

## **DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16**

### **SCOPE OF RESPONSIBILITY**

East Cambridgeshire District Council (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 including internal control, to facilitate the effective exercise of its functions and 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 Council's Code can be obtained from our website. This statement explains how the Council has complied with the Code and also meets the requirement of regulation 4(2) of the Accounts and Audit (England) Regulations 2015, and accompanies the 2015/16 Statement of Accounts.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. 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, cost effective services. It also enables the Council to demonstrate to the public that it has effective stewardship of public funds it has been entrusted to spend.

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 and impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of the production of the Annual Report and Statement of Accounts.

### **THE GOVERNANCE FRAMEWORK**

The Council has a responsibility for ensuring that a sound system of governance is in place to meet statutory requirements for public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control, and preparing a Statement on Internal Control. The governance statement meets that requirement and sets out brief

details of the arrangements the Council has in place regarding the key systems and processes comprising the Council's governance framework. This forms part of the Council's overall assurance framework, which incorporates the Local Code of Corporate Governance adopted by the Council, covering the six core principles and accompanying supporting principles contained in the CIPFA/SOLACE Framework for delivering good governance in local government. The following paragraphs describe the key elements of the systems and processes that comprise our governance arrangements.

### **Focusing On The Purpose Of The Council And On Outcomes For The Community And Creating And Implementing A Vision For The Local Area.**

The Council has approved two Corporate Objectives;-

- To be financially self-sufficient and provide services driven by and built around the needs of our customers; and,
- To enable and deliver commercial and economic growth to ensure that East Cambridgeshire continues to be a place where people want to live, work, invest and visit.

A new Corporate Plan for the period 2015-2019 was approved by Council in July 2015 and contains six priorities which set out the main areas where the Council will concentrate work over the next four years. Within these priorities the Council has made a number of promises which set out the projects by which the priorities will be achieved. The Council believes that having high aspiration levels will secure a strong future for the district and provide a clear vision for the organisation and our customers.

The Council has in place Service Delivery Plans that define the purpose and ambitions of the Council and establish the accountability of both elected members and officers to the local community. The Service Delivery Plans for the financial year 2015/16 were approved by the relevant Committees early in the financial year with six monthly and annual reporting of performance against targets being reported back. In addition, Members have been appointed as Service Delivery Champions whose role includes acting as a 'critical friend' to listen, challenge and debate with Service Managers and to provide input into Service Delivery Plans.

### **Members And Officers Working Together To Achieve A Common Purpose, With Clearly Defined Functions And Roles.**

As the Head of Paid Service, our Chief Executive leads the officers and chairs the Council's Corporate Management Team. The other two statutory officers, the Monitoring Officer and S151 Officer report directly to the Chief Executive.

Regular meetings are held between the Leader of the Council and Chief Executive in order to maintain a shared understanding of roles and objectives.

The Council has developed appropriate protocols to ensure that there is effective communication between members and officers. There is a scheme of delegation in place for officers and members and this is included within our Constitution.

### **Promoting Values For The Authority And Demonstrating The Values Of Good Governance Through Upholding High Standards Of Conduct And Behaviour.**

The Council has established a robust financial planning process which includes a Medium Term Financial Strategy, monthly budget monitoring reports to Service Leads and other budget holders and quarterly budget monitoring reports to policy committees.

The Council ensures compliance with established policies, procedures, laws and regulations through a number of channels. The Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Director (Resources) is responsible for ensuring that appropriate advice is given on financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control. The Legal Services Manager is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

The Council has in place an Anti-Fraud & Corruption Strategy which specifies the process by which allegations will be investigated and reported. The Council also acknowledges its responsibility to embed effective standards for countering fraud and corruption that supports good governance and demonstrates effective financial stewardship and strong financial management.

In December 2014 CIPFA published a Code of Practice on Managing the Risk of Fraud and Corruption. During the financial year we have assessed our compliance against the Code and concluded that the Council is compliant to a level appropriate to its fraud and corruption risks.

Our Whistle-Blowing Policy covers the arrangements for staff to report concerns anonymously. The Council's Complaints Scheme and how to complain to the Ombudsman are included within the Constitution. The Council has a dedicated resource in place to manage the complaints process.

### **Taking Informed And Transparent Decisions Which Are Subject To Effective Scrutiny And Managing Risk.**

The Council has adopted a Constitution which sets out how the Council operates, how decisions are taken and the procedures which should be followed. All meetings are open to the public except where there are confidential matters to discuss. The new committee structure implemented during the financial year 2014/15 complements the new structure of the Council.

The Council has established additional Committees or Sub-Committees during the financial year:-

- A Shadow Local Authority Trading Company Committee to make recommendations to Council on the establishment of a Council owned Local Authority Trading Company.
- A Transformation Programme Sub-Committee provides a control framework which will enable the Transformation Programme to have clear reporting processes in place, help the Programme manage resources, deliver agreed outcomes and run efficiently.

In addition the role of the Asset Development Committee was revised to act as the Shareholder Committee for the purposes of the scrutiny of the Local Authority Trading Company.

The Council has in place a Risk Management Strategy. The Chief Executive has overall responsibility for the management of corporate risks. The Principal Auditor maintains the operational risk register but individual officers are responsible for managing the risks. The present Risk Management Strategy does however require review to align it with the new council structure, clearly defining the role and responsibilities of officers and members and associated training needs. The recording and monitoring of operational risks needs to be reviewed to ensure they are properly considered and actioned upon.

The Principal Auditor reports in his own name and includes in the Annual Audit Report and Opinion an executive summary of any audit reviews where a limited or no assurance opinion is given. As the Principal Auditor has not attained a full recognised qualification, the Council is required to publicly state this in the Annual Governance Statement. The post holder does however have considerable internal audit experience at manager level.

### **Developing The Capacity And Capability Of Members And Officers To Be Effective.**

There is a member induction and training programme in place. Members are also required to undertake specific training before performing certain duties such as planning and licensing. Additional member seminars are also arranged throughout the year to deal with specific issues as they arise.

There is an induction programme for all new employees, which consists of a mix of one-to-one meetings covering specific aspects of employment and group meetings that deal with more common areas.

All officer posts within the Council have a detailed job description and person specification. The development needs of officers are determined through an annual performance appraisal, a key outcome of which is a Personal Development and Training Plan. This Plan provides a link between service and corporate priorities and career development. Requests for professional/vocational training are presented to Management Team for final consideration.

The Director (Resources), the Council's S151 Officer is a qualified accountant with relevant experience. At the end of the financial year proposals were made to restructure the Financial Services Team to ensure it is in a position to adapt and respond to the challenges

faced by the Council. This has resulted in a number key vacancies within the Team which are currently in the process of being recruited to. Until these vacancies are filled the resilience of the Team is significantly affected and therefore presents a risk to the Council.

### **Engaging With Local People And Other Stakeholders To Ensure Robust Public Accountability.**

There is public access to all Committee meetings except where items for discussion are of a confidential nature. The Council continues to be committed to ensuring that members of the public are involved in the decision making process. There are specific schemes in place to allow members of the public to speak at both Planning and Licensing Committee meetings, and the Council has also issued general guidance on public question time at other meetings. All meeting agendas, minutes and decision lists are published on the Council's website.

The Council undertakes regular consultation exercises, ranging from small focus groups of customers to large scale questionnaires and face-to-face surveys. As part of the councils work on equalities, a Consultation Register is held which gives individuals, community groups and associations the opportunity to consider new or revised policies, strategies or functions and to express their opinions, concerns and make suggestions. To encourage as wide a participation as possible, an invitation for further individuals to join the register is included in the Equality & Diversity section of the Council's website.

Regular media releases are used as a means of keeping residents of the District informed of current and upcoming issues and Council decisions. The Council endeavours to ensure that all communications with the public are accessible to all by providing a translation service, large print and Braille.

In terms of community engagement, the Council replaced Neighbourhood Panels with Parish Conferences to provide an important platform between the parishes and other public services. Two conferences were held during the financial year. In addition the Council held a further Parish Conference specifically on the emerging Local Plan. Another example of community engagement is the six monthly Landlord Forum.

In terms of transparency, we publish on our website the recommended datasets in accordance with the Local Government Transparency Code 2015 issued by the Department for Communities and Local Government in February 2015. A review of the effectiveness of our arrangements for publishing and collating data undertaken during the year has however identified areas for improvement.

### **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 senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and Opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The process for reviewing the effectiveness includes:-

The Council's financial management arrangements conform to the legislative and professional requirements of the CIPFA Statement on "The role of the Chief Financial Officer in Local Government 2010".

The Monitoring Officer/Deputy Monitoring Officer review the operation of the Council's Constitution to ensure that its aims and principles are adequate and up to date.

The Corporate Governance and Finance Committee oversees the audit functions for the Council and corporate governance arrangements including risk management. Amongst other things it also reviews the Medium Term Financial Strategy and Annual Statement of Accounts.

A Corporate Governance and Finance Hearings Sub-Committee considers complaints against Councillors where there is an allegation that the Councillor has failed, or may have failed, to comply with their Code of Conduct.

The Council's Corporate Management Team is responsible for the delivery of the overall planning, performance and direction of the Council. The Corporate Management Team which meets weekly consists of the Chief Executive, Director (Commercial), Director (Operations) and Director (Resources).

The Council's external auditor published its Audit Results Report - ISA (UK & Ireland) 260 to those charged with governance for the financial year 2014/15 by 30<sup>th</sup> September 2015 which contained the opinion on the accounting statements and value for money conclusion. The Annual Audit Letter was issued in October 2015 summarising the findings from the 2014/15 audit.

Internal Audit is responsible for monitoring and reporting on the effectiveness of systems of internal control. It is managed by the Principal Auditor who reports directly to the Director (Resources), the Council's Section 151 Officer. At the completion of each audit a report is produced for management detailing the work undertaken. Recommendations are made to improve controls and they are given a priority rating ranging from High down to Low according to the significance of the weakness identified. Internal Audit is required to comply with the Public Sector Internal Audit Standards which came into effect from 1<sup>st</sup> April 2013.

The overall opinion on internal control is reported to the Finance & Governance Committee in the Internal Audit Annual Report each year. The opinion for the financial year 2015/16 is that there is "significant assurance that the systems of internal control within the areas examined were operating satisfactorily". Some Internal Audit reports have however highlighted that compliance with policies and processes has not been applied consistently across the Council.

In December 2015 the Cabinet Office renewed the Council's Public Services Network (PSN) compliance certificate for the next 12 months. This certificate shows that the Council has demonstrated that its IT infrastructure is sufficiently secure and that our connection to the PSN does not present an unacceptable risk to the security of the network.

## SIGNIFICANT GOVERNANCE ISSUES

### Review of significant governance issues raised in 2014/15

The approved Annual Governance Statement for the financial year 2014/15 identified a number of significant governance issues. It can be confirmed that with the exception of the implementation of a revised Risk Management Strategy, action has been taken or is in progress.

### Significant governance issues 2015/16

The Council has embarked on an unprecedented period of change both in terms of organisational change through a series of restructures but also through a transformation programme which will look critically at the way we provide our services to our customers, whilst at the same time delivering on the suite of high profile corporate priorities including the new district leisure centre and the establishment of a local authority trading company which began operating from 1<sup>st</sup> April 2016.

We have been advised on the results of the review of the effectiveness of the governance framework in operation during the financial year 2015/16, and plan to address the following weaknesses and ensure continuous improvement of the system in place.

Issue	Action Plan
<p><b><u>Risk Management Strategy</u></b> The Risk Management Strategy requires review to align it with the new council structure, clearly defining the role and responsibilities of officers and members and associated training needs.</p> <p>The recording and monitoring of operational risks should also be reviewed to ensure they are properly considered and auctioned. Consideration should be given to including operational risks within Service Delivery Plans.</p>	<p>The Risk Management Strategy will be reviewed during 2016/17. Service Delivery Plans format for 2017/18 is under review and will include operational risk management.</p>
<p><b><u>Limited Assurance Internal Audit Reviews</u></b></p> <p><b>Open Data</b> – the recommendations contained in the internal audit report on Open Data should be implemented.</p>	<p>The Transformation Programme should address the recommendations made in the audit report, specifically web content and responsibility for information management.</p>

We propose over the coming financial year to take steps to address the above matter 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.

J Hill  
Chief Executive  
Date :

J Palmer  
Leader of Council  
Date :

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