



DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

**SUBJECT TO CONSIDERATION AND APPROVAL BY THE AUDIT COMMITTEE
SUBJECT TO REVIEW AND SIGNING BY THE LEADER AND CHIEF EXECUTIVE**

1 Introduction

- 1.1 Hart District 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. We have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which our functions are exercised, whilst having regard to a combination of economy, efficiency and effectiveness.
- 1.2 We are responsible for putting in place proper arrangements for the governance of our affairs and facilitating effective exercise of our functions. The Accounts and Audit Regulations 2015 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish an Annual Governance Statement (AGS).
- 1.3 This AGS set out the governance arrangements in place for the year ended 31 March 2023. This draft will be subject to consideration and approval by the Audit Committee and, if necessary, it will be updated to include any significant post year-end events. It has been prepared in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles.

2 The Council's Governance Framework

- 2.1 The governance framework generally refers to the culture, values, systems, and processes by which an organisation is directed, controlled and held to account. The Council's governance framework aims to ensure that in conducting its business it operates in a lawful, open, inclusive and honest manner, makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively, maintains effective arrangements for the management of risk and secures continuous improvement in the way that it operates. Additionally, an effective governance framework enables the Council to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 Underpinning the governance framework is the Council's Local Code of Corporate Governance. A document that details the key policies, procedures and systems by which the Council is controlled and governed. The Local Code is reviewed and

updated periodically to ensure it reflects current working practices. Once updated it is reviewed and approved by the Audit Committee.

3 Effectiveness of the Governance Framework

3.1 The effectiveness of the governance framework is reviewed by the Executive Director of Corporate Services, supported by the Senior Leadership Team.

The review considered the following areas:

- a) The annual review of the Local Code of Corporate Governance. The Local Code is based upon the 2016 CIPFA / SOLACE framework, Delivering Good Governance in Local Government. Our self-assessment against the Code is included at Annex A.
- b) The work of Internal Audit and their 'Satisfactory' assurance opinion on the adequacy and effectiveness on the Council's internal control environment for the year ending March 2023, reported to the Audit Committee in March 2023. During 2022/23 financial year there were issued one 'high risk', fourteen 'medium risk' and three 'low risk' actions raised in internal audit reports. No area reviewed was classified as having 'no' assurance. There was one high risk recommendation.

Following a procurement exercise, a decision has been taken to outsource delivery of the Internal Audit Service to the Southern Internal Audit Partnership (SIAP) from April 2023. This will strengthen the IA approach, provide greater resilience and bring learning and experience from an established specialist IA provider. SIAP undertake Internal Audit functions for many local authorities and other public sector bodies and Hart will join the governance board.

The Audit Committee requested in December 2021 an internal audit review of the Shapley Heath Garden Community Project. In July 2022 the Audit Committee received the audit report that had been commissioned from an external independent auditor. It highlighted several significant governance concerns relating to project management governance and contained 11 recommendations. The Audit Committee considered the report then asked Cabinet to provide a response to the report's recommendations and to also review the application of project governance, financial controls and reporting and to provide a response on the lessons learnt. At its meeting on 28 March 2023, the Audit Committee received the final action plans from the

S151 Officer, the external consultant and the Staffing Committee. These were considered by the Committee and reported to the Cabinet for endorsement. An update report will be considered by the Overview and Scrutiny Committee in September 2023.

- c) CIPFA released a revised Position Statement on Audit Committees in May 2022. It was noted that the current terms of reference for the Audit Committee needed to be reviewed and this was completed and agreed by Audit Committee in March 2023.
- d) The unqualified opinions expressed by the external auditor on both the 2020/21 Statement of Accounts and Value for Money opinion. At the time of preparing this draft AGS the external auditor had not yet completed their review of the 2021/22 financial accounts although a positive audit findings report was presented to the Audit Committee in March 2023. This statement will be amended once they have completed their work.
- e) The role played by Members, as accountable democratically elected representatives, in providing community leadership, delivering clear policy and financial direction, scrutinising decisions as well as fulfilling regulatory and quasi-judicial duties. Annex B details the key governance impacts of Members' work.
- f) The work of the Senior Leadership Team who have responsibility for the development and maintenance of the control and governance environment.
- g) The Monitoring Officer has monitored the Council's compliance with the law, and that high standards of conduct have been maintained by both officers and members. The Monitoring Officer has managed any amendments to the Constitution and has ensured the decision-making process has been transparent.
- h) The Director of Corporate Services is the Council's Section 151 Officer. They have had in place an appropriate internal control framework that has ensured financial transactions have been properly accounted for. They are a member of the Senior Leadership Team and ensured financial implications are considered in the delivery of corporate objectives and overseen the effectiveness of the overarching strategic financial processes (e.g., budget setting, financial planning, revenue and capital expenditure monitoring, treasury management). They undertook a self-assessment of compliance with the CIPFA Financial

Management Code which was reported to Audit Committee. The Code continues to provide a framework of good practice in financial management and a further review against the FM Code will be undertaken in Autumn 2023.

- i) As part of their business-as-usual operations, Service Managers frequently review and amend their risk registers. The Corporate Risk Register was reported to Overview & Scrutiny and Cabinet in November 2022 and April 2023. The Audit Committee also considered the effectiveness of the risk management framework in March 2023 and approved a revised Risk Management Policy.
- j) In October 2022, the Council underwent a senior management restructure, moving from four service areas to three – Place, Corporate and Community. One of the two Joint Chief Executives also left the Council at this time, leaving one Chief Executive. A new Monitoring Officer was also appointed, alongside a new S151 Officer who also was appointed Executive Director of Corporate Services.
- k) The report of the Local Government and Social Care Ombudsman reported in their annual review letter 2022. Four complaints were received by the Ombudsman. After review they decided that only one required formal investigation by them, which was not upheld.
- l) In April 2022, a revised Corporate Complaints Policy was introduced which addressed the concerns internal audit highlighted. Once the Corporate Complaints Policy has been in place for a number of months, it is the intention that high level trend data on complaints will be provided to Overview and Scrutiny as part of the corporate suite of data provided on a quarterly basis.
- m) In 2021, the Council incorporated Hart Housing Property Management Company Ltd (Co. No. 13459808), a wholly owned company. The company lease, maintain and rent out on an affordable basis, residential assets procured by the Council in its pursuance of its objective to increase the supply of affordable housing in the district. The company forms part of the Council's broader strategy to innovate in the provision of its activities and functions. The majority of any net income generated by the Company will be reinvested back into the delivery of Council services. As part of the governance arrangements, a Housing Scrutiny Panel (HSP) was established, comprising three members appointed by the Overview and Scrutiny Committee. In 2022/23 the lease was completed and the Board was strengthened with new director appointments.

- n) The provision of regular management and performance information, formally to both Cabinet and Overview & Scrutiny Committee and informally through discussions with Members at Service Panels.
- o) The ongoing review throughout the year of policies and procedures that underpin the delivery of services alongside new initiatives introduced to enhance governance and/or service delivery. These include:
 - New Corporate Plan approved following public consultation and scrutiny
 - Medium Term Financial Strategy revised in Feb 2023 following a mid-year report to O&S and Cabinet in November 2022.
 - Further development of the modern.gov app, to allow Members and Officers to access committee papers 'on the move' and away from a traditional PC or laptop
 - Revised Financial Regulations and Procurement Rules approved February 2023
 - Mandatory training for staff in cyber awareness, equalities and data protection.
 - The Chairman of the Overview and Scrutiny Committee presenting the Committee's 2022/23 Annual Report to Council
 - A successful bid for £125k from Central Government to enhance cyber security
 - Adoption of the Homelessness and Rough Sleeping Strategy 2022-27 (March 2022)
 - Revised Whistleblowing Policy approved (July 2022)
 - Review of the governance arrangements for the Capita 5 Cs contract approved by Cabinet (Sept 2022)
 - Cabinet approved a net zero carbon pathway report (Sept 2022), following review by climate change group and O&S – action plan being developed Spring 2023.
 - The new council website was developed and launched March 2023.
 - The corporate accessibility project was approved, and this commenced in March 2023

4 Significant Governance Issues 2022/23

- 4.1 The effectiveness review has concluded that corporate governance arrangements and the internal control environment are generally effective. It is acknowledged that improvements can always be made and the following matters are considered significant enough to be specifically highlighted. The action taken to address these is set out below.

Governance Improvement Plan - arising from the 2022/23 review of effectiveness of governance arrangements

	Issue	Action Taken	Responsible Officer	Target Date
1	Management of projects, including governance arrangements, project planning, financial controls, monitoring and reporting.	<p>Revised the Terms of Reference for the overarching project Board to improve monitoring and reporting of project progress.</p> <p>New financial monitoring arrangements for project agreed by Project Board</p> <p>Closer portfolio holder involvement and ownership of major projects with O&S being more involved in scrutiny and monitoring</p> <p>Follow up on action plans agreed by Audit Cttee</p>	Chief Executive/S151 Officer	Implemented throughout 2023
2	Increase the robustness of the Internal Audit plan, delivery of audits and implementation of recommended actions	<p>Appointing Southern Internal Audit Partnership as Hart's internal audit provider will strengthen the delivery.</p> <p>Greater engagement with SLT and managers group will raise the importance and profile of internal audit and closer monitoring will increase delivery of actions within the agreed timescales.</p>	S151 Officer	Commencing April 2023

4.2 External audit did not conclude their 2021/22 audit until early March 2023. Their initial audit findings report was considered by the Audit Committee on 28 March 2023. The 2021/22 AGS was therefore approved at the March 2023 Audit Committee meeting prior to being signed by the Leader of the Council and Chief Executive.

Governance Improvement Plan 2021/22 – As identified in the 2021/22 Annual Governance Statement				
	Issue	Current position (June 2023)	Responsible Officer	Delivery
1	The responsibility for the maintenance and administration of three key IT systems has been devolved to Services rather than the central IT team. This has led to weaknesses in IT access controls, security management and cyber security which in turn could compromise the operational efficiency of the IT systems.	An internal audit review undertaken in February 2023 found that no procedure notes have been prepared. The review also noted that whilst system managers are clear on their role and responsibilities and tasks that need to be performed, procedure notes should still be written to document the controls and actions that are required to be performed to effectively manage and safeguard the devolved systems. This work is underway in 2023.	IT Manager	In progress
2	The internal audit report on the Shapley Heath Garden Community Project identified serious project management governance failings and made 11 recommendations. Audit Committee have asked Cabinet and the Staffing Committee to consider the report and their requests for: <ul style="list-style-type: none"> 1. a response that sets out how the 11 recommendations are to be actioned. 2. A review of the application of project governance processes. 	<p>In September 2022 the Cabinet asked for an action plan to respond to the 11 recommendations.</p> <p>The Local Government Association undertook a review of project governance, financial control and reporting arrangements.</p> <p>The Staffing Committee established a Panel to review Officer's actions.</p>	Chief Executive/S151 Officer	In progress To be reported to O&S Committee in Sept 23

	3. A review of Officer's oversight of the Project.	All three of the above actions resulted in recommendations that were presented in a comprehensive report to Audit Committee in March 2023 which Cabinet has accepted.		
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5 Approval of the Annual Governance Statement

The 2022/23 review has concluded that corporate governance arrangements and the internal control environment are generally effective.

Two areas for improvement have been identified, plus the continuing action carried over from 2021/22. We propose to take steps to address the issues identified at paragraph 4.1 and will report on the action taken to the Audit Committee both during the year and as part of future annual governance reviews.

**Cllr David Neighbour,
Leader of Hart District Council**

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Daryl Phillips, Chief Executive

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Signature

Date

Self-assessment against the Local Code of Corporate Governance

The Council's commitment to good governance.	How it will be achieved.
<p>The Council has clear, transparent decision-making processes which align with our ethical values. Decisions that have been made are lawful and Codes of Conduct set out expectations on behaviour and integrity.</p>	<ul style="list-style-type: none"> ➤ Codes of Conduct are in place for both members and officers. These are used to promote the standards of behaviour expected of both members and employees. ➤ All members are required to sign a declaration of interests annually, these are readily available on our website. They are also required to declare any such interests at public meetings prior to the relevant item being discussed. ➤ Member training is provided and an appropriate induction process in place for all new members. ➤ The Standards Committee is in place to ensure ethical behaviour is maintained. ➤ Statutory Officers are in post. These being the Chief Executive, one of whom acts as the Head of Paid Service, the other as the Monitoring Officer. The Head of Corporate Services is the Section 151 Officer. ➤ Hart Values are in place and describe how the Council expects employees and members to behave when carrying out their roles and, how we expect our residents and stakeholders to be treated.

	<ul style="list-style-type: none">➤ The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members, and set out the rules on how the Council conducts its business. The Constitution is subject to an on-going review by senior management to ensure it is fit for purpose, any amendments will require the approval of Full Council.➤ The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.
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The Council's commitment to good governance.	How it will be achieved.
<p>The Council exists to serve its residents and local businesses. We work with a wide variety of stakeholders and work effectively in partnership. Consultation and engagement mechanisms are in place.</p>	<ul style="list-style-type: none"> ➤ The Council will work with residents, businesses, communities, and partners to help us prioritise what we do, and to have a say over our approach. ➤ During 2022/23 all Council meetings have been conducted in public, decisions have been properly recorded and are in the public domain. This ensures transparency and that the impact and consequences of decisions are clearly stated. ➤ Minutes and Agendas for all meetings provide a formal record of decisions that are made and are readily available on our website. ➤ The Council consulted on its Corporate Plan in Autumn 2022 which informed the final version approved by Council in February 2023 ➤ Hart District Council is committed to working with residents, businesses, and charities to improve the services it delivers across the district. Consultation is an essential part of this, and we need to know your thoughts on changes that we intend to make. ➤ We use social media including Twitter and Facebook, as a way of engaging with the community and promoting awareness of services we provide. All our social media updates are provided by our Communications Team to ensure a consistent approach is taken. ➤ Newsletters are sent to Parish and Town Councils, MP's and County Councillors. ➤ Meetings take place between Hart Officers and Unison

The Council's commitment to good governance.	How it will be achieved.	
	<ul style="list-style-type: none"> ➤ Monthly staff briefings take place keeping officers up to date with new initiatives and feedback of ongoing work ➤ Customer Care Standards and Complaints policy are in place. ➤ The Council encourages feedback on the services it provides. We have a feedback form on our website, and its address is included on generic email signatures. ➤ The table below details the governance arrangements in place for both outsourced services and those services provided in partnership with other Councils. Regular meetings occur to discuss service, performance and financial issues. 	
	Service	Governance
	Revenues and Benefits, IT, Land Charges, Customer Services.	5 Councils Management Board Central Client Team Inter Authority Agreement
	Everyone Active (Leisure Services)	Monthly Management Meeting Leisure Client Officer
	Basingstoke and Deane Borough Council (Legal Services, Waste, Licensing, Grounds Maintenance).	Joint Management Board Joint Waste Board with Serco
	Rushmoor Borough Council (Building Control)	Joint Governance Group
	Southern Internal Partnership – Internal Audit provider from 1/4/23	Quarterly partner meetings

The Council's commitment to good governance.	How it will be achieved.
<p>The Council works with communities to plan outcomes. In setting policies and strategies, the Council takes account of sustainable economic, social and environmental benefits.</p>	<ul style="list-style-type: none"> ➤ The Corporate Plan 2023 – 2027 has been developed with members and outlines the priorities of the Council. ➤ The Council has established a long-term vision, covering the period 2020 – 2040. ➤ The Council's Medium Term Financial Strategy was approved by Cabinet in February 2023. There is a robust budget process in place to ensure financial resources are allocated to corporate priorities. ➤ The Council has set out an Equality Policy which identifies how we will work towards agreed equality objectives. Where required Equality Impact Assessments are also carried out.

The Council's commitment to good governance.	How it will be achieved.
<p>The Council takes decisions on interventions based on its clear vision for services, engaging with communities, stakeholders and the expertise of professional service officers.</p>	<ul style="list-style-type: none"> ➤ A performance framework exists to monitor progress on intended outcomes, it is also used to support our decision-making process. Performance indicators have been reported to Overview and Scrutiny during 2022/23. ➤ Service Plans are in place that outline clear visions for the services we provide. Service Plans also help ensure resources are allocated to corporate priorities. The content and reporting of service plans was reviewed during 2022/23. ➤ The Council's budget process ensures financial resources are aligned to corporate priorities. ➤ The Scheme of Delegation clearly outlines who is responsible for the decision-making process, and where responsibilities lie for the functions of the Council. The Scheme of Delegation is contained within the Constitution. ➤ Decision makers receive objective analysis, information and risk assessments on options that are available to achieve intended outcomes. ➤ The Council makes use of collaborative and joint working, where appropriate. Community benefit and improved resilience is often a key consideration in how services are procured.

The Council's commitment to good governance.	How it will be achieved.
<p>The Council maintains an effective relationship between the Leader of the Council and the Joint Chief Executives. We encourage the development of all employees to ensure they are able to carry out their roles effectively.</p>	<ul style="list-style-type: none"> ➤ There are regular meetings between the Chief Executive and the Leader of the Council. Similar meetings take place between the directors and Portfolio Holders. These have ensured an effective line of communication exists between senior managers and members. ➤ Member and Officer training programmes are in place. The Corporate Training Programme is designed to target areas of training that were identified from personal development reviews. ➤ Induction Training has been provided to new employees in May 2023. Training is also provided to new members. ➤ Mandatory training has been provided to all managers during the year on Cyber Security, Fraud Awareness and Safeguarding. ➤ The performance framework includes personal development reviews (PDR's) for individuals. These are linked to both Corporate and Service Plans. Training needs to all employees are considered as part of the PDR process. ➤ Roles and responsibilities of senior management are clearly identified. The Scheme of Delegation makes it clear the protocols that must be followed for the decision-making process. ➤ An appropriate protocol is in place to enable Elected Members and Senior Officers to have a shared understanding of their respective roles.

The Councils commitment to good governance.	How it will be achieved.
<p>The Council has transparent processes in place to ensure our decisions are in the public domain through our website, financial reporting is robust.</p>	<ul style="list-style-type: none"> ➤ Information on the decision-making process is readily available to all stakeholders via the Council’s website. ➤ An appropriate committee structure is in place to ensure there is an effective decision-making process and, that all relevant information is reported in a timely manner to those making key decisions. Key decisions are subject to an appropriate level of scrutiny. ➤ An Audit Committee is in place. The committee reviews the work of both Internal and External Audit, approving the Statement of Accounts and providing assurance on the Council’s governance arrangements. ➤ A Local Code of Corporate Governance is in place and is reviewed annually. It complies with the requirements of the CIPFA/SOLACE Framework 2016. The Local Code was presented to the Audit Committee in July 2022. ➤ The Council produces an Annual Governance Statement, which explains how we comply with CIPFA’s “Delivering Good Governance in Local Government (2016)”. ➤ Internal Audit will review the internal control framework on an on-going basis, the key financial systems. Findings and risks identified during reviews are reported to both senior management and the Audit Committee. ➤ Internal Audit provide an annual report to the Audit Committee that includes an objective opinion on the internal control framework. The report for 2022/23 was presented to the March 2023 Audit Committee and contained a ‘satisfactory’ opinion. ➤ External Audit review the arrangements that the Council has in place to secure value for money. They also provide an opinion on the accuracy and completeness of the Council’s Statement of Accounts. The external auditors will not complete their work

	<p>until after this draft AGS has been reviewed by the Audit Committee. The AGS will be updated to reflect the external auditors' findings from their review of the 2022/23 statement of accounts.</p>
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The Councils commitment to good governance.	How it will be achieved.
<p>The Council maintains an appropriate internal control framework, Financial management is robust to ensure council spending is within agreed budgets.</p>	<ul style="list-style-type: none"> ➤ The Council has a risk management framework in place that identifies and reports risk and how it is being managed. ➤ The effectiveness of the risk management framework is reported to the Audit Committee. ➤ The content of the corporate risk register is reviewed by the Senior Leadership Team on a regular basis. It is reported to Overview and Scrutiny and Cabinet half yearly. ➤ As part of the process for approving the budget for the council, appropriate statements were made by the Head of Corporate Services (Section 151 Officer), regarding financial risk, and the outlook for the short to medium term. ➤ The system of internal control is reviewed on an on-going basis by Internal Audit and management. An opinion on the effectiveness of the internal control system for 2022/23 was reported to the Audit Committee in March 2023. ➤ The Director of Corporate Services is responsible for the financial management of the council and is the Section 151 Officer. We have a strong culture of good financial management which ensures public money is properly safeguarded. ➤ A Medium-Term Financial Strategy ➤ Robust budget monitoring arrangements are in place for both capital and revenue with budget reporting at both senior management and members occurring at least quarterly. ➤ A fraud risk assessment was carried out by Internal Audit during 2021/22 to consider the effectiveness of controls in place to manage the risk of fraud. The conclusions of this review are reported to management and the Audit Committee.

THE MEMBER GOVERNANCE FRAMEWORK

The Council operates and discharges its function via the Constitution which establishes the roles and responsibilities for Members of the Executive, Overview and Scrutiny Committee, Audit Committee and other Regulatory Committees.

The core functions of the main committees are described below.

FULL COUNCIL

- a) Received minutes of Cabinet, Overview and Scrutiny and Audit Committees.
- b) Received regular reports from the Joint Chief Executive on the work of the Council.
- c) Responded to regular questions from the public on a wide variety of issues.
- d) Approved the annual budget.
- e) Received updates from members who represent the Council on outside bodies.

CABINET

Cabinet carry out the role of the Executive as required by the Council's constitution. It is the main decision-making body. In terms of reviewing and monitoring the governance framework during 2022/23 Cabinet has:

- a) Received regular reports throughout the year on the Council's financial position.
- b) Reviewed in April 2022 Service Plans for 2022/23 to ensure the content of plans aligned with the Corporate Plan and priorities.
- c) Reviewed and approved key strategies and policies through the year.
- d) In February 2022 reviewed the Medium Term Financial Strategy for 2022/23.
- e) In February 2022 Cabinet set the budget for 2022/23 and recommended to Council its approval.

OVERVIEW & SCRUTINY

In terms of reviewing and monitoring the governance framework during 2022/23 the Overview and Scrutiny Committee has:

- a) Received half yearly reports on the content of the corporate risk register to review and challenge the content.
- b) Reviewed proposed strategy or policy documents and provided constructive comments to Cabinet.
- c) Made comments to Cabinet on the content of future years' service plans (which set out the key actions each service will undertake during the coming year to deliver the Council's objectives and priorities, as well as core services).
- d) Received reports from representatives on Outside Bodies on their involvement and make any recommendations to Cabinet on the continuing value.
- e) Received regular reports during the year on council performance from Heads of Service.
- f) Received the annual report from the Local Government and Social Care Ombudsman.
- g) Reviewed regular budget monitoring information and treasury management performance.
- h) In January 2023 the Committee reviewed and provided comment to Cabinet, on the content of the draft budget for 2023/24 and medium-term financial strategy 2023/24 – 2025/26.
- i) Been kept properly informed of the Cabinet work programme and so allowed the Committee to fulfil its role of holding the Executive to account.
- j) Presented in May 2023 an annual report of its work to Council.

AUDIT COMMITTEE

The Audit Committee is responsible for providing effective assurance on the adequacy of the governance framework. In terms of reviewing the governance framework for 2022, the Audit Committee has:

- a) Reviewed the Council's Annual Governance Statement, to confirm the content accurately reflects the council's governance framework.
- b) Received regular reports on the work carried out by the Council's External Auditors.
- c) Received regular reports on the work of Internal Audit. This has allowed the committee to monitor their work and ensure the service is able to substantially deliver the audit plan.
- d) Received the Annual Report of the Internal Audit Manager. This provides the committee with the Audit Managers opinion on the effectiveness of the Council's internal control framework.
- e) Approved the Statement of Accounts
- f) Reviewed regular reports on the effectiveness of the Council's risk management arrangements and challenged the framework to ensure it remains fit for purpose.
- g) Reviewed the reports about the Shapley Heath project.

End