is governed by various polices that are set out in the Staff Handbook. Suspected breaches of staff policies are investigated by the managers in accordance with prescribed policies.

(5) **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes**

(a) The Constitution sets out financial and contract procedure rules, the roles and responsibilities of key senior officers and committees. All senior officers have the skills, resources and support necessary to perform effectively. These are described in their job descriptions. Systems are supported by procedure notes.

(b) A complete review of the Constitution was undertaken during 2013/14 with all elements updated to meet legislative standards and best practice advice. A light touch review has been undertaken in 2017/18 and many revised agreed by the council earlier this year. The democratic structure was reviewed to include an independent Scrutiny Committee.

(c) The Chief Financial Officer is responsible for reviewing the financial regulations and contract standing orders and submitting any changes to the audit and accounts committee prior to seeking approval from Council. The Officer Scheme of Delegation; Contract Standing Orders and Financial Regulations were reviewed and updated by Council in February and March 2018.

(6) **The council’s financial management arrangements**

(a) The council has designated the Executive Director of Finance and Resources as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.

(b) There is a Strategic Leadership Team (SLT) comprising the Chief Executive, Executive Director of Finance and Resources, Executive Director of Borough Services and Deputy Chief Executive, Executive Director of Borough Development, Head of Law and Governance and the Head of Human Resources and Organisational Development that meets weekly. There is also an Operational Management Team (OMG) whose overall aim is to enhance the quality, skills and styles of leadership and management at the council.

The council fully complies with the CIPFA Statement on the Role of the Chief Financial Officer as the Executive Director of Finance and Resources (Chief Financial Officer) is a member of the Strategic Leadership Team (SLT) reporting directly to the Chief Executive. A Chief Finance Officer protocol ensures the arrangements operated by the council meet the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government and has been included in the council’s constitution.
(c) The Executive Director of Finance and Resources is a professionally qualified accountant, has a direct reporting line to the Chief Executive and is the lead officer for the audit and accounts committee.

(d) Financial regulations and procedures form an important element of the council's Constitution, which includes Contract Standing Orders, Contract Procedures, Financial Regulations and Financial Procedures, and are the framework within which the financial administration of the council is conducted. The Contract Standing Orders and procedures ensure the council obtains best value in the way it spends money and complies with the laws that govern the spending of public money.

(e) All members of staff have a general responsibility for ensuring that the use of resources is authorised and legal and it is the responsibility of the Chief Financial Officer to report to Full Council, Cabinet and the external auditors any decision or action that has or could result in the occurrence of unlawful expenditure.

(f) All reports on decision making matters require input from the Executive Director of Finance and Resources and the Head of Law and Governance regarding financial and legal implications.

(7) **Undertaking the core functions of an audit committee**

(a) Included in the council’s Constitution are the audit and accounts committee’s purpose which is to provide independent assurance to members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

(8) **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

(a) The council’s Constitution sets out how members and officers ensure compliance with policies, procedures and legislation. The council has adopted a ‘Local Code of Corporate Governance’ in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

(b) The council has designated the Head of Law and Governance as Monitoring Officer, who has one designated deputy. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Financial Officer, the Monitoring Officer will report to the Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the Monitoring Officer’s report has been considered.

(c) The council maintains an internal audit section, which operates to the standards set out in the ‘Public Sector Internal Audit Standards’. The council has carried out an assessment against the standard which was reported to the Audit and Accounts Committee 25 June 2018.
(d) A head of internal audit protocol, to ensure that arrangements operated by the council meet the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations, has been included in the council’s constitution.

(9) Whistle-blowing and arrangements for receiving and investigating complaints from the public

(a) The council has a Whistle-blowing Policy that is published on the council intranet which enables council employees, agency staff and consultants to raise concerns. There is also a fraud hotline and fraud email address in place where concerns can be reported.

(b) The council also has a complaints policy, which is available on the council’s website that enables members of the public to raise concerns about the standard of service that they receive. A leaflet is also available in the council’s Parklands reception.

(c) Complaints about the council can also be submitted to the Ombudsman who may investigate the complaint and produces an Annual Report to the council which details the number of complaints received.

(10) Identifying the development needs of members and senior officers

(a) An induction programme has been agreed for newly elected Members, developed with input from Group Leaders.

(b) Training in governance and treasury management takes place annually for members of the audit and accounts committee.

(c) An annual development programme has been developed with input from group leaders which develops the role of group assistants in supporting development of members in addition to briefing sessions. Specific training for those on Licensing Sub-Committee and Development Control has been agreed as mandatory.

(d) A corporate learning and development programme is in place for officers which is agreed by the Strategic Leadership Team. In addition, every business unit has its own learning and development plan to meet local training needs. Included in the corporate plan is a Leadership and Management Development Programme which provides training for managers at all levels in the council.

(11) Establishing clear channels of communication with all sections of the community

(a) The council is a signatory to the “Involved Communities Strategy” produced by BASP which sets out key principles for engagement. The council is committed to consultation and communication; guidelines for all service areas are provided on the council’s intranet. Consultations are conducted as appropriate to inform service delivery and policy development. Communities are supported to develop community plans which highlight local issues and actions and can be used to inform key organisations activity including the council.

(b) Committee meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the
council can make decisions under delegated authority the details of which are set out in the Constitution. The council publishes a forward plan that summarises the main executive decisions the Cabinet and individual portfolio holders are likely to take over the next four months.

(c) The council’s website includes a ‘Your Right To Know’ section which includes the sets of information identified in The Code of Recommended Practice for Local Authorities on Data Transparency

(12) Incorporating good governance arrangements in respect of partnerships

(a) The council works in partnership at many different levels. The Partnership Governance Framework provides a succinct guide for officers on the key considerations when establishing and reviewing partnership governance. Participation in partnerships is reviewed on a regular basis to ensure participation is effective.

4. REVIEW OF EFFECTIVENESS

(1) The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

(2) The review of effectiveness is informed by the work of the Stewardship Team, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

(a) The Head of Law and Governance reviews the Local Code of Corporate Governance on an annual basis. In addition the effectiveness and operation of the Constitution is reviewed along with a review of the effectiveness of decision making process.

(b) The council has a scrutiny committee that manages the call-in process. This process enables a decision made by the Cabinet, but not yet implemented, to be considered by the scrutiny committee to determine whether the decision is appropriate.

(c) The council has delegated to the audit and accounts committee responsibility for discharging the functions of an audit committee, including reviewing the adequacy of internal controls, monitoring the performance of internal audit, reviewing the risk management process and receiving the external auditor’s management letter.

(d) Internal audit is responsible for monitoring the quality and effectiveness of the council’s risk management, control and governance processes with the Chief Internal Auditor fulfilling the role of Head of Internal Audit in accordance with CIPFA’s ‘Role of the Head of Internal Audit in Public Sector Organisations’ statement. A risk model is used to formulate the Annual Audit Plan which is approved by the audit and accounts committee. The reporting process for Internal Audit requires a report for each audit to be submitted to members of SLT, Chief Financial Officer and the relevant Head of Service. The report includes an audit opinion on the adequacy of internal controls and recommendations for improvements that are included within an action plan and require agreement or rejection by heads of service. The audit opinion and the recommendations made for each audit are reported to the audit and accounts
Committee. Internal audit carried out. 28 audits in 2017/18 giving full assurance in 14 and substantial assurance in 14.

(e) The Internal Audit Opinion on the effectiveness of the council’s risk management, control and governance processes is to be reported to the audit and accounts committee on 25 June 2018 and is likely to state:

<table>
<thead>
<tr>
<th>Opinion of the Chief Internal Auditor</th>
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<tbody>
<tr>
<td>I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the effectiveness of the council’s risk management, control and governance processes.</td>
</tr>
<tr>
<td>I can give substantial assurance(^1) on the effectiveness of the council’s risk management, control and governance processes which enables the council to meet its aims and objectives.</td>
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</tbody>
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\(^1\)Substantial assurance means key controls designed to achieve the system/function/process objectives are in place. There are opportunities to enhance/strengthen those controls.

(f) The Internal Audit Section liaises with the council’s external auditors, Ernst & Young LLP, who may seek to place reliance on the work carried out by the section, where they consider it to be appropriate to do so for the purposes of their statutory audit.

(g) A Risk Management Policy was reviewed and approved by audit and accounts committee on 5 December 2016. The corporate risk register is reported to the Audit and Accounts committee twice a year.

(h) The council complies with the CIPFA code of practice on managing the risk of fraud and corruption, as reported to the Audit and Accounts committee on 5 December 2016.

(i) The Performance Panel meets on a quarterly basis and reviews progress on performance indicators and financial activity.

5. **EXTERNAL AUDIT**

On 11 December 2017, the external auditors, Ernst & Young LLP, presented their Annual Audit Letter to the Audit and Accounts Committee. It stated:

“Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March and of its expenditure and income for the year then ended."

“We concluded that you have put in place proper arrangements to secure value for money in your use of resources.”
6. **SIGNIFICANT GOVERNANCE ISSUES**

(1) An internal audit was carried out to ensure compliance with the council’s 2017/18 Local Code of Corporate Governance that was approved by the Audit and Accounts committee on 26 June 2017. The review concluded full compliance with the code and therefore no significant governance issues need addressing. The outcome of the internal audit review is to be presented to the Audit and Accounts committee on 25 June 2018.

7. **CONCLUSION**

(1) The annual governance statement demonstrates that the appropriate governance arrangements are in place in line with the council's Local Code of Corporate Governance. We will continue to these arrangements to ensure that this remains the case.

Signed: _____________________________ Date:

Melbourne Barrett
Chief Executive

Signed: _____________________________ Date:

Cllr Clive Sanders
Leader of the Council