

APPENDIX A

DRAFT ANNUAL GOVERNANCE STATEMENT 2014-15

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 31st March 2015.

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 31st March 2015 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 April 2015, sets out the four priorities of the Council for the period 2015-17. 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 four priorities, establishing the contribution that each service is making to council priorities, including an overview of revenue and capital resources.
- 4.4 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 select panels, to further improve the council's performance.
- 5.4 A joint meeting of the Corporate Management Team and Executive, chaired by the Leader, takes place on a monthly basis to 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 The corporate plan has been reviewed and amended to reflect its priorities whilst identifying the areas where specific budgetary efficiencies are required at a time of significant public sector austerity. The Council's senior managers report back to elected members on the progress of specific projects, achievements to deliver the vision, risks, and the use of resources to achieve value for money. This is particularly true in the way the authority continues to explore ways in which partnership working can be achieved with various organisations both public, private and third sector to achieve the vision and provide quality services to our community.

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 to 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 Governance arrangements are in place to ensure that the council's key priorities are being delivered through project management standards. These include a project management strategy and a policy which were reviewed during the year. These principles are being adopted by the Organisational Change team but there is more work to be done in ensuring their adoption council wide. 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.

- 7.5 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 2014-15 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 2014-15, the Council's administration decided, as a way of improving the involvement of all members, to establish three select committees to help with policy development and to make recommendations to the Executive or Full Council accordingly. A Forward Plan is published at least every four weeks 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 now meets before each meeting of the Executive and is thus able to consider in advance of the decision any matter on the agenda for the Executive meeting. The Scrutiny Committee also has the ability to call-in decisions and seek detailed information in relation to the decision taken.
- 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 training as and when necessary. Complaints made about the conduct and behaviour of members are dealt with by the Council's Monitoring Officer and her Deputies, supported where necessary by a Designated Independent Person, 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 (these are published on our web site to increase transparency), 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 There is a behaviour framework that applies to all members of staff. The framework defines the behaviours that are expected from all areas of the workforce and this is set

out as knowledge, problem solving and accountability. The framework relates to our job evaluation methodology and as such defines the standards of working practice that are expected and is underpinned by appropriate learning and development activities. Further work is needed on embedding the Behaviour Framework throughout the council.

9.5 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.

10.2 The constitution sets out the delegation of functions. Executive Members do not have individual delegated powers to make decisions. An officer scheme of delegation setting out both general principles and specific delegations has been revised to reflect the new management structure now in place.

10.3 The Partnerships that the council has entered into have in place partnership agreements that set out the governance framework applicable to that Partnership. Boards with representatives from both partners have been set up to oversee the partnership's operation and to make decisions, and in respect of the council this membership includes both officers and members.

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 Resources has a specific remit to oversee the management of change and transformation within the Council. The combined CMT/Executive meeting 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. Major issues are also reported to the Corporate Management Team as necessary.

13.2 To assist the Head of Resources there is a strategic manager for organisational change and corporate governance who has a wide remit to oversee and deliver the various change threads. This post is supported by a multi-disciplined team brought together from across the authority that provides a range of support to ensure the delivery of the projects. A transformation plan has been developed and agreed that sets out the role and operating model of this team.

13.3 Following the support provided by the LGA as a consequence of the peer review in 2014 a number of experts have been further engaged to assist with greater commercialisation, greater use of assets and other income generation possibilities. These are being developed into structured projects under the Strategic Manager for Organisational Change and Corporate Governance for delivery to commence during 2015-16.

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 2014-15, 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 standards 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 Budget Strategy is reviewed annually and approved by Full Council in February each year. A half-yearly Budget Review is also reported to the Executive and Full Council in September. Delivery of 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. These are reviewed on a regular basis and presented to the council's Audit Committee for approval.
- 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 and financial regulations, recommending the treasury management strategy to Full Council, 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 Legal Services. She has appointed two Deputies to act in her absence. She is also the Data Protection Officer and chairs 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. The policy was last reviewed in July 2014.

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 2014-15 Member Information Sessions were held on many subjects, including the following issues:

- Home to School Transport Policy Consultation – July 2014
- Waste Project – September 2014
- Waste Project (Wash-up session) – October 2014
- Policing on the Island – January 2015
- Commissioning Councils – January 2015
- IOW Secondary education (11-16) and post 16 proposed consultation launch – January 2015
- IWC Youth Offer – February 2015

- Transformational Change – February 2015
- Educational Attainment 2014 – February 2015
- Corporate Parenting – March 2015
- Licensing Seminar – March 2015
- Planning - March 2015
- Serious Case Review – March 2015
- Child Sexual Exploitation – March 2015

21.3 Senior Officers are offered personal development reviews on an annual basis, with a six month review. Development needs are defined and appropriately supported to allow senior officers to fulfil their duties.

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 an online survey and a series of events for residents to establish which services people 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 relevant information is published 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.

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 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 18,000 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 the Isle of Wight Festival.
- 22.10 In February, 2015, full council agreed to set up a suggestion box scheme and this will be available on our website and members of the public are able to submit suggestions (anonymously if they so wish) we will publish all suggestions and assess and implement those that help us deliver our vision and values and corporate plan. All suggestions so made will also be considered as part of our budget development for 2016/17.

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 There is an approved 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 60 council managers involved in the commissioning process.
- 23.5 Building on the experience of establishing a 2013 partnership with Hampshire County Council, through which the management of children's safeguarding and education services is being improved and developed, further partnerships have been entered into or are being developed.
- 23.6 The partnership governance model applied by the council has informed the governance of a partnership agreed in February 2015 that has transferred the management and command of the Island's Fire Service to the Hampshire Fire Service.

Further partnership agreements are being developed with NHS partners for the delivery and commissioning of health and social care services. Other partnerships based on model governance arrangements include a 2015 partnership with a consortium of local voluntary sector organisations that will bring together the planning and delivery of public advice, information and guidance services.

23.7 The council is also developing 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 the Procedure Rules (Standing Orders), and these are reviewed annually. It also sets out the Financial Procedure Rules, Contract Standing Orders and the scheme of delegation. There are a number of other rules/protocols both within the Constitution and that sit alongside it.

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 Procedure Rules provide an overview of the key financial framework within which the council operates. These Procedure Rules are supported by more detailed Financial Regulations which 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 information governance arrangements as well as 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 information governance 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. As previously reported in 2013, as a result of previous major breach the council has assured the information commissioner that it will continue with appropriate arrangements to minimise significant breaches of data protection, such as requiring peer checking of sensitive documents to members of the public and the use of appropriate encryption where necessary.

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 information governance issues continues to be provided through corporate training as well as all new staff undertaking e-training on information governance. 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. Three new equality objectives were agreed by Executive in March 2015 and will be in place for a minimum of three years before being reviewed in 2018.

26.2 Governance arrangements for the monitoring of the council's equality requirements are undertaken by a board comprised of representatives of services, Unison and from the staff equality group. The board is governed by terms of reference requiring quarterly assessment of the effectiveness of Equality Impact Assessments and overseeing delivery of activity through the staff equality group.

The staff equality group, comprised of members of staff and trade unions, operates to a defined set of objectives that aim to deliver an action plan that supports the delivery of our equality objectives. This group also offers pastoral support to the workforce and provides social activities for group members.

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.

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

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 children's 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 maintained 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 and the asset allocation of the Fund, reviewing the appointment and performance of investment managers and advisers, and the Fund's long term solvency.

28.2 The committee is advised by the Managing Director, the Technical Finance Officer 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 During the year to 31 March 2015, the committee developed a recommendation to full council for the constitution of a Local Pension Board, in accordance with the requirements of the Public Sector Pensions Act 2013, including the draft terms of reference for that Board. The council agreed to include the Board in its constitution at its January 2015 meeting.
- 28.7 The Public Sector Pensions Act 2013 also required the constitution of a Local Pension Board for the Fire Fighters Pension Scheme, as the council is the Fire Authority able to exercise local discretions under the scheme. This Board was constituted at the February 2015 council meeting.
- 28.8 The governance arrangements for both Local Government and Fire Fighters Pension Schemes will be kept under review, as further regulations and guidance are issued, to ensure continued compliance with the new requirements.

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 2014-15, 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.
 - Annual council reviews the constitution on an annual basis , ensuring that it is 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. It 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.
- 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 2013/14 financial year; and
 - A conclusion the Council's arrangements to secure economy, efficiency and effectiveness

The external auditor is yet to conclude on the accounts for the financial year 2014-15

30. The System of Internal Audit

30.1 The Accounts and Audit Regulations (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 2014-15 the following issues have been identified:

- The pace of change in the council in response to the continuing austerity agenda is impacting on the council's overall capacity to maintain strict internal control over its operations. Significant reductions in staff will lead to a loss of 'corporate memory' which could lead to a breakdown in systems and consequently increase the risk of error and fraud.
- The risk presented by change itself and in particular, the significance of it, is having implications for the council's governance. Different and innovative solutions to reduce costs and maintain service delivery which are an inevitable consequence of change, will require different approaches to governance which may be untried or untested.
- A particular example of that will be partnership working, joint delivery and integration initiatives where governance arrangements will need to be bespoke, not just meeting the requirements of individual partners but also the agreed

needs of the partnership itself. These need to be considered and deliberately established as while participating organisations observe their own governance requirements, the arrangements governing the partnership itself will not exist unless created.

- The political environment also presents implications for the council's governance arrangements. The unprecedented financial position of the council requires extremely challenging decisions on the part of the council's political leadership and effective purposeful scrutiny by the other members of the council.

Signed

(Managing Director)

Signed

(Leader)