



GOSPORT
Borough Council

GOSPORT BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2018/19

Scope of responsibility

Gosport Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and is used economically, efficiently and effectively. Gosport 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.

In discharging this overall responsibility, Gosport Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

This statement explains how Gosport Borough Council has complied with the Code and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with 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.

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 risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Gosport Borough Council's 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.



The governance framework

Gosport Borough Council's Governance Framework derives from the updated 2016 publication 'Delivering Good Governance in Local Government'. The Framework identified 7 principles that should underpin the governance arrangements in a Local Authority.



Each principle will be outlined below and how the council meets them:

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits &

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council's plan on a page sets out Gosport Borough Council's mission and core values (ambitious, supportive, collaborative, adaptable and efficient). The Plan also identifies the Council's strategic priorities (raise aspirations, enhance the environment, develop the economy, empower our residents and deliver effective services which are based on a combination of factors including what matters most to local people, national priorities set by the Government and the challenges from Gosport's changing social, economic and environmental context. The Council continues to keep its plan relevant and up to date with periodic reviews, the plan has been developed through engagement with both the Leadership Team and officers of the Authority.

The Council also have a Local Plan 2011-2029. The Local Plan sets out the Council's proposals for the development and use of land from 2011 – 2029, and forms the basis for dealing with planning applications. Background to the process the Local Plan has gone through several stages to adoption and was supported by an evidence base and a Sustainability Appraisal. In accordance with Government guidance the Council is required to keep its Local Plan up to date. The Council has now started to prepare a [revised](#) Local Plan to cover the period to 2036.

The council also maintains a Medium Term Financial Strategy (MTFS) which is designed to meet the overall aim "In year" expenditure matches "in year" income over the medium term whilst providing sustainable high quality public services and improving the overall prosperity of residents and businesses.

All proposals and opportunities arising from this strategy contribute towards meeting the necessary future savings required whilst providing sustainable high quality public services and improving the overall prosperity of residents and businesses



The Council's Mission statement:

“Build on our strengths to empower and support our communications and ensure the potential of the borough and all of our residents is achieved”

The Council has continued to evolve its approach to performance management by promoting a transparent and open performance culture amongst Section Heads, who are responsible for managing performance on a day-to-day basis. Whilst in transition, key outcome based performance management measurements have been retained whilst new and relevant measures are being further developed. Section Heads are accountable for performance to the council's senior management and to elected members.

The Council maintains an objective and professional relationship with their appointed external auditors (Ernst & Young LLP) and statutory inspectors, as evidenced by the various reports being presented to the Standards and Governance Committee (available on the Council's website). The Council uses the evidence and recommendations contained in those reviews to support performance improvement and risk management.

The Financial Procedure Rules and Contract Procedure Rules are under constant review and these are, incorporated in the Council's Constitution.

Risk management is monitored by the Corporate Governance Group that was formed this year. The Group is made up of all the Statutory officers, the Head of Environmental Health (shared with Fareham BC), the Head of Policy and Community Safety and the Head of Internal Audit. It meets quarterly and monitors all governance matters across the Council.

Risk management is still in the process of change and the use of Pentana has ceased. Section Heads will be required to create their own risk registers which will then be strategically analysed by the monitoring officer, to determine the corporate strategic risks. These risks will then be analysed in more detail by senior management to ensure suitable mitigating/controlling actions are in place or in the process of being put in place

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Constitution sets out how the Borough Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.



A report on Governance was taken to Council in May 2016 to review the arrangements for the discharge of the Council's Functions and proposed changes to the Boards and Committees. The composition remains unchanged for 2018/19:

Composition of Boards

The following is the composition of the Boards;-

Board/Sub Board	Number of Members
Policy and Organisation Board	13*
Community Board	15
Economic Development Board	15
Regulatory Board	13
Standards and Governance Committee	12*
Licensing Sub Board	3
Licensing (General Applications) Sub Board	5

Decisions are made by Boards and Sub-Boards of the Council with the following having the responsibility for the majority of decision making:

Council

Policy and Organisation Board

Community Board

Economic Development Board

Regulatory Board (Licensing Sub-Boards)

*There are 2 vacancies, left by the recent death of a Councillor, on Standards and Governance (S&G) and Policy and Organisation (P&O). The Authority will only appoint 12 Members to P&O and 11 to S&G in May 2019.



The by-election is the 30 May and these vacancies will be appointed afterwards, at Council in July 2019.

As the Regulatory Board deals only with planning applications and the Licensing Sub-Boards with Licensing matters the law does not allow their work to be scrutinised by other Councillors. This is because the decisions made by these Boards are already subject to an appeal process, either through an independent inspector or the courts.

In addition to the Boards, there is also a Standards and Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. Additionally, an Assessment Committee comprising three Councillors of the Standards and Governance Committee have delegated powers to determine allegations of failure to comply with the Council's Code of Conduct, in accordance with the Council's arrangements for dealing with such allegations.

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A code of practice governs the relationship between officers and members of the Council. In certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's Constitution.

The Council Management Team (CMT) meets periodically to develop policy and strategic issues commensurate with the Council's strategic priorities. Members of CMT meet collectively (via the Leadership Team) and individually with the Leader of the Council and other leading members of the Administration to consider new policies and strategies as well as managing, monitoring and reviewing existing policy and strategy. The Leader holds frequent meetings with the Chief Executive Officer to review progress in achieving the Council's strategic priorities for action, performance management and forward planning for major issues and projects.

Information that would be of benefit to other members of the Council staff is disseminated through regular meetings between Line Managers and the relevant Senior Manager, and then through to the rest of the Council via periodic section meetings.

Information on policy, priorities, procedures and current issues is also disseminated to all staff through the Chief Executive (email) and staffroom (email) communications at least monthly. Examples included Council bicycle for use, Reducing waste survey (HCC), time recording system changes, changes to recruitment and advertising vacancies, drivers annual checks reminder, new HR and Payroll system service from 01.04.18, Safeguarding updates and GDPR updates and reminder of mandatory on-line training.

The Council has also adopted a number of codes and protocols that will govern both member and officer activities. These include:

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process (updated)
- Protocol for Councillor/Officer Relationships (updated)
- Anti-Fraud and Corruption Policy (including Bribery)
- Whistle Blowing Policy

It is the shared responsibility of the Chief Officers [primarily the Monitoring Officer, Chief Executive and Borough Treasurer] and the Human Resource section to ensure compliance with established policies, procedures, laws and regulations. Issues of conduct and governance must often be considered by the Standards and Governance Committee, in which case a report and recommendations are prepared by the Monitoring Officer. All posts within the authority have a detailed job specification and training needs are identified on an on-going basis and also through the Personal Development Scheme.

F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Procedure Rules. The Council has designated the Borough Treasurer as Chief Finance Officer complying with the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010) requiring the Chief Finance Officer to report directly to the Chief Executive and to be a member of the 'Management Team'.

Internal Audit Annual Opinion 2018/19 - Substantial Assurance*

Based on judgement made since I have been in post (November 2018) and the results of the External Public Sector Internal Audit Standards (PSIAS) Assessment (February 2019) (detail can be found below), as the Interim Chief Internal Auditor, I am able to provide a qualified opinion on the effectiveness of the control framework and governance processes at Gosport Borough Council.

The results of the audits undertaken in 2018/19 have resulted in 90% achieving a Strong or Good opinion on the control of risks.



No Assurance

Limited Assurance

Substantial Assurance

Full Assurance

Based on these results **only**, I am able to provide Substantial Assurance on the effectiveness of the control framework and governance processes at Gosport Borough Council. This opinion is qualified as a result of the PSIAS assessment which highlighted 8 areas of non-compliance as they impact upon the Annual Audit Opinion in the following ways:

- Assurance mapping has not occurred and therefore the opinion is based solely on the Internal Audit work. Any additional assurances from external bodies have not been mapped and therefore cannot contribute to the opinion.
- It is not possible to provide assurance that a strategic framework (both the strategy and charter, which are mandatory, were deemed inadequate) is in place to deliver an effective Internal Audit Service.
- Resources including skills required have not been aligned to the needs of the Authority.
- Concerns were raised regarding the completeness and methodology of the Audit Universe. Therefore no assurance can be placed that the composition of the 2018/19 Audit Plan was sufficiently risk based and therefore contained sufficient scope of the Authority's key risks.

An action plan has been put in place to resolve the non-conformance identified within the PSIAS with a re-assessment scheduled for February 2020.

Internal Audit will continue to work with Section Heads, the Deputy Chief Executive and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.

Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2018/19 may affect that year's work for External Audit. It may also inform their work for 2019/20 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Public Sector Internal Audit Standards (PSIAS) External Assessment

Introduction

The Public Sector Internal Audit Standards, updated April 2017, state that "A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector."



The Relevant Internal Audit Standard Setters (RIASS) (as recognised by the Account and Audit Regulations) for local government across the UK, is the Chartered Institute of Public Finance and Accountancy (Cipfa).

These common set of Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

Scope

The scope of the review was agreed with the Monitoring Officer, s151 Officer and the chair of the Standards and Governance Committee and was as follows:

Evidence that the Internal Audit complies with current Public Sector Internal Audit Standards, including the Code of Ethics; by evaluating:

- Relevant documentation
- Discussions with the Chair of the Standards and Governance Committee, Senior Management (including the CX, s151 and Monitoring Officer), external audit and members of the Internal Audit Staff

Findings

Of the 50 Standards and Elements 1 is not applicable and

- 35 are evaluated as generally conform
- 7 are evaluated as partially conform – Standards 1220, 1311, 2030, 2110, 2120, 2130, 2210
- 7 are evaluated as non-conform - Standards 1310,1320,1321,1322, 2040, 2430, 2431

Further detail on the areas of partial and non-conformance can be found within the full External Assessment which was presented to the Standards and Governance Committee in April 2019. An action plan has been devised and progress against the action plan will be reported to the Standards and Governance Committee throughout the year 2019/20.

Conclusion

Until the key areas are addressed, the Service cannot demonstrate that it is operating as effectively as it should be and cannot claim to conform with the Public Sector Internal Audit Standards. Furthermore the key areas of non-conformance and the actions to address them should be considered for inclusion in the Annual Governance Statement, as required by Standard 1322



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Board Structure

As the Council chose to adopt 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on each Board and Committee according to the number of seats held. Consequently the Council enjoys a high level of transparency when it comes to decision making and any Member of the Council is afforded the right to sit on the Boards if they are nominated for such a position at the commencement of the Municipal Year.

The Standards and Governance Committee promotes, monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for audit, risk and compliance issues to be considered. All Governance reviews and the results of audits are considered by the Standards and Governance Committee.

All decision making reports are structured and the contents demonstrate all relevant information in order to reach an informed decision.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

A designated Members' Portal covers a wide range of useful materials and guidance information is available for Members and staff to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance.

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Borough Solicitor and Borough Treasurer that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. Briefings such as those on planning and licensing issues are held throughout the year to correlate with the Board cycle.

There is a wide range of further training opportunities available to Members to increase their knowledge base from skills development (e.g. chairing skills, dealing with challenging people and media and image) to need-to-know subjects (e.g. Code of Conduct, planning local government finance) detailed in the ' Training Opportunities for Members' booklet within the Members Information Pack. One Councillor from the Standards and Governance Committee attended (Oct 2017) a joint CIPFA/LGA Anti-Fraud and Corruption training and awareness session in Basingstoke.



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All Officers receive annual personal development reviews where matters such as corporate issues, performance, both individual and team, individual action plans developed and training needs are discussed and agreed. There are also mandatory in-house on-line training packages monitored by Human Resources (HR), continued professional development schemes for some individual officers and ad-hoc professional training course and webinars. The established link with Portsmouth CC has also allowed all GBC staff access to key training material from their intranet and has added resilience to the support available. All newly appointed officers are provided with an induction (monitored by HR) when they begin employment with the Council.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is accountable and transparent in a number of ways. Elected local authority members are democratically accountable to their local area and this gives them a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

The Council makes decisions at public meetings of its Boards and Committee. Members of the public are able to address the Council's Boards and Committees using the Council's process for public questions and deputations available in the Council's Constitution and on the Council's website.

The Council frequently consults residents both where there is a legal duty to consult and also on matters of particular interest including, but not limited to planned developments within the Borough.

The Council has a corporate complaints process should members of the public be unhappy with the service they have received from the Council. The process has three stages including consideration by line managers and an independent manager. Complaints to the Local Government Ombudsman will not be considered until any complaint has been through this complaints process.

The Council complies with the Freedom of Information Act (2000) and requests can be submitted electronically or in person to be considered by the service unit concerned within 20 working days.

Review of effectiveness

Gosport 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

1. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes recommendations for improvements that are included within an action plan (and are graded as critical, essential, important & advisory) and requires agreement or rejection by service managers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
3. An Internal Audit Annual Report is taken to the Standards & Governance Committee (as per the Accounts and Audit Regulations 2015) and this provides the overall opinion on the Council's internal control environment.

The Standards & Governance Committee also received Internal Audit monitoring reports throughout 2018/19.

The Council entered into an arrangement with Portsmouth City Council for shared Senior Management primarily as a means to address the future financial challenges faced by the Council. The roles and responsibilities of the shared posts will continue to include those relating to the Governance of this Council in accordance to the policies and procedures of this Council.



The shared Management arrangement has brought costs savings (through the reduction in the cost of Senior Management) and improved operational resilience with the ability to call on resources and expertise from Portsmouth City Council which otherwise were not readily available.

The Senior Management Team have been charged by the Administration to review the effectiveness of all of the Council's activities on a continuous basis. Service reviews have been conducted across the Council focused on ensuring that customer demands are met, processes are effective, and that services have adequate capacity and resilience.

Significant governance issues

The following governance issues have been identified as a result of the review of arrangements and by the work of external and internal audit in 2018/19.

NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
1	2017/18	Embedding new performance & risk management arrangements as a consequence of the Plan on a Page and review of the Risk and Performance Management Framework.	Chief Executive	The Council has continued to evolve its approach to performance management by promoting a transparent and open performance culture amongst Section Heads.	Risk Management process has been drafted and is due to be presented to Standards and Governance Committee in June 2019	Chief Internal Auditor
2	2017/18	A reducing workforce.	Chief Executive	Delivery of the Medium Term Financial Plan and its focus on avoidance to cuts through income	The Council has delivered balance budget for the past 2	Borough Treasurer



NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
				generation, strategic partnerships and genuine efficiencies.	years without the need to draw on Reserves.	
3	2017/18	To continue to identify efficiencies within the Council's operations to ensure continued value for money	Chief Executive	Ensure Service Reviews do not compromise core service delivery and resilience in favour of financial savings.	The strategic partnership with Portsmouth City Council has generated savings of £1m. The ability to access the capacity of Portsmouth City Council has enabled efficiencies to be made without compromising sustainable service delivery	Chief Executive, Borough Solicitor and Borough Treasurer
4	2017/18	Preparation for the new General Data Protection Regulation (GDPR) to ensure full compliance.	Data Protection Officer	A small group of officers reviewed the requirements of the new Regulation and made all	Complete	Deputy Chief Executive



NO	YEAR RAISED	GOVERNANCE ISSUE	SOURCE	ACTION	PROGRESS TO DATE	RESPONSIBLE OFFICER
				staff and Members aware of the new principles in advance of the deadline (25 th May 2018).		
5	2018/19	Internal Audit Service not compliant with Public Sector Internal Audit Standards (PSIAS)	Chief Internal Auditor	Implement the proposed actions to rectify the non-conformance highlighted as part of the PSIAS assessment		Chief Internal Auditor
6	2018/19	Lack of Counter Fraud framework and resource	Chief Internal Auditor	Key Fraud areas to be evaluated and determination made on the required provision		Chief Internal Auditor
7	2018/19	Departure of officer resulting in Statutory roles being vacant.	Chief Executive	Personnel arrangements to fill vacant statutory roles to be put forward to Full Council		Chief Executive
8	2018/19	Complaints against Councillors Procedure requires revision	Chief Executive	Revise the complaints against Councillors procedure. Revisions to be considered by Full Council.		Chief Executive



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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

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Leader of the Council

Chief Executive