

**1. Scope of Responsibility**

1.1 The Isle of Wight Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
- it makes arrangements pursuant to the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- it puts 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.

1.2 This statement outlines how the Council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year ended 31<sup>st</sup> March 2014.

**2. The Purpose of the Governance Framework**

2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and 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.

2.2 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 2014 and up to the date of approval of the published financial statements.

2.4 The Council has the statutory responsibility for the Fire Authority, and its governance arrangements apply equally to the operations of the Isle of Wight Fire & Rescue Service. The Fire authority also completes a governance review of its operations.

**3. Methodology for preparing the Governance Statement**

3.1 This annual governance statement is prepared using the following method:

- The Council's Corporate Management Team considers a draft Statement which compares the council's governance arrangements with the standard required in CIPFA/ SOLACE guidance.
- The Council's Audit Committee considers the draft statement and is afforded the opportunity to give its input to the statement and to consider whether it accurately reflects the Council's control environment.

- As appropriate, senior managers are required to make declaration confirming that the statement is an accurate reflection of the council's governance arrangements.
- The Audit Committee approves the statement and recommends it to the Head of Paid Service and Leader for approval and subsequent publication with the Council's financial statements

### **The Governance Framework**

There are a number of key attributes which a sound governance framework should demonstrate, which are set out below:

- 4. *R1 There is a clear vision of the authority's purpose and intended outcomes for citizens and service users that is clearly communicated, both within the authority and to external stakeholders***
- 4.1 The Council's corporate plan, revised in March 2014, sets out the seven priorities of the Council for the period 2014-17. The plan explains to citizens and service users, both the authority's purpose and the plan's expected outcomes.
- 4.2 The Council's priorities have historically been set out for residents in the Council's magazine, One Island after the budget has been set. This magazine is no longer being produced and therefore this information is now provided to external audiences through other routes such as the council's website, social media sites, and through media stories, articles and advertising placed by the council. The Council also reports its progress against its priorities when it publishes the annual report and statement of accounts.
- 4.3 Business plans for each service clearly identify a link to the seven priorities, establishing the contribution that each service is making to council priorities, including an overview of revenue and capital resources.
- 4.4 In addition to its former responsibilities, the council assumed responsibility for public health with effect from 1 April 2013 and effective arrangements for the transfer of the service and its governance framework were put in place before that date.
- 4.5 Both the corporate plan and business plans are widely publicised both within the council and to the wider community. They provide more detail regarding how priorities will be delivered and are available on the council's web-site and on the council's intranet.
- 4.6 All reports for decision are required to show how the decision will contribute to the council's strategic priorities.
- 5. *R2 Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements***
- 5.1 The Corporate Plan which contains the vision and direction of the Council is reviewed annually along with the Medium Term Financial Plan.
- 5.2 Reports on the financial strategy are considered by Full Council, Executive and Scrutiny Committee throughout the year.

- 5.3 Quarterly performance reports to Executive and Scrutiny Committee provide performance risk and financial information and report progress in the delivery of the council's priorities, giving members the opportunity for review. Recommendations for action are made by members, including scrutiny panels, to further improve the council's performance.
- 5.4 Service & Budget Review Steering Group meetings, chaired by the Leader, which take place throughout the year consider the progress and continued appropriateness of the council's priorities and vision.
- 5.5 Other sources of information are now used to inform the development of council priorities, including the Joint Strategic Needs Assessment. The Health and Well-being Board provides the forum by which such information is shared.
- 6. *R3 Translating the vision into objectives for the authority and its partnerships.***
- 6.1 A newly developed corporate plan is in place and progress against its priorities is reported quarterly both to the Council's senior managers and to its elected members. This Quarterly Performance Report is more comprehensive than its predecessor and is designed to highlight areas of weakness as well as celebrate success. Within the report there is a specific item regarding the use of resources and value for money. Additionally the performance measures that the report is based around are increasingly focused of the quality of service users receive. This is particularly true around safeguarding services for both Adults and Children.
- 7. *R4 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and its priorities and for ensuring that they secure the best use of resources***
- 7.1 The Council has a robust performance framework which establishes the way in which the quality and performance of services are measured. Reports on performance and risks are considered on a monthly basis by service management teams through the service board process and by the Corporate Management Team, Executive, and Scrutiny Committee through the quarterly reporting of the Corporate Plan priorities.
- 7.2 A range of performance indicators and targets are used to measure progress of service, commissioning and partnership activity. The indicators include a range of indicators which measure performance in achieving the Council's statutory requirements, corporate priorities and business plan objectives.
- 7.3 Senior managers and Executive Members have agreed performance targets for which they are jointly accountable for effective delivery by the Managing Director and the Leader. These performance targets derive from both the Corporate Plan and benchmarking information, and permeate through business plans, team plans where appropriate, to personal objectives.
- 7.4 During 2012, the council's safeguarding arrangements were inspected and judged inadequate by OFSTED. This was due in part to inadequate performance tracking and a lack of rigour in terms of scrutiny. The Council entered into a strategic partnership which has brought the operational management of childrens services under the management of Hampshire County Council with effect from 1 July 2013.

- 7.5 Governance arrangements are in place to ensure that the council's key priorities are being delivered through robust project management standards. These include a project management strategy and a policy which were reviewed during the year. Project Boards exist for all the main council projects, sponsored and led by the council's senior management. Member review boards also monitor the progress of major projects. Risks involved in projects are routinely considered and managed. Despite this however, there is an acknowledged inconsistency in the application of project governance which has the potential to impair the achievement of some of the council's projects.
- 7.6 Business continuity plans exist for critical services and business systems and there are contingency plans in place to deal with the impacts of a major civil emergency.
- 8. *R5 The roles and responsibilities of the executive, non-executive, scrutiny and officer functions are clearly defined, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements***
- 8.1 The Council has adopted a constitution which sets out the framework within which the Council operates, how decisions are made and the procedures to ensure that they are made efficiently, transparently and that decision makers are accountable. The constitution is always under review and a number of amendments have been made during the 2013-14 financial year.
- 8.2 The Executive is responsible for the majority of the functions of the council, within the budget and policy framework set by Full Council. Executive decisions can be taken by the Executive. During 2013-14, the Council's newly elected administration decided that, as a way of improving the transparency and openness of its operations, it would no longer allow decisions to be taken by Executive members under delegate powers. A Forward Plan is published two weeks before the first day of each calendar month providing details of decisions to be taken by Council or Executive in the next four months. This enables consideration by other elected members, the public and senior managers, in time for advice and recommendations to be made should it prove necessary. The Scrutiny Committee has the ability to call-in decisions and seek detailed information in relation to the decision taken, and can make recommendations on the decision before it is implemented.
- 9. *R6 Codes of conduct defining the standards of behaviour for members and officers are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation. There are appropriate procedures in place to deal with potential breaches of those codes.***
- 9.1 The members Code of Conduct meets statutory requirements and is communicated to members through regular training. Complaints made about the conduct and behaviour of members are dealt with by the Council's Monitoring Officer and her Deputies, and any hearings to decide on potential breaches and any sanctions are dealt with by the Appeals Committee.
- 9.2 The members Code of Conduct requires them to complete a written register of their and their partner's disclosable pecuniary interests, and to declare these and any private interest they have in matters under consideration and in relevant circumstances, to withdraw from any discussion which may be influenced by that interest.

- 9.3 There is a staff code of conduct in place which sets out the expectations of staff and it is a requirement that managers ensure that staff are aware of acceptable conduct during their induction and as part of the wider performance management arrangements. The disciplinary procedures of the Council also set out the potential action that can be taken against those who breach the code.
- 9.4 In addition there is a requirement of staff that the register of interests is completed and reviewed annually.
- 10. *R7 Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality***
- 10.1 The council's constitution is reviewed on a continuous basis to ensure that it is fit for purpose. The Council has recently commissioned the Local Government Association to conduct a peer review of its corporate operations. One of its conclusions was that the council has a high number of meetings that take up a great deal of senior officer time. This has a productivity cost to the council and it was recommended that a review of meetings is undertaken to release capacity for other priorities. The review also recommended that the Council prepares for a new operating model by reviewing priorities in light of diminishing resources and determines what will be the future core services delivered by the council.
- 11. *R8 Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability***
- 11.1 The council has a mature and comprehensive framework for managing risk. Risks are identified and recorded by service areas, and strategic risks are managed by senior management, reviewed by the Audit Committee and reported to the Executive on a quarterly basis. The Audit Committee also receives an annual report on the council's risk management arrangements. All risks have an identified responsible officer who is required to develop the controls necessary to manage risk to an acceptable level. Benchmarking has confirmed that, while there is scope for improving risk management, the council's arrangements are comparable to those of other local authorities.
- 12. *R9 Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained***
- 12.1 The council has an array of policies and procedures to combat fraud and corruption, including:
- Counter Fraud and Corruption Strategy
  - Codes of conduct
  - An Audit Committee
  - Financial regulations
  - Contract Standing Orders and associated Procurement Code
  - Policies and processes
  - Monitoring Officer and Section 151 Officer
  - A complaints procedure
  - A whistle-blowing procedure
  - An Internal Audit function
  - Systems which are designed to counter fraud and error
  - External Audit

- Compliance with transparency requirements highlights potential irregularity
- A dedicated benefits fraud team
- Processes for managing risks
- A comprehensive system of budget monitoring which helps to highlight excessive spending or lower than expected income

**13. R10 Ensuring effective management of change and transformation**

- 13.1 The Head of HR and Organisational Change has a specific remit to oversee the management of change and transformation within the Council. There is a member level Service and Budget Review Steering Group, which includes all members of the Executive, the Chairman of the Scrutiny Committee and other key members. This meets on a monthly basis to receive monitoring reports on progress, as well as undertaking a longer term view on the delivery of other savings and transformation projects.
- 13.2 This member level group is about to be re-organised into a number of smaller groups each focussing on the seven objectives in the corporate plan. The work of these groups will be co-ordinated across all seven and within the Council to ensure a fully joined up approach.
- 13.3 This member level group is supported by an officer group of the Organisational Change Programme Board that meets every two weeks to monitor progress, and to agree any projects connected with the overall change and transformation. Major issues are also reported to the Corporate Management Team as necessary.
- 13.4 To assist the Head of HR and Organisational Change there is a Transformation Manager who has a wide remit to oversee and deliver the various change threads. The support to this post is currently under review and will be increased in the near future.
- 13.5 As a consequence of the Corporate Peer Review, and the suggested 'productivity plus' package suggested by the Local Government Association (LGA) a further series of projects is being developed, supported by the LGA and its pool of experts to help the Council deliver the change. For all of these the Transformation Manager has an oversight to ensure that progress is being made, and to assist with their delivery as necessary.

**14. R11 The Council's financial management arrangements conform with the governance requirements of the CIPFA statement on the role the Chief Financial Officer in Local Government and, where they do not, explain why and how they deliver the same impact**

- 14.1 The Council's Head of Finance has been designated the Section 151 officer Throughout 2013-14, he has been a key member of the Corporate Management Team and is instrumental in helping to develop and implement strategies, plans and policies to deliver the council's strategic objectives. He was able to influence all material business decisions to ensure that the implications, opportunities and risks are fully considered and that they are consistent with the authority's financial strategy. He leads the achievement by the authority of good financial management so that public money is safeguarded, used appropriately and achieves value for money. He also leads and directs the council's finance function, and is professionally qualified and appropriately experienced.

- 14.2 The Council's Medium Term Financial Strategy (MTFS) is reviewed annually and approved by Full Council. It is considered by Executive and the Scrutiny Committee at key points during the year. The Council's budget strategy is also reviewed at regular and frequent intervals throughout the year and presented to both Executive and Scrutiny Committee.
- 14.3 Financial Regulations set out in detail the financial management standards of the council.
- 14.4 The council's treasury management activities are governed by the Treasury Management Strategy which sets out the parameters within which the Head of Finance with delegated authority will operate when dealing with lending and borrowing activities. The Strategy is approved by Full council as part of the budget setting decision and its operation is reviewed by the Audit Committee half yearly.
- 14.5 The Council's Audit Committee plays an important part in reviewing the council's financial management arrangements, including approving the annual accounts, the treasury management strategy, financial regulations and by having an overview of both internal and external audit activity.
- 14.6 Internal Audit reviews the council's financial operations and identifies non-compliance with the council's procedures, policies and regulations, including any system weaknesses or weaknesses in the system of internal control. The Audit Committee receives an annual report by the Head of Internal Audit on the quality of internal control
- 14.7 The council's financial accounts and its financial governance arrangements are reviewed annually by its external auditor. The auditor also provides an opinion on the council's arrangements for securing value for money.
15. ***R12 Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact***
- 15.1 The council's Head of Internal Audit performs the client management function of an out-sourced internal audit team. He also leads the council's risk management resource and is therefore well placed to:
- Promote best practice in governance, assess the governance and management of existing risks, comment on emerging risks and proposed developments
  - Give an objective and evidence based opinion on governance , risk management and internal control
  - Regularly engage with the council's senior management, political leadership and with the Audit Committee
  - Lead and direct the internal audit service to ensure that it is fit for purpose; and
  - He is professionally qualified with suitable experience
- 15.2 The council complies fully with the requirements of the CIPFA statement on the role of the Head of Internal Audit

**16. *R13 Ensuring effective arrangements are in place for the discharge of the monitoring officer function***

16.1 The Monitoring Officer is a statutory appointment under section 5 of the Local Government and Housing Act and it is the duty of the Monitoring Officer to ensure that the Council acts lawfully. The Monitoring Officer is the Head of Governance and a solicitor by profession. She has appointed two Deputies from the legal services department to act in her absence. She is also the Data Protection Officer and she chairs the corporate Procurement Board, Equalities and Diversity Board and the Information Governance Board. She is also on the Corporate Management Team and works closely with senior councillors and officers giving informal or formal advice as necessary. She or one of her Deputies, attends all Executive and Council meetings and is available to give advice on ethical and corporate governance as necessary. All written reports contain information on legal implications and these are taken into account in decision making. The Monitoring Officer is confident that she is involved in all aspects of decision taking and that the Council acts lawfully within its statutory duties and powers.

**17. *R14 Ensuring effective arrangements are in place for the discharge of the head of paid service function***

17.1 The Head of Paid Service is a statutory appointment pursuant to Section 4 of the Local Government and Housing Act 1989. The Managing Director is designated as the Head of Paid Service. The Head of Paid Service has an overall responsibility for the management of the Authority. In this role the Managing Director reports to and works closely with the Council's Employment Committee. He is satisfied that the requirements of the role are met.

**18. *R15 The core functions of an audit committee are undertaken by members***

18.1 The Council has an Audit Committee as set out in its constitution which undertakes the core functions set out in CIPFA guidance including oversight of the council's risk management arrangements and the control environment, monitoring actions arising from the work of both internal and external auditors, approving the Annual Governance Statement, approving the internal audit strategy and reviewing the outcomes of its work, and reviewing the financial statements, the external audit opinion and the external auditors' report to those charged with governance.

18.2 The Committee also reviews the Council's Treasury Management Strategy before recommending its approval to Full Council. The Committee receives half yearly reports on the strategy's implementation.

**19. *R16 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.***

19.1 All decisions to be taken by members are supported by a legal assessment provided by appropriately qualified officers.

19.2 The Council is required to make arrangements for the proper administration of its financial affairs and that one of its senior officers has ultimate responsibility for the administration of those affairs. The Head of Finance has been designated as that



officer in accordance with S151 of the Local Government Act 1972. All member level executive decisions are supported by a financial assessment provided by a named financial officer.

- 19.3 Reports for decision are required to identify the legal and financial implications of the matter under consideration. Report authors are required to consult with a range of lead officers, including legal, finance and risk, before they are submitted to a review panel ('Call over') where draft reports are quality assured.
- 19.4 A similar process operates for procurement decisions, and reports to the council's Procurement Board also require the legal, financial and risk implications of procurement decisions to be identified. The procedure also requires lead officers to be consulted before reports are submitted to the Board. Procurement decisions are checked to ensure that they are made in accordance with procurement law, including EU regulations, the council's contract standing orders and financial regulations.

**20. *R17 Arrangements whistle-blowing and for receiving and investigating complaints from the public and they are well publicised***

- 20.1 The Council has a whistle-blowing policy in place, which was last reviewed in July 2013, and is publicised on both the council's internet and intranet sites. The procedure is publicised throughout council offices and contractors have access to the policy as part of the council's procurement arrangements. There is also provision for a whistle-blowing hotline facility for seeking advice and guidance on how to report concerns of alleged wrongdoing. The Audit Committee receives a report about whistle-blowing incidents on an annual basis.
- 20.2 The Council operates a formal complaints management process which ensures that, when a service user is dissatisfied with the Council's services or has a complaint regarding a member of staff, details are fed back to service departments providing a valuable source of information to identify opportunities to improve services to the public. Full details of the complaints process and policy are available via the council's web-site, via the contact centre from nominated complaints officers within services or from help centres.
- 20.3 The Council also has a process in place for dealing with statutory requests for information including those under the Freedom of Information Act. Departmental Information Guardians are nominated within each service to manage responses to such requests in each service area who are supported by a central information governance team (Corporate information Unit) who monitor Council compliance and appeals.
- 20.4 Transparency arrangements are observed by publishing on a monthly basis relevant information on the Council's website, including details of spending, contract information, senior staff structures and workforce information, councillors allowances, performance information and the Council's constitution.

**21. *R18 Arrangements exist for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

- 21.1 All members are offered a personal review each year. For cabinet members, this is undertaken by a chief officer and personal targets agreed. All chief officers are

subject to the same process and the targets for Directors are considered by the Employment Committee and signed off by the relevant cabinet member(s).

21.2 Members receive regular updates and briefings on key issues. In 2013-14 Member Information Sessions were held on many subjects, many of which were service related but they included the following governance issues:

- Introduction to Scrutiny and Questioning – May 2013
- Cabinet Decision Making Process – May 2013
- An Introduction to Planning in your role as Local Ward Member – May 2013
- The Structure & Decision Making Process of the Council & Effective Participation (How it Works) – May 2013
- The Role of Councillors – May 2013
- Introduction to the Business of the Council – May 2013
- Code of Conduct – June 2013
- Council Meeting Procedures and Rules of Debate – July 2013
- Constitution and Decision Making Process – March 2014

**22. *R19 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging meaningful consultation***

22.1 There is an annual budget consultation exercise involving focus groups and an online survey to establish which services Island residents value within the context of the council's budget and potential council tax increases for the following year.

22.2 Following approval of the budget, the council publishes information about the council's priorities on the council's website which is normally supported by a media release and postings on the council's social media pages. Later in the year the council publishes its statement of accounts which are included as part of an annual report which summarises the achievements of the council in the previous financial year. Transparency arrangements are observed and have been expanded during the year by providing relevant information on the Council's website, including details of spending (initially above £500 and latterly all spending), contract information, senior staff structures and workforce information, Councillors allowances, performance information and the council's constitution.

22.3 Many services conduct surveys of users throughout the course of the year. Consultation takes place when any significant change to a service is being proposed. Significant changes to a service are supported by an equality impact assessment to ensure that the impact on key characteristic groups has been considered when developing service proposals.

22.4 As well as specific communications for each consultation, the council has a dedicated section of its website to announce the launch and results of any consultations. The results of the consultation are considered when reports seeking decision are presented.

22.5 A protocol has been agreed with Isle of Wight town and parish councils that the Isle of Wight Council will endeavour to provide a period of consultation not less than six weeks and the month of August will, where possible, be avoided. However, this period may be reduced if the consultation is of an urgent nature and/or where government statute sets a shorter period.

- 22.6 The outcome of any consultation is incorporated into communications planning and report writing to demonstrate how residents' views have been taken into account and where a change of direction has been incorporated.
- 22.7 The council also uses the opportunities presented by the complaints process and other representations made directly to it, to improve the outcomes and services.
- 22.8 The council uses a variety of communications tools including social media (Facebook, Twitter and YouTube) to communicate with its residents. The council's website [www.iwight.com](http://www.iwight.com) plays an important role in sharing information. Social media has grown significantly as a communications channel with the council establishing a number of Facebook and Twitter pages for various council service areas reaching just over 17,000 people – a number that is growing all the time.
- 22.9 The council has successfully held a number of question and answer sessions for residents via its main Facebook page. The sessions have engaged residents in a range of topics, including the budget setting process and arrangements for large events such as Bestival and the Isle of Wight Festival.
- 23. *R 20 Governance arrangements in respect of partnerships and other group working incorporate good practice and reflect the authority's overall governance arrangements***
- 23.1 The governance arrangements for partnership working are set out in the council's Partnership Standards (2010) and an associated guide. The guide covers objectives, governance, duration, accountability, risk management and performance monitoring.
- 23.2 All key strategic partnerships have agreed terms of reference which have been adopted by sponsoring agencies. A framework of key strategic partnership boards and bodies has been refreshed and adopted in order to ensure the delivery of the Isle of Wight Health and Wellbeing Strategy 2012-16. Working protocols between multi agency strategic partnership boards and bodies are also being refreshed. Non-strategic partnerships that often require less defined governance, or that are established for a shorter time, are nevertheless subject to clear terms of reference.
- 23.3 In December 2012, the Council's directors approved a framework to govern the way the council would implement commissioning as a way of delivering services in the future. This framework is based on Cabinet Office and Local Government Association guidance on commissioning. Training on the implementation of this framework has now been provided to 50 council managers involved in the commissioning process.
- 23.4 The council's newly elected administration agreed that it needs to improve the relationships the Council has with its partners, most notably with the Island's town and parish councils. This has been reflected in one of the priorities of the corporate plan approved in March 2014.
- 23.5 In March 2013, the Council decided that, in response to an OFSTED inspection which determined the council's safeguarding arrangements for children as inadequate, it would enter into a strategic partnership with Hampshire County Council. In addition the management of the council's education service was also added to the arrangement.

- 23.6 The Council continues to develop a partnership with the private sector to progress research and development into energy generation from renewable sources and in particular by marine technology
- 24. *R21 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals which are reviewed and updated as appropriate, clearly define how decisions are taken.***
- 24.1 The Council's Constitution sets out Financial Procedure Rules, Contract Standing Orders and the scheme of delegation.
- 24.2 Contract Standing Orders (and the supporting Procurement Code) set out the rules governing the procurement process to ensure compliance with the law, that value for money is achieved and the risk of fraud or corruption is minimised. The Procurement Board, which is composed of senior officers, monitors compliance with the law, the Contract Standing Orders and the Procurement Code.
- 24.3 Financial Regulations prescribe in detail the standards which are required for all aspects of the council's financial management.
- 24.4 All reports for decision and those related to proposed procurement are considered for their legal, financial and risk implications including whether proposals are compliant with contract standing orders and financial regulations.
- 25. *R22 The council has an adequate Information Governance Management Framework in place to support the current and evolving Information Governance agenda including comprehensive Information Governance Policies, associated strategies and/or improvement plans***
- 25.1 The Council acknowledges the importance of safeguarding the information it holds and uses and has established an Information Governance Group which is chaired by the Monitoring Officer. The group receives updates on the work under way to put in better IG arrangements as well breaches of the Data Protection Act. The group is also steering the emerging IG work plan that continues to be developed to seek to build upon our current IG compliance. In addition the Information security group meet monthly to discuss similar issues and report to the IGG where necessary.
- 25.2 The council has achieved level 2 compliance with the NHS hosted/secondary use toolkit.
- 25.3 Despite these arrangements, the council has experienced several minor breaches of data security during the year. In addition the self-reported major breach of the Data Protection Act that occurred in October 2012 was investigated by the Information Commissioner's Office (ICO). The ICO found a breach had occurred but decided not to take any further regulatory action. The principal reason for that decision was due to the breach primarily being caused by human error, rather than as a result of systemic failure by the council. However, the ICO made is clear that it was considered to be a borderline case, as the personal data accidentally disclosed was of an extremely sensitive nature, and substantial damage or distress was considered to be highly likely as a result of the breach. As such, the council were advised to ensure that the remedial measures it introduced following the breach were maintained and in particular the ICO recommended that a formal checking process

should be considered and implemented where sensitive documentation is being sent outside the council.

25.4 A number of information governance policies are in place as follows:

- Protective Marking policy
- ICT Electronic Communications Policy
- Portable File Storage Media Policy
- ICT Security Policy
- Information Security Policy
- Data protection Policy
- Access to Information policy (Freedom of Information)
- Document Retention policy
- Records management policy
- Organisation Security Policy
- Data Protection Act policy
- Data Protection Incident reporting procedure

25.5 To further enhance data security a number of controls have been employed including: encryption of portable devices, authenticated remote access, access controls via passwords, and physical controls to control access to the council's data centre.

25.6 Information and publicity about the above policies is provided by way of posters and via the Council newsletter. They are available on the Council's intranet.

25.7 Training on IG issues continues to be provided through corporate training as well as all new staff undertaking e-training on IG. Team specific training is also provided where necessary, notably when highlighted as a result of a data protection investigation.

**26. *R23 The Council has due regard for its legal obligations in respect of equalities and has appropriate arrangements in place to ensure that equality implications are fully considered when decisions are made***

26.1 There are established equality objectives in line with the requirements of the Equality Act and which are published and available on the Council's website along with a variety of other information, advice and guidance to meet our duties under equality legislation. The equality objectives are currently under review in accordance with statutory requirements.

26.2 Within the Council's pay policy there is also an established equal pay commitment.

26.3 There is a policy on equalities in employment which sets out the council's commitment to and responsibilities under the Equality Act which provides advice and guidance on meeting our statutory and moral obligations as an employer and there are a range of learning activities scheduled throughout the year for raising awareness for all staff.

26.4 There is an equality impact assessment process in place with associated training for those who are required to complete them. A guidance document in their completion is also available as is advice and guidance from Human Resource Business Partners and legal services.

**27. *R24 The Council advises and supports schools governance and has appropriate arrangements to identify where they need to be strengthened***

27.1 All Governing Bodies have an Instrument of Governance. Local authority appointed governors are subject to an induction programme and are invited to attend termly briefings which focus on aspects of their role. There is a scheme of financial delegation to schools. The council commissions its internal auditors to undertake a cycle of school audits with reports being available to the Audit Committee. The council monitors the Ofsted inspection of schools and exercise its powers under the 2006 Education Act where a school is deemed to be inadequate. The council has entered a strategic partnership with Hampshire County Council to deliver both its childrens safeguarding and education responsibilities which took effect from 1 July 2013.

27.2 Since the partnership agreement with Hampshire County Council was instituted in July 2013 the strengths and weaknesses of each school are now well known, and are communicated to the governing bodies of each school. Further, the training of governors for their roles has been substantially improved across the Island and at the level of individual schools.

**28. *R25 Pension Fund Governance arrangements***

28.1 The Council has a Pension Fund Committee as required by its constitution with responsibility for reviewing the Fund's Funding Strategy Statement , the Statement of Investment Principles, determining the strategic investment policy, reviewing the performance of investment managers and their appointment, the asset allocation of the Fund, and the Fund's long term solvency.

28.2 The committee is advised by the Managing Director; Mercer Limited, the fund's investment consultants; and Hymans Robertson, the fund's actuaries. In addition, non-voting representatives from the admitted bodies and the staff union attend the committee.

28.3 The committee has prepared and regularly reviews a risk register, considering actions required to mitigate the controllable risks of the fund. It receives regular reports from its fund managers and the independent investment consultant on the performance of its assets, and undertakes regular reviews of the asset classes in which the fund invests and the fund managers who are delegated to manage those asset classes. This helps to ensure that the fund will be able to meet its future liabilities for pensions.

28.4 In accordance with statutory requirements, the fund carries out a formal valuation every three years, the most recent being at 31 March 2013. The committee receives reports on a half-yearly basis on changes to the interim funding level, which helps to inform its discussions around asset strategies.

28.5 The Pension Fund Committee approves the annual accounts and annual report of the Fund which includes a governance compliance statement. They are also approved by the Audit Committee as part of the accounts approval process.

- 28.6 The committee has received regular briefings from officer on the forthcoming changes to governance arrangements as a result of the Public Sector Pensions Act 2013. A health check of current practice has been undertaken, showing that in most cases the committee already complies with best practice. Areas for development have been identified, and plans have been made to introduce the necessary changes in time to ensure compliance with the new regulations at 1 April 2015.

**29. *Review of Effectiveness of the Governance Framework***

- 29.1 The Council has a duty to conduct, 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 reviews undertaken by the council's external auditors and other review agencies and inspectorates.
- 29.2 The process that has been applied by the Council in maintaining and reviewing the effectiveness of the system of internal control during 2013-14, and in the period to publication of this statement, includes:
- The Monitoring Officer and her staff review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.
  - The Executive through the scheme of delegation is responsible for considering overall financial, performance and risk management and receives comprehensive reports on a quarterly basis.
  - The Scrutiny Committee is independent of the Executive functions of the Council. Each has developed its own work plan, and is responsible for delivering independent scrutiny of service and financial performance, decision making processes, efficiency and effectiveness in achieving the Council's objectives.
  - The Council has an established Audit Committee, independent of the Executive functions of the Council, and responsible for overseeing many of the elements of governance within the council including: internal and external audit, risk management processes, reviewing the adequacy of internal controls and the outcome of external inspections. It has received regular updates throughout the year on the progress in addressing the issues raised in previous years' governance statements.
  - The Council maintains an adequate and effective internal audit function which through its work provides assurance that the council's governance arrangements and its system of internal control are effective. The outcomes of its work are reported to the Audit Committee and highlight any significant issues of concern. All reports during the year have been classified as either medium or low risk. The external auditor has been able to gain assurance that the work of internal audit is robust and appropriately supported by evidence.
  - The external auditor, appointed by the Audit Commission, provides an independent review of the council's financial management and in particular:
    - An opinion on whether the financial statements of the Council give a true and fair view of the financial position as 31 March 2014 and of the income and expenditure for the year; and
    - A conclusion the Council's arrangements to secure economy, efficiency and effectiveness

### 30. *The System of Internal Audit*

- 30.1 The Accounts and Audit Regulations (Amendment) (England) 2011 require that each authority undertakes an independent review of the effectiveness of its system of internal audit and to incorporate the outcome of that review within this Annual Governance Statement. The review has been considered by the Audit Committee and incorporated into this Statement.

### 31. *Significant Governance Issues*

- 31.1 As a result of our review of the Council's governance arrangements for 2013-14 the following issues have been identified:

- (a) **Project governance** – One of the contributory factors to the failure to successfully deliver the Cowes Enterprise project on time will inevitably be related to poor project governance. The council has been successful in delivering other projects, such as the refurbishment of County Hall, so it is fair to say that there is an inconsistent approach to project governance.
- (b) **Conducting council business** - The recent corporate peer review carried out by the Local Government Association states the peer team considers that, from its experience, the council has a high number of meetings that take up a great deal of senior officer time. This has a productivity cost to the council and it is recommended that a review of meetings is undertaken to release capacity for other priorities. The peer review also recommends that the Council 'prepare for the new operating model by reviewing priorities in light of diminishing resources and determining what will be the future core services delivered by the council. It will be essential for the Executive and Corporate Management Team to create strategic space, time and capacity to focus on developing this model.
- (c) **Clinical governance** -Clinical governance has been defined, as a system through which NHS organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.

With the local public health team moving to the council, over 400 health-related contracts and service level agreements were transferred from the responsibility of the local NHS to the Council on 1st April 2013 under the transition powers as set out in the Health and Social Care Act 2012. While the public health team were within the NHS, clinical governance arrangements could be accessed through the local Primary Care Trust. Since public health teams have moved to local authority's concerns have been expressed regionally about the lack of clinical governance infrastructure within local authorities. While minimum clinical standards should be included within all health related contracts with service providers, there is a concern that should there be serious clinical incident, how will this be investigated by the council and how it can demonstrate that clinical standards were regularly reviewed. Actions to remedy this may include:

- (i) Establishing structures for clinical governance either by joining existing local NHS arrangements or by developing new internal ones.



- (ii) Developing systems for monitoring information submitted by providers on quality, developing audit and inspection timetables and formal systems for reporting serious incidents.

Public Health undertakes Clinical Governance following both methods above, linking closely with the Clinical Commissioning Group partner processes including the Clinical Effectiveness Forum. Through this Forum and other processes, Public Health also undertakes research governance where indicated. Identified risks to date have remained low or moderate and are mitigated appropriately.

**Signed**



**(Managing Director)**

**Signed**



**(Leader)**