

Appendix 1

Draft Annual Governance Statement 2018-19

1. Scope of responsibility

- 1.1. East Cambridgeshire District 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. East Cambridgeshire District 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.
- 1.2. In discharging this overall responsibility, East Cambridgeshire District 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.
- 1.3. East Cambridgeshire District 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 Code is included on our website at <https://www.eastcambs.gov.uk/>.
- 1.4. This statement explains how East Cambridgeshire District Council has complied with the principles of the Code and also meets the requirements of regulation 4 (3) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1. The governance framework comprises the systems and processes, culture and values, by which the Council 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 services and value for money.
- 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 East Cambridgeshire District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at East Cambridgeshire District Council for the year ended 31 March 2019 and up to the date of the approval of this statement.

3. The governance framework

The Council's Code of Governance recognises that effective governance is achieved through the following core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4. Key elements of the Governance Framework

The following is a brief description of the key elements of the systems and processes that comprise the Council's governance arrangements:

1. Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively:

- The Constitution contains a Members Code of Conduct, which is underpinned by the Principles of Public Life. Members are required to complete a declaration of interests which is published to the website for transparency.
- There is a separate Employee Code of Conduct, which is supported by HR policies and procedures. Codes, policies and procedures are shared with new employees as part of the induction process.
- The Council has a Whistleblowing Policy, which is available to employees.

2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

- Corporate policies and strategies, which are regularly reviewed, are available on the Council intranet.
- The Constitution contains responsibilities for functions of the Council, Policy Committees and Regulatory Committees, and other Committees, Joint Committees and Other Partnership Bodies. It also contains Proper Officer Functions and Rules of Procedure. The Monitoring Officer advises whether

decisions are in accordance with the Constitution, and a summary list of responsibilities are included in a Monitoring Officer Protocol.

- 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 Finance Manager & S151 Officer 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.
- Managers within the Council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. This is a key control and as such Service Leads are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.

3. Documenting a commitment to openness and acting in the public interest:

- 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.
- In order to demonstrate its openness the Council also publishes on the website the Constitution, Council and Committee agendas, reports, minutes and decision lists.
- In terms of transparency, the Council publishes on its 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.

4. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- Residents are regularly informed about the Council's activities through the Council website, work with the local media, social media and other channels. The Council also sends an End of Year Report to all households in the District. A new website was launched in 2017/18 to improve communication with the public.
- 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 Council has developed a Community Engagement Strategy covering the period 2018 to 2023 to ensure that all residents have the opportunity to engage with the Council and have their say regarding the services and resources that they need.

- The Council undertakes regular consultation exercises, ranging from small focus groups of customers to large scale questionnaires and face-to-face surveys. A Register of Consultees 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.
- The Council hosts Parish Conferences to engage with the parish councils and communities and provide an important platform between the parishes and other public services. One conference was held during the financial year. Further examples of community engagement include six monthly Landlord Forums, Agents Forums, Taxi Driver Forums and the East Cambs Business Boost.

5. Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning:

- 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 2017-2019 was approved by Council in October 2017 which built on the previous Corporate Plan approved in July 2015. It contained six priorities which set out the main areas where the Council would concentrate work over the period:
 - Delivering a financially sound and well managed Council
 - A fantastic place to live, work and visit
 - Genuinely affordable housing
 - New jobs and funding
 - Improving infrastructure
 - Improving local transport
- 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 its customers.
- Details of all the above, together with any committee reports referred to in this statement, can be found on the Council website at www.eastcambs.gov.uk

- The Medium Term Financial Strategy (MTFS) is presented to Council on an annual basis to support the budget papers and the Corporate Plan. The MTFS sets out the level of savings that need to be achieved over the medium term. Savings plans and income generation targets are developed to achieve the budget requirement set out in the MTFS.

6. Translating the vision into courses of action for the authority, its partnerships and collaborations:

- The Corporate Plan is underpinned by Service Delivery plans, which set out in more detail how the Council's priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.
- Service Delivery plans are reviewed every year in line with any changes to the Corporate Priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery. Members are appointed as Service Delivery Champions. Performance is formally reported to Committees every six months.

7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality:

- The Council's decision making framework is set out in the Council's Constitution including an effective scheme of delegation. The Council's Constitution is kept under continuous review in line with best practice.
- The Constitution includes the decision making arrangements for the East Cambridgeshire Trading Company (ECTC) and East Cambridgeshire Street Scene (ECSS) Shareholder Committee and the Anglia Revenues Partnership Joint Committee.

8. Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money:

- Performance management in the Council is based on Corporate Plan Priorities supported by Service Delivery Plans. The Council had, during 2018/19, Policy Committees (Community Services, Regulatory Services and Resources and Finance Committee) that approve and monitor performance against Service Delivery Plans.
- A summary of the overall performance of the Council is published on the website.
- The Council continues to improve services wherever possible and has used the Lean Six Sigma methodology to undertake such reviews.
- The Council has established a robust financial planning process which includes a Medium Term Financial Strategy, monthly budget monitoring reports to officers and quarterly budget monitoring reports to Policy Committees.

9. Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements:

- The Council's Constitution sets out how the Council operates, and contains separate articles and key documents covering Members Code of Conduct, Proper Officer functions, and protocols for the Monitoring Officer.
- As the Head of Paid Service, the 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.

10. Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015):

- The Council establishment includes a Chief Finance Officer (CFO), ensuring the financial management arrangements conform with the requirements with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). This responsibility is discharged by the Finance Manager.

11. Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function:

- The Monitoring Officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. These responsibilities are delivered by the Legal Services Manager. The Monitoring Officer undertakes to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the Council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.
- It is important that members and officers work together to promote good governance within the Council. The Monitoring Officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties.
- There are working arrangements and understandings in place between the Monitoring Officer, members and the Corporate Management Team which are designed to ensure the effective discharge of the Council's business and functions. These arrangements are detailed in the Monitoring Officer Protocol, which is a key document in the Council's Constitution.

12. Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function:

- The role of Head of Paid Service is defined in the Local Government and Housing Act 1989. In East Cambridgeshire District Council it is assigned to the Chief Executive as set out in the constitution and all necessary powers are delegated to fulfil the statutory role.

- The Council is also required to provide the Head of Paid Service with staff, accommodation and other resources sufficient to enable the performance of the function. The annual budget proposed to Council, prepared by officers, seeks to align the provision of Council resources with the delivery of the Corporate Plan. In this manner, the Head of Paid Service is ensuring that the Council is fulfilling its duty.

13. Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- 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.

14. Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability:

- The Council has a Risk Management Policy and framework to detail the approach to managing risks. The latest Policy was approved by Full Council in October 2017.
- The Council's Corporate Risk Register is the result of continued review by a Risk Management Group, the Corporate Management Team and the Resources and Finance Committee, of the key risks that may have an impact on achieving the Council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the Council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments. The risk register is available on the website.
- The Council has incorporated risk management into the performance management system, which is monitored by management. Service Delivery Plans are approved and reviewed by relevant Committees. The end of year performance reports are published on the website.
- The Strategic Business Continuity Plan ensures that the Council is able to plan for, and respond to, a disruptive incident in order to continue service delivery and business operations at an acceptable predefined level.

15. Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

- 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.
- The Council's 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 documented on the website. The Council has a dedicated resource in place to manage the complaints process.
- For the public there is also a procedure in place to report suspected cases of fraud.
- The Council fully participates in the Cabinet Office's regular National Fraud Initiatives (NFI) and reports the results to Resources and Finance Committee.

16. Ensuring an effective scrutiny function is in place.

- The Council has a Call-In and Referral Up Procedure which is part of the Constitution. This enables Councillors to call in decisions made through the Policy Committees. Council can then consider the matter afresh and make a final decision which could be to uphold, amend or reject the previous decision of the Policy Committee.
- The Council provides Members to other Scrutiny Committees, where required, to review the performance and effectiveness of other public service providers as well as the Council. Examples include the Cambridgeshire Police & Crime Panel, Health & Wellbeing Board and the Community Safety Partnership.

17. Ensuring that 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:

- Internal Audit is provided by LGSS Internal Audit which is led by a professionally qualified Chief Internal Auditor in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations, Public Sector Internal Audit Standards and the Local Government Application Note.

18. Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013):

- The Council has a Resources and Finance Committee that fulfils the role of the Audit Committee, with a terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements.

19. Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

- The Council provides support and information to the externally appointed auditors (Ernst & Young LLP). Audit findings and recommendations are reported through the Resources and Finance Committee.

20. Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

- The Council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.
- The governance arrangements for key partnerships are kept under review. Governance arrangement for significant partnerships, such as the East Cambridgeshire Trading Company, East Cambridgeshire Street Scene and the Anglia Revenues Partnership, are documented in the Constitution.

5. Review of effectiveness

- 5.1. East Cambridgeshire District 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 directors within the Council who have responsibility for the development and maintenance of the governance environment, the LGSS Chief Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2. The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

1. The Council

- In October 2017 the Council approved the Corporate Plan for 2017-2019 which forms the basis of the performance management framework. Council review progress against the plan, ensuring it remains committed to the priorities whilst delivering a balanced budget.
- Council approved financial documents including the Medium Term Financial Strategy, Capital programme, General Fund Revenue Budget, Treasury Management Strategy, and the Council Tax Resolution Scheme. The Medium Term Financial Strategy provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.
- Section 151 of the Local Government Act 1972 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for administration of those affairs. This role is discharged by the Council's Finance Manager.
- The Council has considered the appointment of Independent Persons for the Council in accordance with the standards framework to be compliant with the Localism Act 2011. The appointment will be made by Full Council on 23rd May

2019 and be for a period of four years, subject to ratification at the Council's Annual Meeting in May each year.

- Council approved key strategies and policies such as the revised Financial Regulations and Procedure Rules, Statement of Community Involvement and the Business Plans for each of the Council's Local Authority Trading Companies.
- In December 2018 Council resolved to establish a not-for-profit registered provider of affordable housing and to submit a Stage One (preliminary) application to the Social Housing Regulator for East Cambridgeshire Housing Association to be registered as a not-for-profit registered provider.

2. The Resources and Finance Committee

- The Council has a committee which includes the role of the Audit Committee and covers internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts. For the municipal year 2018/19 this committee was the Resources and Finance Committee.
- In February 2019 Council approved a revised Committee structure to take account of the reduction in elected members from 39 to 20 for the new Council in 2019/20, and the current and varied workload of individual Committees. For the municipal year 2019/20 the role of the Audit Committee will be the Finance & Assets Committee, which will include the period up to and including the publication of the Annual Statement of Accounts and Annual Governance Statement in July 2019.
- The Committee received reports on corporate risks, the work of internal audit, including the annual report, and external audit reports, letters and briefings. It also reviewed and approved the Annual Governance Statement.
- The Committee reviewed and noted end of year performance reports, budget reports, and approved service delivery plans for Financial Services, Democratic Services, Infrastructure and Strategic Housing, Strategic Planning, Performance Management, Legal Services, Customer Services, Reprographics, Human Resources and Information and Communication Technology.
- The Committee approved financial reports, such as the Treasury Management Strategy, Treasury Management Annual Performance Review, the Annual Investment Strategy, Revenue Budgets, Capital Programme, Council Tax, overall Council Budget reports; and reviewed the minutes of the ARP Joint Committee, as the partnership which delivers revenues and benefits for the Council.

3. The Regulatory Services Committee

- The Committee approved a number of policies and strategies including the Private Sector Housing Enforcement Policy, Health and Safety Enforcement Policy and the Council's Environment Strategy.
- The Committee received quarterly performance reports for the delivery of the waste and street cleansing services by East Cambs Street Scene Ltd, and also reviewed the future provision of the Clinical Waste Service and Neighbourhood Recycling.

- The Committee received and noted quarterly budget monitoring reports and end of year performance reports and approved service delivery plans for Planning, Building Control, Environmental Services, Licensing, Housing and Community Safety and Waste Services.

4. The Commercial Services Committee

- The Committee approved the East Cambridgeshire Tourism Strategy and Community Engagement Strategy 2018-23 and reviewed performance and emerging issues identified by voluntary organisations funded by East Cambridgeshire District Council and agreed the funding allocations for the financial year 2019/20.
- The Committee received progress reports on the operation of The Hive Leisure Centre.
- The Committee received and noted quarterly budget monitoring reports and end of year performance and approved service delivery plans for Open Spaces, Communities and Partnerships and Leisure Services.

5. The Shareholder Committee

- The role of the Shareholder Committee is to monitor and scrutinise East Cambridgeshire Trading Company and East Cambridgeshire Street Scene. This is a standalone Committee, separate to the Council's Policy Committees and reports directly to full Council.
- In July 2018 Full Council approved revisions to the role and terms of reference of the Shareholder Committee to reflect the significant developments since the inception of the East Cambridgeshire Trading Company in January 2016. A revised terms of reference is included in the Council's Constitution.
- The Committee considered the results of the audit of the East Cambs Trading Company Accounts for the financial year 2017/18, carried out by their appointed auditors, Price Bailey. There were no matters that necessitated reporting as requiring attention. In addition the Committee received a report detailing the strategic risks of both the East Cambridgeshire Trading Company (ECTC) and East Cambridgeshire Street Scene (ECSS), the key risk being the repayment of the loan made by the Council.
- The Committee reviewed the ECSS Business Plan for the financial year 2019/20, recommending it for approval by Full Council.

6. Internal audit

- The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Chief Internal Auditor to give an opinion on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.
- The Chief Internal Auditor's annual report was presented to the Resources and Finance committee in June 2019. This report outlined the key findings of the audit

work undertaken during 2018/19, including areas of significant weakness in the internal control environment.

- The Chief Internal Auditor's annual opinion is that:

'Satisfactory Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally being applied consistently. Controls relating to key financial systems for bank reconciliations, debtors, budgetary control and treasury management which were reviewed during the year were generally concluded to provide a level of at least Good Assurance. The audit of creditors highlighted a number of improvements in controls compared with 2017/18 but some areas for improvement remain subject to further development.

Where any areas for improvement to control environments have been identified during audit assignments, recommendations have been made and an action plan agreed with management. The implementation rate in relation to actions agreed in 2018/19 has been very strong, with 97% of actions due for implementation being completed during the year.

No systems of internal controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance'.

7. External audit

- Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.
- EY's audit results report (ISA260) for 2017-18 was presented to Resources and Finance Committee on 26 July 2018. The annual audit letter 2017-18 was presented to the Committee on 29 November 2018. The annual report on the certification of claims and returns 2017-18 was presented to the Committee on 28 January 2019.
- For 2017-18 EY issued unqualified audit opinions on the Council's financial statements and value for money conclusion.

6. Governance issues and actions

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance. The review Process has highlighted no significant issues.

NONE IDENTIFIED AT TIME OF PRODUCING DRAFT.

Progress on the action plan from the previous governance statement

There were no significant issues arising from the 2017-18 governance statement.

7. Conclusion

Based on the work that has been completed, assurance can be taken that the governance arrangements at East Cambridgeshire District Council are fit for purpose.

SUBJECT TO NO SIGNIFICANT ISSUES BEING IDENTIFIED

8. Statement by Leader of the Council and Chief Executive

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to its citizens and stakeholders.

We propose over the coming year to continually address any issues arising that need addressing in order to further enhance its governance arrangements.

Signed:

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Leader of the Council

Date:

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John Hill

Chief Executive

Date: