

## Hastings Borough Council

### Annual Governance Statement 2018/2019

#### **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" (2016 Edition).
3. A copy of the code is on our website at [www.hastings.gov.uk](http://www.hastings.gov.uk).
4. This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

#### **The purpose of the governance framework**

5. 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.
6. 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.

7. 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 2019, up to the date of approval of the Statement of Accounts.

### **The governance framework**

8. 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. 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 Councillor portfolios. There is an Overview and Scrutiny Committee which covers 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. It undertakes the core functions of an Audit Committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the external web pages.
  - Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme and service induction routines are in place for new staff. This now includes an e-learning module. 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 informal 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 and updating of new policies and procedures.
  - The Risk Champion is the Director of Corporate Services and Governance.
  - The Corporate Risk Management Group also incorporates the Health & Safety framework.

- The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors, councillors or the public to confidentially raise with the council any suspicions they may have. There is also a dedicated fraud hotline. The Council also has a customer comments and complaints system that is monitored by management.
- Hastings Borough Council's Internal Audit function 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 designed to provide more focus to councillor and senior officer management of risk. The Strategic Risk Register is formally reviewed at the Corporate Risk Management meetings and the Operational Risk Registers are reviewed at Directorate Management Team (DMT) meetings.
- The Audit Committee perform an annual rigorous review of the Strategic and Operational Risk Registers and also when new emerging risks arise.
- 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. The External Auditor passed an unmodified 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, Unit 4, which integrates the general ledger function with those of budgetary control, payments and income. The HR System is being migrated to the Enterprise Resource Planning system for efficiency gains.
- Finance Operating Procedures (FOPs) are held on the council's intranet and support the council's constitution. The FOPs contain information on financial and business procedures and processes that must 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 risk based financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. The Council has focussed its quarterly reporting of data on Key Indicators that can be used to assess the 'health' of the organisation.

This, together with the reporting on each of the service's commitments set out in the Corporate Plan, 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 an in-house developed spreadsheet system.

- The Director of Corporate Services and Governance has assumed the role of Senior Information Risk Owner (SIRO) who has overall responsibility for the Council's information risk policy.
- Hastings Borough Council is the sole Trustee for the Foreshore Trust. 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.
- Service Reviews – The council's transformation programme has continued to undertake intensive business process mapping of a range of services to (where possible) move services online and or to realise efficiencies and improve processes for our customers and staff. Progress against the transformation programme is detailed in quarterly performance reports. These coincide with existing plans for service reviews being planned through the Priorities, Income & Efficiency Reviews (PIER) process and the Strategic Oversight and Project Board (SOAPB).
- Councillor Development – Before councillors can undertake their roles all councillors have to undertake the appropriate training. This includes full induction for all new councillors, a range of compulsory training so that councillors can fulfil their roles on our committees, and leadership training where appropriate provided in conjunction with the LGA. Councillor training and development is monitored and evaluated quarterly by the Councillor Training and Development Group.
- Consultation – The council undertakes a range of consultation throughout the year subject to activities identified in the corporate plan. The council also consults annually on its corporate plan and budget with a variety of stakeholders.
- The Hastings and St. Leonards Local Strategic Partnership (LSP) Board is a body that brings together key representatives from the private/business, community/voluntary and public sector and has a rotating chair person. The LSP Board meet quarterly to address key issues affecting the town as a whole improve the quality of life for those who live and work in the town. They are supported by an Executive Delivery Group (EDG) which also meets quarterly, chaired by the Director of Operational Services.

- The key role of the Local Strategic Partnership (LSP) is to:
  - i Identify and report strategic issues, which key partners should be aware of.
  - ii Provide strategic leadership on any Borough wide issue, identified by partners and agreed by the LSP, where no other appropriate existing organisation or partnership can be identified.
  - iii Act to bring together intelligence, expertise and community and business support to identify priorities and develop solutions to maximise the town's economic opportunities and address barriers to regeneration.
- An Executive Board meets alternate Mondays and consists of the Leader and Deputy Leader of the Council, Director of Corporate Services and Governance and Director of Operational Services. Both councillors and senior management are kept apprised of progress and new developments and are able to determine direction in light of these.

### **Changes to the Council's Structure and Governance arrangements**

9. It was reported in the last Annual Governance Statement that Hastings Borough Council had established the Hastings Housing Company, a wholly owned housing company limited by shares. Its governance arrangements and business plan had been carefully considered by Cabinet at its meeting held on 11 September 2017. Its purpose was to initially acquire and provide housing for rent in the Borough with the potential to undertake development in the future. The Hastings Housing Company has expanded and now has assets valued at approximately £1.2m.

### **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)'**

10. The Assistant Director Financial Services and Revenues, is the Council's Chief Finance Officer and 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.

### **Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Head of Internal Audit in Local Government (2019)'**

11. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA statement.

## **Review of effectiveness**

12. 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 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.
13. 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 the Overview and Scrutiny Committee.
14. The Council's constitution sets out the responsibilities of both Councillors and their senior managers. In particular, the Council has identified the three statutory posts as follows:
  - Head of Paid Service - Director of Corporate Services & Governance
  - Monitoring Officer - Chief Legal Officer
  - Section 151 officer - Assistant Director Financial Services and Revenues (Chief Finance Officer)
15. 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.
16. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The Internal Audit service is managed, independently, by the Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. 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 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.

17. 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 Strategic and Operational Risk Registers

18. From the work undertaken by Hastings Audit in 2018/19 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.

### **Significant governance issues**

19. The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. There are no new issues to report, however, provided below is an update to the ongoing risks on which progress was reported last year.

20. In the last Annual Governance Statement, it was reported that there was still a significant risk relating to the reduction in Government grant funding. A balanced budget for 2019/20 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.

21. This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements.

22. Also, for the last 2 years, it was reported that there was a potential risk to do with the implications arising from 'Brexit'. This still potentially has significant implications in the years ahead for the level of external funding that Hastings and the Council receives and the joint working that is undertaken with partner organisations both in this country and Europe. It may also have implications on the Council's central government funding, business rate income, procurement arrangements and Treasury management strategy. A comprehensive risk assessment of a 'No Deal Brexit' was reported to the Audit Committee at its meeting on 15 November 2018. Councillors will be informed of the implications as and when sufficient detail becomes available.
23. Most of these risks to services in the future stem from the large scale reductions in funding. One strand of the council's strategy to mitigate the losses of funding is to generate additional income. The Council is reviewing its Income Generation Strategy and will be reporting to Cabinet in July 2019. Its activities continue to be monitored by the Income Generation Board consisting of Councillors and Senior Officers.
24. 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 Services  
& Governance