

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 March 2016.

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 March 2016 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 (CMT) 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 Chief Executive 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 current corporate plan was approved by Full Council in April 2015. It sets out the four key 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, taking into account the council's financial strategy.
- 4.2 The council's priorities are promoted to external audiences through the council's website, social media sites, and through media stories, articles and advertising placed by the council as well as during its deliberations during annual budget setting processes. 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 and which are further cascaded down through individual personal development reviews. Business plans are made available on the council's intranet.
- 4.4 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 together with its priority outcomes for delivery against available resources 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 of the key indicators affecting council business. 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 progress against agreed

outcomes; resource allocations and the 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, and outcomes to be delivered within available resources, whilst also identifying the areas where budgetary savings are required at a time of significant public sector austerity. The council's senior managers report to elected members on the progress of specific projects, achievements to deliver the vision, risks and their mitigating actions, and the use of resources to achieve value for money. As the council enters into more strategic partnerships with its public, private and voluntary sector partners to deliver its services, the effective management and monitoring of key objectives are a critical element of such review.

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 management framework which establishes the way in which the quality and performance of services are measured. Reports on performance against key indicators and risks together with their mitigating actions are reviewed on a monthly basis by service management teams through a service board process and by the Corporate Management Team, Executive, and Scrutiny Committee through a formal quarterly report of the council's performance to date against its corporate plan priorities. The current performance management framework is in need of formal review and this will need to be undertaken during 2016/17.
- 7.2 A range of performance indicators and targets are established to facilitate the measurement of progress against service outcomes, commissioning objectives and partnership arrangements. The indicators include a range of factors that measure performance in achieving the council's statutory requirements, corporate priorities and business plan objectives.
- 7.3 Senior managers agree their annual performance targets for which they are accountable for to the Chief Executive. These performance targets derive from the corporate plan priorities, and are cascaded through service business plans, team plans where appropriate, to individual employee personal objectives through the personal development review process.
- 7.4 Governance arrangements are in place to assist the council in delivering its business plan through a project management methodology, promoted by the organisational change team with service departments they are engaged with in the delivery of key project activity. Whilst standards of project management have improved across the council, there is still further progress to make with regards to a consistent and more robust application of project management principles. Project Boards exist for major 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

which evaluate impact probability and mitigation actions to establish overall risk, are routinely considered and managed.

- 7.5 Business continuity plans exist for critical services and business systems. These are currently being reviewed, updated and exercised in line with activities identified as critical through service planning and through organisational change.
- 7.6 There are contingency plans in place to deal with the impacts of a major civil emergency, with the council's now revised [Emergency Response Plan](#) defining generic response arrangements that can be adapted to meet the demands of the response.
- 7.7 The Emergency Response Plan is subject to ongoing maintenance and yearly and post activation reviews, the intention is to exercise the Plan:
- in October 2016 as part of an ICT Disaster Recovery table top exercise (this will also include an element of exercising business continuity arrangements);
 - in November 2016 as a "walkthrough" as part of the scheduled winter planning process (the winter planning process also covers business continuity); and
 - in January / February 2017 at a table top exercise for managers.

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 remains under regular review. As a result of the amendments made to date, it is evident that a more formal review of the constitution in its entirety needs to be undertaken in readiness for a new and more effective way of working. The Strategic Manager for Organisational Change and Corporate Governance will take the lead in consultation with senior managers and elected members in respect of the required changes.
- 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 only be taken by the Executive. Two select committees and a combined select/scrutiny committee have been established 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 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 to 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 the council's 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; 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 Behaviours are integrated into the council's generic role profiles that define the skills, knowledge and accountability of a role at a given pay grade. The expected behaviours are made explicit for each and every council role and are provided to the wider community via the council's website for recruitment purposes
- 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. As outlined in paragraph 8.1 above, a formal review of the constitution is being led by the Strategic Manager for Organisational Change and Corporate Governance.
- 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 all 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
- Project management arrangements
- Systems which are designed to counter fraud and error
- External Audit
- Compliance with transparency requirements highlights potential irregularity
- A dedicated benefits fraud team, until its transfer to DWP's Single Fraud Investigation Service (SFIS) in September 2015
- Processes for managing risks
- A comprehensive system of budget monitoring which helps to highlight excessive spending or lower than expected income

12.2 An internal audit fraud review was conducted in November 2015, which highlighted the need to perform an up-to-date fraud risk assessment in order to develop a new counter fraud and corruption strategy, which was last updated in 2008. The review carried out a high level risk assessment process via management interviews to highlight potential risk areas, to support the update of this strategy. The counter fraud and corruption strategy will be reviewed and updated during 2016-17.

13. R10 Ensuring effective management of change and transformation

13.1 The Head of Resources has a specific remit to oversee the delivery of change and transformation within the council in conjunction with the corporate management team and heads of service. The combined CMT/Executive meeting that meets on a monthly basis receives monitoring reports on progress against agreed service

changes, as well as undertaking a longer term view on the delivery of other savings and transformation projects.

- 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 projects. 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.

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 During 2015-16, the council's Head of Finance was designated the Section 151 officer until his retirement on 30 September. From 1 October 2015 until 30 November, the Managing Director took on the S151 Officer designation, and then from 1 December until 31 March 2016 the former Managing Director became the Chief Finance and S151 Officer. From 1 April 2016, a partnership arrangement has been entered into with Portsmouth City Council to provide the council's Director of Finance and S151 officer,

- 14.2 The post holder has been a key member of the Corporate Management Team throughout the year, and has been instrumental in helping to develop and implement strategies, plans and policies to deliver the council's strategic objectives. The post holder has been 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. The post holder 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.

- 14.3 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/October. 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.

- 14.4 Financial Regulations set out in detail the financial management standards of the council. These are reviewed annually and presented to the council's Audit Committee for approval.

- 14.5 The council's treasury management activities are governed by the Treasury Management Strategy which sets out the parameters within which the section 151 officer, 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.

- 14.6 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.

- 14.7 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.
- 14.8 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. The council's internal audit partner delivers the audit programme in accordance with the council's internal audit methodology, which is in conformance with Public Sector Internal Audit Standards
- Until his retirement on 31 January 2016, the Head of Internal Audit role was carried out by the Business Improvement Manager, who also led the council's risk management resource.
 - From 1 February 2016, the role was transferred to the Technical Finance Manager, in addition to existing responsibilities for treasury management and capital financing, and the council's pension fund accounting and governance arrangements.
- 15.2 The Technical Finance Manager holds qualifications with the Institute for Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Public Finance and Accountancy (CIPFA) and has 17 years' experience in senior management roles within the public sector, 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.
- 15.3 The council acknowledges that there may be reviews within the internal audit plan covering business areas which fall under the control of the Technical Finance Manager. Should this be the case, the Chief Financial Officer will oversee the client management function of those reviews.
- 15.4 The council complies fully with the requirements of the CIPFA statement on the role of the Head of Internal Audit 2010.
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. There is a direct reporting line to the Chief Executive on all matters relating to the statutory duties of the monitoring officer. She is also the Data Protection Officer and chairs the Information Governance Board. She is a member of 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 Full 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 Chief Executive is designated as the Head of Paid Service. The Head of Paid Service has an overall responsibility for the management of the Authority. 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 There is no provision within the council's constitution for decisions to be delegated to individual members. All decisions are either taken by officers or by the council's Executive or other committee. In all cases, where the decision is supported by written evidence, the documentation is expected to contain legal and financial implications, provided by appropriately named legal and finance 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 arrangements in place throughout 2015-16 for the designation of that officer in accordance with section 151 of the Local Government Act 1972 are set out in paragraph 14.1 above.

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 The Procurement Team will ensure that procurement processes are carried out in a way that is compliant with procurement law, including EU regulations and the council's contract standing orders and financial regulations. Any matter that is escalated to the Procurement Board will include legal, financial and risk implications.

20. *R17 Arrangements exist for 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 May 2015, and is publicised on both the council's internet and intranet sites. The policy includes the names of the officers that deal with whistle-blowing events. 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. Complaints reporting mechanisms are in place across all channels with established processes to investigate and respond to all complaints received. Full details of the complaints process and policy are available via the council's web-site <http://www.iwight.com/documentlibrary/view/complaints-policy>, or through the contact centre from nominated complaints officers within services or from help centres. The policy is scheduled to be reviewed during the summer of 2016.

- 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; they 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 to enable them to establish priorities and objectives for the year ahead. For executive members, this is undertaken by a senior officer and personal targets are agreed.

- 21.2 Members receive regular updates and briefings on key issues. In 2015-16 Member Information Sessions were held on many subjects, including the following issues:

- Care Act briefings – April 2015

- Safeguarding training – May 2015
- Corporate parenting – May 2015
- Secondary and post-16 education consultation – June 2015
- Recycling and Waste contract – June/July, September, October 2015, March 2016
- Devolution – August, October 2015
- My Life a Full Life – November 2015
- Island Line options – September, November 2015
- Local government financial settlement – December 2015
- Local policing and community safety – December 2015
- Planning- January 2016
- Budget workshops – January/February 2016
- West Wight coastal strategy – February 2016
- “Journey of the child” briefing – March 2016
- Public Health – March 2016

21.3 Objectives for the Chief Executive are determined in conjunction with the Leader of the council and are ratified by the Employment Committee.

21.4 Senior officers are expected to participate in personal development reviews on an annual basis, with a six month review. This process establishes key priorities, objectives and targets for the coming year. 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 stakeholder engagement groups, an online survey and 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 sets out its financial performance for the 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 usually 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, such as media engagement, social media and (as required) formal marketing 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. Traditional media is also used, as well as marketing channels as appropriate and where budgets allow.
- 22.9 In February 2015, full council agreed to set up a suggestion box scheme which is available on our website. 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 2013-16. Working protocols between multi agency strategic partnership boards and bodies are also frequently 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 The council's approach to partnership building is underpinned by Cabinet Office and Local Government Association guidance on commissioning. Training on the implementation of change needed to develop and implement new ways of working, such as partnerships, has been provided through commissioning and leadership training for key officers.
- 23.5 Building on the experience of establishing a partnership in 2013 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, including a partnership in 2015 for the management and command of the Island's Fire Service with the Hampshire Fire Service.

- 23.6 A strategic partnership agreement was also agreed with the NHS Trust for the delivery of health and social care services in 2015. This will be supported by joint commissioning arrangements between the council and the Isle of Wight Clinical Commissioning Group (CCG), supported by further formal partnership arrangements. Other partnerships based on model governance arrangements include an innovative strategic partnership established in 2015 with a consortium of local voluntary sector organisations that is delivering public advice, information and guidance services, and inspiring new ways of working across sectors to deliver local services and wellbeing.
- 23.7 The council continues to develop partnerships 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 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 Team Leader deals with waivers and liaises with services to ensure compliance with the law, and the Contract Standing Orders. Where necessary, the Procurement Board, which comprises the Head of Resources, Head of Legal Services, Procurement Team Leader and Technical Finance Manager, will meet to consider reports to ensure compliance.
- 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 (IG) 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 IG work plan that continues to be developed to seek to build upon our current information governance compliance.

- 25.2 The council has achieved level 2 compliance with the NHS toolkit.
- 25.3 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
- 25.4 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.
- 25.5 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.
- 25.6 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.
- 26.3 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.
- 26.4 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 the council's statutory and moral obligations as an employer and there is a range of learning activities scheduled throughout the year for raising awareness for all staff.

26.5 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.

26.6 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 compliant with legal requirements. 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 identifies vulnerable schools and supports them to improve through school to school support and officer support to improve practice and outcomes. Officers report regularly to the schools and educational attainment support panel on the performance of schools and plans to secure improved outcomes. The council 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 and school improvement was judged to be effective in June 2014.

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. Governors have access to an induction programme and a broad range of training provision, including national Department for Education (DfE) programmes of learning. Governors now have access to a web-site of resources and information to support them. A Governor Forum has been established to support governor engagement and system wide understanding of performance issues on the Island. Targeted support is provided to those governing bodies in need of improvement. External reviews of Governance have been undertaken to identify areas for development with targeted 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 (until his retirement in March 2016), the Technical Finance Manager, Mercer Limited, the fund's investment consultants, and Hymans Robertson LLP, the fund's actuaries. In addition, non-voting representatives from the scheme employers and the staff union attend the committee.

- 28.3 The committee receives regular reports from the fund's investment managers and the independent investment consultant on the performance of the fund's assets, and undertakes regular reviews of the asset classes in which the fund invests and the 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. In February 2016, the committee received a briefing session from Hymans Robertson on the process and timetable for the 2016 valuation.
- 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 ended 31 March 2016, the committee has received numerous briefings on the investment pooling agenda introduced by the Chancellor's summer budget 2015. The fund has joined with 10 other funds from Central, Eastern and Southern England in creating the ACCESS pool. Significant progress has been made towards this objective, with the chair and the Technical Finance Manager attending regular meetings of the ACCESS pool to progress legal structures and investment asset categories. This work will continue through 2016-17 and 2017-18.
- 28.7 The committee has a work plan to ensure that all its responsibilities are covered during the year, and a briefing session for members is held before each committee meeting to update on relevant issues and latest developments.
- 28.8 The LGPS Local Pension Board, established under the Public Sector Pensions Act 2013, has met three times during the year ended 31 March 2016. It has reviewed decisions made by the pension fund committee to ensure they have been in accordance with policy, statute and regulations. Briefing sessions have been delivered on the statement of investment principles and the governance compliance statement. The board has developed a work plan to follow that of the committee, which includes a developmental session for each meeting.
- 28.9 During 2015-16, the Pension committee's remit was extended to include consideration of the council's responsibilities (as Fire & Rescue Authority) under the Fire Fighters Pension Schemes. The Local Pension Board for the Fire Fighters Pension Scheme, established under the Public Sector Pensions Act 2013, has not met during the year ended 31 March 2016. Membership of the board has now been finalised, and the first meeting of the board will be held in September 2016.
- 28.10 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 2015-16, 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.
- Full 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. There were 21 reviews completed in the year, with one still unfinished at 31 March 2016. Of the reports issued, three were rated as high risk, with the remainder being 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 Public Sector Audit Appointments Ltd (PSAA) (an independent company limited by guarantee incorporated by the Local Government Association), 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 each year and of the income and expenditure for each 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 2015-16

30. The System of Internal Audit

30.1 The Accounts and Audit Regulations (England) 2015 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. This review is still in progress and will be considered by the Audit Committee alongside the final Annual Governance Statement in September 2016.

31. Significant Governance Issues

31.1 As a result of our review of the council's governance arrangements for 2015-16 the following issues have been identified for review in 2016-17:

- *Third party relationship management:* Third party relationships are not always consistently managed. Internal Audit reviews of Highways PFI (report rated as high risk) and the DMO (Destination Management Organisation) both identified an over reliance on senior staff to manage relationships, compounded by limited record keeping; this is particularly salient with the council's aspiration to move to being a primarily commissioning authority.
- *Reduced capacity at corporate centre (including functions such as finance, governance, IT and other support services):* This is continuing to have an impact on 'core' compliance functions. Internal Audit reviews of the council's Fraud and Value for Money (VfM) arrangements identify that the council has limited capacity centrally to support good fraud and VFM arrangements in service areas. This could increase the risk of error and fraud going undetected within the council.
- *Budget situation:* The council has faced an unprecedented level of financial pressure of the last five years, and continues to face budgetary pressures of £35 million over the next four years (this is currently subject to review). Significant financial constraints may present a risk that internal controls and governance frameworks could be compromised.
- *Political Environment:* This 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.
- *Review of the council's operating model – senior management structure:* the council has agreed to defer the delivery of a revised operating model as proposed in the 2015-16 budget and to fund the required savings from the use of the ASDA capital receipt. At the same time, a new Director of Regeneration post, and associated support staff, has been approved (again funded from the ASDA capital receipt), to focus on generating new income streams. Different innovative methods of operating will add to the challenges of maintaining an effective governance framework.
- *Review of council's medium term financial strategy:* the review will include smoothing the savings required over a longer period, which will require robust financial management to ensure that the momentum of savings and/or new income generation projects is not lost. Strong leadership and management will be required over the next three to five years.
- *Revision of council's constitution:* the council's constitution has been subject to many additions and revisions, making it lengthy, complex and subject to internal inconsistencies. Such complexity and potential inconsistency make it difficult to ensure that the council is operating effectively and could compromise good governance arrangements.
- *Review of performance management framework:* out of date performance measures and reporting processes could lead to incorrect decisions being made. The review of the performance management framework will need to focus on the changing operations of the council and ensure that accurate, timely and relevant information is provided to management and elected members.
- *Business continuity and disaster recovery plans:* The overarching issues are out of date business impact analysis (the process of identifying the 'key' services which the council must keep running), with corresponding weaknesses in supporting business continuity plans and a failure to rehearse IT disaster recovery for over three years.

- *Counter fraud risk assessment and revised anti-fraud and corruption policy:* the council's latest Counter Fraud and Corruption Strategy is now seven years old, and so there is an urgent need to perform an up-to-date risk assessment in order to develop a new strategy

Signed (Chief Executive)

Signed (Leader)

