



Test Valley Borough Council

Annual Governance Statement

2024/2025

1. Scope of responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Local Code of Corporate Governance is on the council's website at:

<http://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/local-code-corporate-governance>, or can be obtained from the Head of Legal and Democratic Services.

This statement explains how the council has complied, and continues to comply, with the principles underlying this code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk at 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 occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

3. The governance framework

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

At the heart of the council's governance framework is the recognition that as a council we have several key roles (which have been formally recognised as part of the Local Code of Governance). These are:

- To play a leading role in partnership working, to promote the economic, social and environmental well-being of our area.
- To ensure the delivery of high-quality services to our communities.
- To be accountable to taxpayers for our stewardship and use of public funds and resources.
- To work with others to build a strong sense of community.

In fulfilling these roles, the council is committed to following the seven core principles of good corporate governance identified in the CIPFA/SOLACE Guidance, which are:

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 - Managing risks and performance through robust internal control and strong public financial management.

Principle 7 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The council's constitution defines the roles, responsibilities and relationships between Council, Cabinet, Overview and Scrutiny Committee, Audit Committee (formed with effect from 18 May 2022, and now operating effectively as part of the council's governance environment), and other committees and review bodies.

The council has a clear vision of its purpose and desired outcomes for the short, medium and long term. These are encapsulated in its four-year Corporate Plan, its annual Corporate Action plan, and through a range of corporate and service strategies. The council continually monitors and updates annually its Medium-Term Financial Strategy, to support the delivery of the aims set out in the Corporate Plan. Corporate and Service specific risks are subject to ongoing review and progress in managing the corporate risk register is reported to the Audit Committee on a six-monthly basis.

The Chief Executive is the council's Head of Paid Service and has overall corporate management and operational responsibility for the way in which the council delivers its services. The Head of Legal and Democratic Services is designated as the

council's Monitoring Officer and has responsibilities under section 5 of the Local Government and Housing Act 1989 to report to the council if any proposal or decision on behalf of the council has given or is likely to give rise to a breach of any enactment, rule of law or maladministration. The Monitoring Officer will monitor and review the operation of the council's constitution and ensure that the aims and principles of the Constitution are given full effect. The Head of Finance and Revenues is designated as the council's Section 151 Officer with responsibility for ensuring the "proper administration of financial affairs". The Head of Finance and Revenues also has responsibility under section 114 of the Local Government Finance Act 1988 for reporting to the council and the external auditor if the council has made, or is about to make, expenditure which is unlawful. These three statutory officers meet regularly throughout the year (plus as required on an ad hoc basis) to discuss significant corporate issues.

The CIPFA statement on the Role of the Chief Financial Officer in Local Government recommends that the Chief Finance Officer reports directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The council does not strictly comply with this requirement in that the Head of Finance and Revenues reports to the Deputy Chief Executive; however, he is a member of the Management Team (which is the local comparison with the CIPFA Leadership Team reference). In practice, the Head of Finance and Revenues is able to report directly to the Chief Executive and Members as and when required and is involved and consulted in all matters which have financial implications for the council.

In November 2024, the council hosted a Corporate Peer Challenge, coordinated by the LGA. A diverse team of experienced peers, comprising of senior local government councillors and officers, undertook a detailed review of the council's performance. The resulting report described the council as 'a high-performing council that delivers effectively for its residents, with a commendable community-first approach and a strong sense of pride throughout the organisation'. It highlights notable strengths around leadership, the development of its workforce to work in a place-based way, its approach to partnership working and its robust governance arrangements and financial management. In response to the report's recommendations, an action plan has been published. The council is now focused

on delivering these actions, with a progress review due to take place in October 2025.

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values.

All councillors sign up to our Code of Conduct for Elected members, which encompasses the principles of standards in public life. The General Purposes Employment Appeals and Ethics Sub-Committee, sub-committee of the General Purposes Committee, considers matters where we need to determine an alleged breach of the Code of Conduct. All councillors and officers are aware of their obligations under equality legislation, as well as the standards of behaviour and language which are expected from representatives and employees of the council.

A new Values and Behaviours framework has been established and has been embedded through extensive staff engagement. The promotion of Equality, Diversity and Inclusion is included as a core council value, and ongoing training is provided for both Members and officers. Equality considerations including full impact assessments where necessary and appropriate are built into the council's decision-making process. The council has reviewed its corporate equalities objectives, alongside its duties under the gender pay gap publication requirements and Public Sector Equality Duty. The council's approach to appraisals has been updated and a process to gather 360-degree feedback has been rolled out for senior managers. Expectations around managements standards are consistently reaffirmed by senior leaders.

The council has detailed Anti-Fraud, Anti-Bribery and Corruption Policies which include whistleblowing. These clearly set out the roles and responsibilities of officers and Members and actions to be taken when fraud or corruption is suspected. The council has a formal complaints procedure for members of the public to raise concerns, which is a valuable source of learning and improvement. Audit Committee receive an annual complaints report which provides analysis of trends and identifies opportunities for improvement.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.

Bringing communities together through engagement is the foundation of our community councillor model and place-based approach. We are committed to investing this work, to ensure that we hear and serve all our residents, not just those who have the loudest voices. Inequalities can often be hidden, and we have worked hard to ensure that we hear people's lived experience through a range of techniques including deliberative engagement. This is important to ensure that our strategic decision making reflects the needs of our communities both now and in the future.

We prioritise asset-based conversations which encourage community development and form the basis of community planning for that place. This approach has made a significant impact on our corporate strategy, the distribution of resources across our area and the culture of the organisation and sets the tone for our approach to equality, diversity and inclusion. We have taken a highly consultative approach to delivering our significant regeneration programme in Andover, with community engagement taking place from the development of ambitions to the delivery of schemes. In Romsey, this year we conducted a large-scale Citizens' Assembly in order to shape options and gather evidence for the future of community facility provision in the town. A cross-party Member and Community Development Group provides a forum for senior councillors and officers to work together to further develop and embed the council's approach to working in a place-based way, in partnership with communities.

To support our work with external partners, we convene the Test Valley Partnership twice a year to bring together the key partner agencies from across the public and voluntary and community sector. It provides a place in which the key strategic issues facing the borough can be discussed, joint work developed, and statutory duties (such as community safety) met. Our two town-based partnerships - Andover Vision and Romsey Future – help ensure that the council is able to engage stakeholders in those towns openly and consistently and foster stronger community-to-community links and learning.

Regular away days are held to bring Cabinet together with Management Team to align strategy and performance. Annual away days are held with both the Overview and Scrutiny Committee and Audit Committee, to shape work programmes and ensure that we have the right approach to ensure council business is properly scrutinised and audited.

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

The council's corporate plan, developed in partnership with communities, sets out the outcomes we seek to achieve over the four-year duration of the plan, and details the benefits we hope to secure by delivering them. This is supported by an annual Corporate Action Plan which sets out which specific programmes the council will prioritise over the year to deliver those outcomes. Each service has an annual plan which details how each service will play its part to achieve the outcomes, with progress monitored and assessed under the council's Performance Management Framework.

To gain deeper research-led insight into the benefits of what we do and how we work, the council is working with the University of Southampton, particularly around how we facilitate coalitions and bring partners together around key strategic issues – for example, evaluation of the Andover Health Hub, an engagement project with young people, and the availability of rural housing.

The council approved a Climate Emergency Action Plan (CEAP) in 2020 to identify the steps it will be taking to work towards achieving carbon neutrality. Evidence has been gathered to provide information on greenhouse emissions, decarbonisation and how the council can deliver its services in a more environmentally friendly way. Measures have been introduced which have reduced the council's emissions. Work is ongoing to review the content of the CEAP considering both measures within the organisation but also supporting communities within the Borough to reduce their emissions.

Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.

The council has a robust set of processes to develop, monitor and evaluate the interventions required to achieve our intended outcomes. Examples from this year include the Overview and Scrutiny Committee's programme of work which has included delivering two housing panels, which focused on exploring the interventions and opportunities to improve the supply and user experience of affordable housing; the implementation from April 2025 of the recently reviewed Council Tax Support Scheme, which was undertaken as part of an Overview and Scrutiny Committee panel; and a new Digital Strategy and Digital Board which enables the council to better determine how new technology can support more effective service delivery.

More widely, the council seeks to use its role in the local area to encourage the right interventions from partners to address community needs. For example, the council established a Joint Prosperity Board with Hampshire County Council which focuses on addressing local needs within the wider strategic environment of delivering regeneration, rural sustainability, integrated healthcare and economic development. Similarly, the council works with the Environment Agency, Southern Water and utility companies through the Test Valley Resilience Forum, seeking to create the conditions for local people and key agencies to address issues of flooding and water pollution that have had major impacts on our communities. The council's Chief Executive was the local authority lead for the Hampshire Rural Forum in 2024, advocating on behalf of rural communities. Rural communities, like their urban counterparts, play a critical role in the economic fabric of the county and we recognise that interventions are required in this space in order to achieve the outcomes set out in our corporate plan.

Principle 5 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

As part of putting our new values into action the council has launched a new appraisal process, in response to feedback from staff about how we could improve the process. It is linked more clearly to our values with a stronger alignment between

personal objectives and service plan priorities. The purpose is to enable everyone to pull together in the same direction and make a clearer connection between personal, team, service and council-wide goals.

An ongoing programme of leadership development is available to senior managers via the Senior Managers Forum (SMF), which meets regularly. This group now receives 360-degrees appraisals to provide the basis for individual and collective team development. This will be rolled out to a wider set of staff during 2025/26.

We have established internal Action Learning Sets, which are building cross-service trust and understanding. We have also supported 22 managers to take part in CMI level three and five this year as part of developing our leadership capabilities, all with a focus on how we work in a more systems and place-based way.

We believe strongly that drawing upon external practice and ideas is key to our ongoing organisational improvement. To support this, we have recently hosted SMF sessions with INLOGOV on the 21st Century Public Servant. New Local headed up our Leadership Conference in December and we are an active member of their network.

We prioritise bringing people together regularly to reflect, network, and innovate. This year we hosted two Leadership Conferences, where external guest speakers shared their personal and professional leadership journeys. More than 100-line managers attended the conference, demonstrating our wider commitment to developing leaders at all levels.

We also ensure that our operational workforce are properly trained and developed, with the embedding of our values and behaviours a priority. Service days are delivered in a structured, planned and inclusive way and focus on how corporate priorities relate to team and individual objectives.

Culture - Cross-party working and the alignment of our councillors and officers on our strategic priorities is key part of our culture at Test Valley. Developed over many years, built on trust, respect, transparency and a commitment to local democracy. Our community councillor approach sets the tone for how we work together to deliver

for our communities and created the foundations to enable our politicians work across party lines where there is clear alignment around community need. We invest time in developing and strengthening our councillor and officer relationships. Working directly with councillors to develop their community role and supporting innovation through our Member and Community Development Group (MCDG) has been key to our organisational stability.

To ensure councillors have the appropriate skills and knowledge to carry out their roles, they receive a comprehensive induction followed by a rolling councillor development programme for the four-year term which the Member and Community Development Group reviews regularly. Councillors receive updates in the weekly Councillor Bulletin about internal and external training opportunities and can provide feedback on areas they want to develop. Councillors also meet with the Democratic Services team to identify any bespoke individual training needs.

Principle 6 - Managing risks and performance through robust internal control and strong public financial management.

Risk management is embedded within the council's processes, and risk registers are established and managed for all major projects. The Corporate Risk Register was re-profiled and developed this year, in consultation with the Audit Committee, and the Risk Strategy was updated and reviewed by Audit Committee. A Management Team Corporate Risk Register workshop is held twice a year.

A new Performance Management Framework has been developed and is being implemented in alignment with existing risk management processes. This was reviewed as part of the Corporate Peer Challenge as being a robust framework, but further implementation is required.

The Cabinet reviews the overall performance of the Corporate Action Plan annually and the council's Management Team reviews progress on a regular basis, also acting as the programme board for key areas such as Regeneration and Climate Change. This enables the active performance management of the Corporate Action Plan and ensures that the council is allocating resources in the most effective way.

Each year, the Leader of the Council makes a presentation to the Overview and Scrutiny Committee to report on progress made during the year. This forms the basis of an annual update report that is published on the council's website.

The council continually monitors and updates annually its Medium-Term Financial Strategy, to support the delivery of the aims set out in the Corporate Plan. The Strategy continues to show a balanced budget with ongoing budget control measures in place with services. Councillors are closely involved in the Budget process, including via the Overview and Scrutiny Committee's budget panel. The quality and value for money of services provided to users is measured through the authority's performance management system. This includes the measurement and review of performance against national and local performance indicators and actions taken to address areas for improvement. Performance is monitored regularly throughout the year.

The conduct of day-to-day council business is regulated through policies and procedures such as Contract Standing Orders and Financial Procedure Rules. The delegations to Members and Officers are kept continually under review and revised as appropriate.

A comprehensive set of Human Resources policies ensures compliance with employment legislation and promotes good personnel practices. These include disciplinary and capability processes to deal with conduct or performance which is unacceptable. These policies and procedures are regularly reviewed and revised.

Principle 7 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The chief executive, deputy chief executive, section 151 officer and monitoring officer have re-organised the Statutory Officers group to have a much deeper focus on all aspects of the council's governance arrangements, with a focus on continuous improvement and learning. Collectively, they are developing a programme of work that will embed good governance across the organisation.

This has included bringing together officers at the start of their careers to undertake a study on why other local authorities had failed and where governance had been a factor. This led to a workshop with our Senior Managers' Forum to explore the learning and to identify areas for improvement. It has also included dedicated sessions with management team to map our progress aligned to the CIPFA/SOLACE governance framework and we are currently developing a new programme of training on "governance basics" for roll out in 2025.

We have a strong and focused Overview and Scrutiny Committee, the Chair of which is now a minority group member, helping to ensure transparency in the scrutiny process. The Committee has continued to exercise its scrutiny function, ensuring that the council has the right policies in place, and is making the best decisions for local people. The Committee has also played an important role in helping to develop the council's strategic priorities, undertaking important policy development reviews and spearheading work on behalf of full Council on topics such as our response to the climate emergency. Councillors develop the work programme through annual away days to agree the areas they would like to focus on to inform policy development. Examples include the Council Tax Support Scheme, affordable housing and regeneration.

We maintain a forward plan for upcoming cabinet meetings, including non-key decisions, but ensuring that we capture key decisions and publicise them as necessary, or, if appropriate, seek an exemption. From May 2024, we began publicly broadcasting all council and committee meetings via an audio stream. We operate a public participation scheme allowing members of the public to speak at all public committee and sub-committee meetings.

On 29 January 2025 Council approved the proposal that an independent member should be appointed to Audit Committee. This will be implemented as soon as possible this year.

4. Review of effectiveness

The council has responsibility for conducting, 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 annual report of the Internal Audit Manager, and also by comments made by the external auditor and other review agencies and inspectorates.

The council's Internal Audit team, located within the Finance and Revenues Service, continuously reviews the council's systems to provide independent assurance that the control environment is effective in achieving the council's objectives. The team objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the authority's resources. The performance of the Internal Audit team is monitored by the council's Audit Committee. The team has an indicator to achieve 90% of the Audit plan, the actual result was 93% for 2024/25.

There have been no limitations or restrictions on the audit plan coverage or scope of the work undertaken during 2024/25 which could have a negative impact on the opinion. There have been no impairments to the objectivity or independence of the Audit team except for risk management which is facilitated by the Internal Audit Manager. Measures are in place for the audit of risk management to be undertaken by the Senior Auditor, reporting directly to the Head of Finance and Revenues.

The standards for proper practices within the internal auditing profession applied during 2024/25 were the Public Sector Internal Audit Standards (PSIAS). An external assessment of the internal audit function's conformance with these standards was carried out in February 2024 and concluded that the function "generally" conforms to the standards. Global Internal Audit Standards and a Public Application Note replace the PSIAS with effect from 1 April 2025. A self-assessment was undertaken in February 2025 against these standards in readiness and plans put in place to strengthen processes where gaps have been identified.

The Internal Audit Manager has provided “substantial” assurance that the council’s governance, risk management and control framework remain robust. “Substantial Assurance” means that systems in place are generally sound, but some best practice developmental areas have been identified to strengthen the council’s governance arrangements. Specific areas which were given limited assurance were reported to the Audit Committee and appropriate action plans agreed with management. There is a regular follow-up process to ensure agreed actions are implemented.

The council is regularly audited by the External Auditor (Ernst and Young LLP) who independently examines the council’s accounts and financial systems and who presents an Annual Audit Report to Members, the latest available covering the financial year 2023/24.

Due to issues at a national level to resolve backlogs in public sector audit opinions, EY issued a disclaimed opinion on that year’s accounts. This is not an indication that there are weaknesses in the council’s processes or that there is a greater likelihood of material error in the accounts. EY have, however, been able to issue a value for money statement in respect of the 2023/24 financial year which identified no weaknesses in the council’s financial sustainability; governance; or efficiency and effectiveness.

5. Areas for improvement

In line with the council’s commitment to continuous improvement, the following areas will be included in the action plan for 2025/26, attached to this document:

Governance: The council is currently not compliant with CIPFA recommended practice for Audit Committees as there is no independent member on the Committee. An independent member will be appointment to the Audit Committee, pursuant to Council decision of 29 January 2025.

Management development: The Corporate Peer Challenge, undertaken in November 2024, identified scope to develop the capacity of managers to drive transformation in

the organisation. A management development programme will be delivered to all senior managers, supported by the introduction of 360-degree appraisals.

Use of data in decision-making: The Corporate Peer Challenge also identified a need to strengthen the use of data to better inform continuous service improvement, evaluation of impact, and benefit and value for residents. An approach will be designed to gain service-user feedback in a meaningful way to inform service improvement and transformation.

Governance training and awareness for senior officers: Internal Audit reviews throughout the year have identified inconsistency in the level of knowledge related to areas such as procurement and contract management across the council. A focused training programme will be delivered this year to address these gaps.

6. Declaration

We have been advised on the implications of this review of the effectiveness of the governance framework and of any significant governance issues. A plan to address weaknesses and ensure continuous improvement of the system is in place as shown in the attached annex.

We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: Signed:

Leader of the Council

Chief Executive

Governance Actions for 2025-26

No significant governance issues have been identified. The following are best practice developmental areas to strengthen the council's governance arrangements.

Issue	Action to be Taken	Timescale	Lead Officer
Governance Non-compliance with CIPFA recommended practice for Audit Committees as there is no independent member on the Committee.	Appointment of an independent member to the Audit Committee, pursuant to Council decision of 29 January 2025.	July 2025	Head of Finance and Revenues, and Head of Legal and Democratic Services
Management Development Recognition in the Corporate Peer Challenge that there is scope to develop the capacity of managers to drive	Delivery of a management development programme to all senior managers covering: <ul style="list-style-type: none"> - The way we work with 	November 2025	Chief Executive / Deputy Chief Executive / Head of Strategy and Innovation

transformation in the organisation.	<p>communities (place)</p> <ul style="list-style-type: none"> - The way we work as an organisation - Digital change - Housing - Young People - Local Government Re-organisation / Public Service Reform 		
	Roll out of 360-degree appraisals for all senior managers.	September 2025	Chief Executive / HR Manager
<p>Use of Data in Decision-Making</p> <p>Strengthen the use of performance and</p>	Design an approach (based on survey and deliberative engagement techniques) to gain	March 2026	Head of Strategy and Innovation

data to better inform continuous service improvement, evaluation of impact, benefit and value for residents	service-user feedback in a meaningful way to inform service improvement and transformation.		
<p>Governance training and awareness for senior officers</p> <p>Internal Audit reviews throughout the year have identified inconsistency in the level of knowledge related to areas such as procurement and contract management across the council.</p>	<p>Delivery of a governance training programme for all senior managers in the following areas:</p> <p>Budget setting and monitoring</p> <p>Risk management</p> <p>Procurement and contract management</p> <p>council decision making</p> <p>Complaint handling</p>	July 2025	<p>Head of Finance and Revenues, and Head of Legal and Democratic Services</p>

