

AUDIT COMMITTEE

26 JUNE 2014

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.3 ANNUAL GOVERNANCE STATEMENT 2013/14

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2013/14.

SUMMARY AND POSITION FOR 2013/14

The Council has approved and adopted a Code of Corporate Governance (the Code), which is consistent with the principles of the CIPFA / SOLACE *Framework Delivering Good Governance in Local Government*, along with an update published in December 2012 which has been taken into account in preparing the Annual Governance Statement.

The Annual Governance Statement explains how the Council complies with the Code and also demonstrates how it meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 which requires relevant bodies to conduct a review at least once a year of the effectiveness of its system of internal control.

The Annual Governance Statement for 2013/14 is attached as **Appendix A** and is submitted for approval by the Committee, following which it must be signed by the Chief Executive and Leader of the Council and appended to the Statement of Accounts.

The Chief Executive and Leader of the Council are required to be advised of the implications of the result of the annual review of the governance framework and that actions are in place to address any weaknesses. In this respect, the Governance Framework in place for 2013/14 was robust with improvements made during the year, although a number of items have been identified for progressing in 2014/15. To monitor progress, these improvement actions will be reported to Members as appropriate.

In terms of the actual Code of Corporate Governance itself, the Code was not updated during 2013/14, it being considered practical to defer the update until the review of the Council's Constitution was completed. This was brought to the attention of the Audit Committee at the time. The 2012/13 code still remains live and will remain so until a revised document is presented and approved by the Audit Committee, this currently is expected to be later in the 2014/15 year.

RECOMMENDATION(S)

(a) That the Annual Governance Statement be approved.

(b) That subject to (a) above, the Chief Executive and Leader of the Council are advised of the outcome of the annual review and are authorised to sign the Annual Governance Statement set out in Appendix A.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The updated Annual Governance Statement and Code help to communicate the Council's

underlying governance arrangements in delivery against its key priorities and objectives.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

There are no direct financial implications arising from this report.

Risk

The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance or undertaking an annual review part of the Annual Governance Statement requirements which also protects the Council's reputation and demonstrates transparency, openness and commitment to continuous improvement.

LEGAL

The preparation and publication of an Annual Governance Statement in accordance with the Delivering Good Governance in Local Government Framework is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2011 for Authorities to prepare an Annual Governance Statement in accordance with "proper practices".

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications with such matters forming part of the overall governance framework that is set out in the statement and Code of Corporate Governance itself.

PART 3 – SUPPORTING INFORMATION

BACKGROUND PAPERS FOR THE DECISION

None.

APPENDICES

Appendix A – Annual Governance Statement 2013/14

A.3 APPENDIX

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2013-14

1. SCOPE OF RESPONSIBILITY

Tendring 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. 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 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 authority's code is available to be viewed or downloaded from the Council's website (www.tendringdc.gov.uk) or can be obtained by contacting the Council's Corporate Services Department. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011, regulation 4(3), 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, culture and values by which the authority is directed and controlled and its activities 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 services and value for money.

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

The governance framework has been in place in the Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements as reflected in the Code of Corporate Governance were:

- A Corporate Plan which sets out the Council's vision and goals.
- A Financial Strategy, Capital Strategy and Asset Management Plan, and Treasury Strategy links financial planning to enable the Council to balance the delivery of quality services along with its priorities and aspirations and maximise the effectiveness of its assets.
- A Performance Management Framework which includes financial and non-financial information.
- A Corporate Risk Management Procedure and Corporate Risk Register which sets out the risk management framework and identifies and manages risks faced by the Council.
- The Council's Constitution which covers roles and responsibilities, delegated powers, along with key areas such as financial and procurement procedure rules.
- An Audit Committee that provides scrutiny of the governance framework.
- Whistleblowing and complaints procedures that provide individuals with opportunities to report issues with the Council.
- Business Continuity Plans to ensure the Council can maintain an appropriate level of service.
- Clear Codes of Conduct which set behavioural expectations for all individuals representing the Council.
- A Human Resources Framework that covers a range of practices and policies.
- Overview and Scrutiny Committees which carry out an annual programme of work to review and scrutinise Council functions and consider any matter affecting the District.
- Statutory Officers such as the Chief Executive, S151 Officer and Monitoring Officer.
- Robust governance arrangements for working, engaging with and consulting our stakeholders and partners.
- An Information Security Policy providing an IT governance framework.

The Council's key governance processes are subject to internal audit on a cyclical / risk based approach. This work forms part of the Audit and Governance Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control environment.

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 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 comments made by the external auditors and other review agencies and inspectorates.

In practice, the review of effectiveness is an on-going process throughout the year. However set against the backcloth of ongoing reductions in Government Funding and associated savings targets, restructuring and reorganisation was on-going within the Council in 2013/14 to provide a sustainable and long term basis against which to deliver services. Such significant changes in themselves present governance challenges and risks which have been recognised as part of the managing change and usual processes undertaken during the year.

Building on the approach in previous years but acknowledging the fundamental changes that remain on-going, the activities and mechanisms in place include:

- Review of overall performance, incorporating financial and non-financial information, and change management by Management Team and Members.
- The translation of the corporate plan objectives into corporate goals to enable targeting of work by departments.
- The establishment of a Portfolio Holder Working Party to enable Members to engage in a fundamental review of the Council's Constitution.
- Regular meetings of Management Team which include the Chief Executive, all Corporate Directors / Head of Department in attendance to discuss relevant matters, issues and strategic challenges facing the Council and to help to take the organisation forward.
- Three Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, and Community Leadership and Partnerships which met in total on 24 occasions during 2013/14. The Council is also breaking new ground with the establishment of a fourth Overview and Scrutiny committee looking at Education and Skills.
- An Audit Committee which met on five occasions during 2013/14 to enable it to fulfil its statutory, regulatory and governance responsibilities including the monitoring of Internal and External Audit recommendations, the monitoring of the development and operation of risk management, the approval of the Statement of Accounts for publication.
- A Conduct Committee that met twice, and the replacement Standards Committee once with a review of the new standards arrangements to be carried out after six months of operation.
- Staff updates by the Chief Executive covering issues from the reorganisation to staffing matters and service changes.
- Compliance with accounting and auditing codes and standards.

A number of activities and actions were also undertaken during the year in reviewing and strengthening the Council's Governance Framework. These are set out below against the six core governance principles included in the Council's Code of Corporate Governance.

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

- A process of continual improvement is maintained in terms of both financial and non-financial monitoring.
- The Officer Structure of the Council continued to be subject to revision to facilitate service delivery within the resources available.
- The Council continued to be engaged in a number of partnership projects to bring about sustained system change in local services, to recast collective activity around the needs of local communities and citizens, and to deliver the conditions for growth that supports businesses and residents, such as the Rural Infrastructure Project.
- Incorporation within Procurement Procedure Rules of the requirements of the Public Services (Social Value) Act 2012 to evidence how the proposed procurement might improve the economic, social and environmental well-being of the relevant area.
- The establishment of a Local Plan Committee to oversee the remaining stages of preparing the Local Plan, address the fundamental issues raised by objectors and deal with other aspects of planning policy work.
- Development of the Council's community leadership role, including the setting up of a Rural Projects Panel.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- A review of representation at external meetings and outside bodies.
- The establishment of a Portfolio Holder Working Party to enable Members to engage in the review of the Council's Constitution.
- The establishment of member / officer groups, including the Information Policy Unit which is chaired by the relevant Portfolio Holder.

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council adopted a new Standards Framework for Members' including a new Members' Code of Conduct, a new Standards Committee, and an enhanced role for the monitoring officer in managing the complaints process.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The Council continues to embrace transparency and openness by including transaction details published on the Council's website each month to all transactions not just those over £500.
- The Council continues to embrace transparency and openness by publishing summary salary information on the Council's website each month for all grades within the officer structure.
- Implementation of a revised approach to risk management within the Council.
- Amendment to the Constitution to enable to enable Leaders and Deputy Leaders of opposition groups to participate fully in discussion at Cabinet on agenda items.
- Changes to the running of the Council's Big Society Fund to make it more accessible, transparent, to involve genuine cross-party working, and external representation.
- Implementation of The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 requiring a named vote on Budget motions.
- Establishment of a member group to oversee the implementation of IT investment.

Developing the capacity and capability of Members and officers to be effective

- The Council has been awarded Investors in People accreditation for a further period.
- Ongoing personal target setting for officers, capturing personal development opportunities.
- The implementation of enhanced opportunities for the consultation with and engagement of Ward Members in the work of the Council.
- The Council continues to take a proactive approach to promoting governance, inclusivity, and facilitation of cross party working such as amendment to the Constitution to enable participation the participation of the Leader or Deputy Leader of opposition groups in discussion of agenda items at Cabinet meetings.

Engaging with local people and other stakeholders to ensure robust public accountability

- The ongoing use of an interactive budget consultation tool "You Choose" to obtain the views of local residents on areas they consider to be spending priorities with the information considered by Members during the setting of the 2014/15 budget.
- The ongoing development of the Council's website

- The implementation of a scheme to allow the filming or recording of public meetings of the Council.
- The establishment of an Overview and Scrutiny Committee for Education and Skills.
- The adoption of a Petitioning Scheme, which includes the opportunity for petitioners to address the Cabinet or the Council.

In respect of specific actions identified as part of last years Annual Governance Statement, actions undertaken include:

- Risk Management – A revised approach was introduced during 2013/14, which will be monitored and reviewed by the Audit Committee.
- Financial Resilience – A balanced budget was agreed for the 2014/15 financial year. A revised forecast for future years will be presented to Members early in 2014/15.
- Ethical Governance – a full review of conduct arrangements has been completed with revised arrangements agreed by Full Council during 2013/14.
- Council's Constitution – work remains ongoing, overseen by a member led Constitutional Review Working Group. The first phase of the review has been agreed by Full Council with the subsequent stages scheduled for completion in 2014/15.
- Other Major Issues – Changes regarding Local Council Tax Support and Business Rates – The second year Local Council Tax Support Scheme was agreed by Full Council during 2013/14 following the necessary level of consultation. Corporate Budget Monitoring processes are in place to enable the financial risk to be kept under review. The Business Rates position is still emerging including the provision for appeals.
- Other Major Issues – Key Projects – Clacton to Holland Haven Coast Defence Scheme – significant work remains in progress with a number of partners working together to successfully deliver the coast defence scheme. The Council continues to work together with the External Auditor and EELGA to support the delivery of value for money and demonstrate good governance.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

Internal Audit

The Internal Audit function undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control.

A summary of the issues identified in the audits completed during the year were included in periodic reports to the Audit Committee, with the Committee's attention drawn to any significant issues where the level of assurance was classified as Limited. The committee were made aware of unscheduled assignments / investigations undertaken during the year.

Taking into account the issues identified during the year and reviews by other assurance providers, it was possible to provide reasonable assurance that the systems of internal control were generally operating adequately and effectively.

External Audit

The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

Each year the auditor's overall findings are brought together in an Audit Results Report and Annual Audit Letter (available on the Council's website). Action is taken on issues identified with recommendations monitored by the Council's Audit Committee on a regular basis.

5. REVIEW OF EFFECTIVENESS AND SIGNIFICANT GOVERNANCE ISSUES

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**.

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified.

| Governance Issue | Action |
|---|--|
| Financial Resilience | Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backdrop of the potential for further cuts in Government funding. |
| Council's Constitution | Complete the comprehensive review of the Council's Constitution to ensure that it is fit for the future, including consideration of social, environmental and economic issues. |
| Local Audit and Accountability Act 2014 | To take appropriate action to comply with the legislative requirements of the act. |
| Other Major Issues | To continue to manage the emerging financial and reputation risks of the changes arising regarding Local Council Tax support and localisation of Business Rates. |
| | To ensure that adequate, effective and robust management and procurement arrangements remain in place throughout key projects such as the Clacton to Holland Haven coast defence scheme, to deliver value for money, and implement the findings from the external auditor following their specific review of this project. |
| | To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, with a view to facilitating development or directly developing the sites for housing / regeneration stimulation. |

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

Ian Davidson
Chief Executive

Date

Councillor Mick Page
Leader of the Council

Date