

ANNUAL GOVERNANCE STATEMENT 2011-12

Scope of Responsibility

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.

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 2012.

The Purpose of the Governance Framework

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.

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.

The governance framework has been in place for the year ended 31st March 2012 and up to the date of approval of the published financial statements.

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.

Methodology for preparing the Governance Statement

This annual governance statement is prepared using the following method

:

- The Council's directors consider a draft Statement which compares the council's governance arrangements with the standard required in CIPFA/ SOLACE guidance.
- The senior managers group, comprising of key Heads of Service, also review the draft.
- 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.
- All Heads of Service and strategic 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

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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:

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

The Council's corporate plan, revised in June 2011, sets out the eight priorities of the Council for the period 2011-13. The plan explains to citizens and service users, both the plan's purpose and its expected outcomes.

The Council's priorities are set out for residents in the Council's magazine, One Island after the budget has been set. The Council also reports its progress against its priorities when it publishes the annual report and statement of accounts.

Business plans for each service clearly identify a link to the eight priorities, establishing the contribution that each service is making to council priorities, including an overview of revenue and capital resources.

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. They are promoted within the council using the council's newsletter, the Vine.

All reports for decision are required to show how the decision will contribute to the council's strategic priorities.

Arrangements are in place to review the authority's vision and its implications for the authority's governance arrangements

The Corporate Plan which contains the vision and direction of the Council is reviewed annually along with the Medium Term Financial Plan.

Reports on the financial strategy are considered by Full Council in September and February; by Cabinet in December and February and at key points in the year by the Overview and Scrutiny Committee.

Budget Review Board meetings, chaired by the Leader, which take place throughout the year consider the progress and continued appropriateness of the council's priorities and vision.

Progress in the delivery of the council's priorities is reported quarterly to Cabinet and to the scrutiny panels, giving members the opportunity for review. Recommendations for action are made by members, including scrutiny panels, to further improve the council's performance.

Other sources of information are now used to inform the development of council, including the Joint Strategic Needs Assessment. The Health and Well-being Board provides the forum by which such information is shared.

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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

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 directorate management teams through the service board process and by Directors Team, Cabinet, Overview and Scrutiny Committee and individual scrutiny panels through the quarterly reporting of the Corporate Plan priorities.

A range of performance indicators and targets are used to measure progress of service, commissioning and partnership activity. The indicators include a combination of nationally and locally set indicators which measure performance in achieving the Council's statutory requirements, corporate priorities and business plan objectives.

Directors and Cabinet Members have agreed performance targets for which they are jointly accountable for effective delivery by the Chief Executive 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.

Each service produces a business plan which reflects both the corporate priorities and service development needs.

Governance arrangements are in place to ensure that the council's key priorities are being delivered through robust project management standards. These include a project management strategy and a policy which were reviewed during the year. Project Boards exist for all the main council projects, sponsored and led by the council's senior management. Member review boards also monitor the progress of major projects. Risks involved in projects are routinely considered and managed.

Business continuity plans exist for critical services and business systems and there are contingency plans in the event of a major civil emergency

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

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 minor amendments have been made during the 2011-12 financial year.

The Cabinet 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 Cabinet, by cabinet members or by officers acting under delegated powers, depending upon the significance of the decision being made. A Forward Plan is published two weeks before the first day of each calendar month providing details of decisions to be taken by Council, Cabinet or by Cabinet Member in the next four months. This enables consideration by other elected members, the public and Directors, in time for advice and recommendations to be made should it prove necessary. The Overview and Scrutiny Committee has the ability to call-in decisions and seek detailed information in relation to the decision taken, and can make recommendations on the decision before it is implemented. The constitution sets out clear arrangements for delegation and for effective communication.

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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.

The members Code of Conduct is currently prescribed by legislation and is communicated to members through regular training. Adherence to the code is reinforced by the Ethical Standards Committee whose terms of reference include the promotion and maintenance of high standards of conduct by the members and co-opted members of the council and the consideration of complaints made about the conduct and behaviour of members.

The members Code of Conduct requires them to register their personal interests, to declare their interest in matters under consideration and in relevant circumstances, to withdraw from any discussion which may be influenced by that interest.

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.

In addition there is a requirement of staff that the register of interests is completed and reviewed annually.

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. Risk is routinely considered when decisions are made.

The Council's Constitution sets out Financial Procedure Rules, Contract Standing Orders and the scheme of delegation.

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.

Financial Regulations prescribe in detail the standards which are required for all aspects of the council's financial management.

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.

The council's risk management policy and strategy set out how the council manages the threats and opportunities in its activities at all levels from strategic to operational. Risk is routinely considered in decision making, including procurement decisions.

The core functions of an audit committee are undertaken by members

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

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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.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members.

A Monitoring Officer has been appointed by the Council. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by members are supported by a legal assessment provided by appropriately qualified officers.

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 Strategic Director of Resources is 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.

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.

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.

Arrangements for investigating allegations of malpractice, fraud and waste are in place including those from whistle-blowing and for receiving and investigating complaints from the public and they are well publicised

The Council has a whistle-blowing policy in place which was last reviewed in July 2011. It 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 reporting concerns of alleged wrongdoing. The Audit Committee receives a report about whistle-blowing incidents on an annual basis.

The Council operates a formal complaints management process which ensures that, when a service user is dissatisfied with the Council's services, 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 call centre, from nominated complaints officers within services or from help centres.

The Council's accounts are presented for approval to the Audit Committee each year and are published on the Council's website. The council observes the statutory requirement to

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advertise a four week period when the public have the right to inspect the Council's accounts and ask questions about the content and underlying accounting records.

The Council also has a process in place for dealing with requests for information under the Freedom of Information Act, with information guardians nominated to co-ordinate responses to such requests in each directorate.

Transparency arrangements are observed by providing relevant information on the Council's website, including details of spend above £500, contract information, senior staff structures and workforce information and details of property assets owned by the Council.

The council meets its statutory obligation to undertake an internal audit of its accounting records in accordance with proper practice. Whilst there is no complete assurance that fraud and other irregularity will be identified, internal audit will highlight any that is revealed through its work, and will through a risk-based approach, identify any potential weaknesses in the system of internal control which could lead to fraud and other irregularity.

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

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).

Due to resource issues individual member Personal Development Reviews (PDRs) were not undertaken in the 2011/12 year – but are being scheduled for the 2012/13 year. Members elected during the year have had an initial Personal Development Review.

Members receive regular updates and briefings on key issues.

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

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

Following approval of the budget, the Council publishes information about the council's priorities in the council magazine 'One Island'. 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 by providing relevant information on the Council's website, including details of spend above £500, contract information, senior staff structures and workforce information and details of property assets owned by the Council.

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.

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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.

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. Among the many examples are: the change to a two-tier education system, changes to library services and the relocation of respite care services.

The council also uses the opportunities presented by the complaints process and other representations made directly to it, to improve the outcomes and services.

The council uses a variety of communications tools including emerging technologies and social media such as E-shots, Bluetooth, texting, Facebook, Twitter, QR Codes and Youtube, as well as more traditional media, to communicate with its residents.

Governance arrangements in respect of partnerships and other group working incorporate good practice and reflect the authority's overall governance arrangements

The governance arrangements for partnership working are set out in the council's Partnership Standards and associated guide, approved by Directors Team in 2010. The guide covers objectives, governance, duration, accountability, risk management and performance monitoring.

All strategic partnerships have agreed terms of reference which have been adopted by all the sponsoring agencies. Some of the sub-groups of the council's strategic partnerships are in the process of agreeing their respective terms of reference. Non strategic partnerships, whilst requiring less defined governance, do need to have their arrangements reviewed.

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

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. A framework is under development which will incorporate a strategy, policy and associated workplan in relation to information governance which will identify further actions that are needed.

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

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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.

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.

Training on 'information matters' has been provided and all new staff receive training from the Corporate Information Unit.

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

The Council's Strategic Director of Resources and Section 151 Officer is a key member of the Directors Team and is instrumental in helping to develop and implement strategies, plans and policies to deliver the council's strategic objectives. He is able to influence all material business decisions to ensure that the implications, opportunities and risks are fully considered and that they are consistent with the authority's financial strategy. He leads the achievement by the authority of good financial management so that public money is safeguarded, used appropriately and achieves value for money. He also leads and directs the council's finance function, and is professionally qualified and appropriately experienced.

The Council's Medium Term Financial Strategy (MTFS) is reviewed annually and approved by Full Council. It is considered by Cabinet (December and February) and the Overview & Scrutiny Committee at key points during the year.

Financial Regulations set out in detail the financial management standards of the council.

The council's treasury management activities are governed by the Treasury Management Strategy which sets out the parameters within which the Strategic Director of Resources and his delegated staff 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 operations is reviewed by the Audit Committee half yearly.

The Council's Audit Committee plays an important part reviewing the council's financial management arrangements, including approving the annual accounts, the treasury management strategy, financial regulations and by having an overview of both internal and external audit activity.

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

The council's financial accounts and its financial governance arrangements are reviewed annually by its external auditor. The auditor has provided unqualified assurance on the council's accounts and its governance arrangements.

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

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There are established equality objectives in line with the requirements of the Equality Act and which are due to be 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.

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

There is an equalities in employment policy which sets out the council's commitment to and responsibilities under the Equality Act and there are a range of learning activities scheduled throughout the year for raising awareness for all staff.

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 dedicated advice and guidance from a lead officer for equality and diversity and legal services.

Governance within schools

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.

Pension Fund Governance arrangements

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

The Pension Fund Committee approves the annual accounts and annual report of the Fund which includes a governance compliance statement.

Review of Effectiveness of the Governance Framework

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 executive 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.

The process that has been applied by the Council in maintaining and reviewing the effectiveness of the system of internal control during 2011-12, 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.

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- The Cabinet through the scheme of delegation is responsible for considering overall financial, performance and risk management and receives comprehensive reports on a quarterly basis.
- The Overview and Scrutiny Committee and the three Scrutiny Panels are independent of the Executive functions of the Council. Each has developed its own work plan, and is responsible for delivering independent scrutiny of service and financial performance, decision making processes, efficiency and effectiveness in achieving the Council's objectives.
- The Council has an established Audit Committee, independent of the Executive functions of the Council, and responsible for overseeing many of the elements of governance within the council including: internal and external audit, risk management processes, reviewing the adequacy of internal controls and the outcome of external inspections. It has received regular updates throughout the year on the progress in addressing the issues raised in previous years' governance statements.
- The Council maintains an adequate and effective internal audit function which through its work provides assurance that the council's governance arrangements and its system of internal control are effective. The outcomes of its work are reported to the Audit Committee and highlight any significant issues of concern. Only one report Payroll HR has been categorised as high risk with all other reports 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 has provided assurance to the council by:
 - Issuing an unqualified opinion on the council's accounts ;
 - Certifying that the council has adequate arrangements in place to achieve value for money; and
 - Issuing an unqualified opinion on the council's governance arrangements.

The council's risk management process is designed to identify and manage risks to the council achieving its objectives, including any issues which impact on its governance arrangements

The System of Internal Audit

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

Signed



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(Chief Executive)

Signed



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(Leader)