

## AUDIT COMMITTEE

30 JUNE 2016

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.2 ANNUAL GOVERNANCE STATEMENT 2015/16 AND CODE OF CORPORATE GOVERNANCE

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2015/16

To advise Members on progress regarding the changes required to the Code of Corporate Governance following the publication of a new framework by CIPFA / Solace.

##### SUMMARY AND POSITION FOR 2015/16

The Council has previously 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 (2007)* and the update published in December 2012. The Annual Governance Statement for 2015/16 has been prepared in accordance with that framework and has taken account of the existing Code of Corporate Governance.

CIPFA / Solace published a new framework in April 2016 which is applicable to Annual Governance Statements prepared for the financial year 2016/17 onwards.

The Annual Governance Statement explains how the Council complies with the Code and also demonstrates how it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 which requires a relevant authority to conduct a review of the effectiveness of its system of internal control, and prepare an Annual Governance Statement.

The Annual Governance Statement for 2015/16 is attached as **Appendix A** and is submitted for approval by the Committee. It will then be subject to audit by the Council's external auditors, following which it must be signed by the Chief Executive and Leader of the Council and appended to the Statement of Accounts. If any changes are required following audit, then a revised Annual Governance Statement will be submitted to the next meeting of the Committee for approval.

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 2015/16 was robust with improvements made during the year, although a number of items have been identified for progressing in 2016/17. To monitor progress, these improvement actions will be reported to Members as appropriate.

In terms of the actual Code of Corporate Governance itself, an updated Code was approved by the Committee at its June 2015 meeting, which remains current until such time as an amended version is submitted to Members for approval. Following the publication of the new CIPFA / Solace framework in April 2016, it is necessary to review the content of the Code. The results of this review will be brought to a future meeting of the Committee, together with an updated Code for approval.

## RECOMMENDATION(S)

- (a) That the Annual Governance Statement 2015/16 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 6 of the Accounts and Audit Regulations 2015 for Authorities to prepare an Annual Governance Statement.

### 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 2015/16

## TENDRING DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2015-16

#### 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.

The Council acknowledges its responsibility for ensuring there is a sound system of governance, incorporating the system of internal control.

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](http://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 2015, regulation 6(1), 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 2016 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, goals and objectives.
- A Financial Strategy, Capital Strategy, Asset Strategy, 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 and Budget Monitoring Framework which includes financial and non-financial information.
- A Corporate Risk Management Framework 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.
- Clear Codes of Conduct which set behavioural expectations for all individuals representing the Council.
- A Standards Committee that promotes and maintains high standards of conduct by Members and co-opted Members of the Council.
- A Human Resources Framework that covers a range of practices and policies.
- A committee framework with clear responsibilities and terms of reference supported by senior managers.
- 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, each financial year, a review of the effectiveness of its 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 Audit and Governance Manager'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, action has continued within the Council in 2015/16 to provide a sustainable and long term basis against which to deliver services. Such 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 publication of accurate and reliable performance statements and other information.
- The translation of corporate objectives into clear goals to enable targeting of work by departments.
- 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.
- Four Overview and Scrutiny committees, Corporate Management, Service Development and Delivery, Community Leadership and Partnerships, and Education and Skills which met in total on 24 occasions during 2015/16.
- An Audit Committee which met on four occasions during 2015/16 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 Standards Committee that met on three occasions during 2015/16, to promote and maintain high standards of conduct, to develop a culture of openness, transparency, trust and confidence, and embed a culture of strong ethical and corporate governance.
- Staff updates by the Chief Executive during the year.
- Compliance with accounting and auditing codes and standards.
- Conformance of the authority's financial management arrangements with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government as set out in the Application Note to the Delivery of Good Governance in Local Government Framework.
- Periodic updates to the Code of Corporate Governance to reflect changes to the Council's Governance Framework.

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 and initiatives 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.
- The ongoing role 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.
- The reconstitution of the Rural Projects Panel as a Portfolio Holder Working Party with cross-party membership to consider issues such as broadband, mains sewerage, mains drinking water and flooding.
- An increase in the membership of the Rural Infrastructure Working Party by one Member, along with a change in its membership, to enhance its rural make up.

- The appointment and authorisation of representatives to the North Essex Garden Communities Project Joint Delivery Board. The authorisation of officers to represent the Council on a Joint Steering Group and relevant delivery and project teams.
- Development and review of the Council's emerging Corporate Plan.

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

- A focus on community leadership
- The continued operation of member / officer groups
- The facilitation of all member workshops to take forward ideas and activities to support the Council
- Members being encouraged to identify areas of potential income or efficiency saving to scrutinise, work up and report to Corporate Management Scrutiny Committee.
- The holding of an informal discussion and question and answer session for members of the Corporate Management Scrutiny Committee with the Council's Finance and Procurement Manager regarding the Cabinet's budget proposals.

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

- A Standards Committee undertaking hearings regarding failures to comply with the Members' Code of Conduct, and to receive updates on complaints.
- The approval of a new Corporate Anti-Social Behaviour policy
- The approval of a PREVENT policy requiring the Council to have due regard in the exercise of its functions of the need to prevent people being drawn into terrorism.
- Amendment of Officer Employment Procedure Rules to reflect legislative changes, including the forming of an Independent Advisory Panel to advise on dismissal of statutory officers.
- The adoption of a new Corporate Monitoring Policy applicable to all employees and authorised third parties, protecting employees, technology, information being processed and the privacy rights of people that the information relates to.
- The adoption of a revised Corporate Safeguarding Policy providing the Council with a combined Vulnerable Adults and Children's Safeguarding Policy.
- The approval of a new Officers' Code of Conduct.
- The provision of an introduction to the Standards Committee to enable the new membership of that Committee to familiarise themselves with the Council's Standards Framework.
- The provision of an awareness session on the Members' Code of Conduct at an all Member Briefing.
- Review of the Independent Person Protocol.
- Approval of a Members' Gift and Hospitality Policy, setting out a clear set of rules regarding whether it would be proper to accept any gift or hospitality and the procedure for declaring any received.

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

- The Council continues to embrace transparency and openness by publishing information on its website including payments to suppliers, salary information, Councillors' allowances and expenses, and the contract register.
- Continued development of the risk management approach within the Council.

- Overview and Scrutiny Committees continuing to make reports or recommendations to Cabinet or the Council with respect to the discharge of Council functions or on any matter affecting the authority's area or its inhabitants.
- The identification of a lead Corporate Management Committee member to work with relevant Portfolio Holders regarding specific projects.
- The consideration of reports from Portfolio Holder Working Parties.
- Amendment to Procurement Procedure Rules to reflect new advertising requirements for contacts over £25,000 resulting from the Public Contract Regulations 2015.
- Revision of Access to Information Procedure Rules to improve clarity and procedures.
- A decision to in future hold informal meetings of the Corporate Management Scrutiny Committee to keep abreast of ongoing changes in the Council's budgetary position, and focussing on scrutinising Portfolio Holders' progress towards the Council's goal of financial self-sufficiency.

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

- A re-focus of Portfolios has taken place with clear targets and activities identified which sets out a vision and expectation of individual Portfolio Holders.
- Ongoing personal target setting for officers, capturing personal development opportunities.
- The development of a dynamic and motivated workforce dealing with change and transformation with resilience and tenacity, resulting in the achievement of Investors in People Gold accreditation during the year.
- The Council continues to take a proactive approach to promoting governance, inclusivity, and facilitation of cross party working enabling participation of the Leader or Deputy Leader of opposition groups in discussion of agenda items at Cabinet meetings.
- The merger of the Community Leadership and Partnerships Committee and the Education and Skills Committee, enabling the scrutiny of the delivery of education and skills services to be considered alongside other important functions such as health, policing and the voluntary sector.
- Revisions to the Constitution to keep it up to date to enable the Council to operate efficiently in pursuit of its priorities.
- Ongoing progress in transforming working arrangements to provide Members and staff the best tools the council can to do their jobs in terms of environment, practices, equipment and skills.
- Mandatory training for members (and named substitutes) of specified committees and the maintenance of training records to evidence that appropriate training to allow members of such committees to undertake the business of their meetings had taken place.
- The holding of all Member briefings, on subjects such as the emerging Local Plan, and scrutiny, to develop members knowledge and have cross party debate on a range of key issues.
- Extension of the terms of reference of the Electoral Review Portfolio Holder Working Party to include consideration of future governance structure for the Council.
- A review of the senior management structure of the Council.
- Presentations to Senior Managers' forum on subjects such as recording Officers' Decisions and Scheme of Delegation requirements.

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

- Extensive ongoing formal and informal community engagement regarding the development of the Council's key project for Jaywick.
- 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, and the invitation of comments from businesses in the district on the proposed budget with the information considered by Members during the setting of the 2016/17 budget.
- The ongoing development of the Council's website
- The receiving and consideration of petitions in accordance with the Petitioning Scheme, which includes the opportunity for petitioners to address the Cabinet or the Council.
- Updates to the list of appointments to external meetings and outside bodies to ensure that the Council is appropriately represented.
- The establishment of a Grants Panel, comprising representatives of the Council and external partners to make investment decisions on Small and Medium Sized Enterprises Growth Fund grant applications.
- The recording and publishing on the Council's website of the meetings of the Local Plan Committee and the Planning Committee.
- The consideration of issues raised through representations received on the Local Plan "Issues and Options" consultation.
- The extension of the Public Speaking Scheme to permit members of the public to speak at meetings of the Local Plan Committee.

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

- **Financial Resilience** – A balanced budget for 2016/17 was agreed by Full Council on 9<sup>th</sup> February 2016, which applied savings from 2015/16 when considering the budget over a two year rolling period. In reflecting observations previously made by the Council's External Auditor the following formed part of the final budget proposals:
  - 1) No significant amounts were 'drawn down' from reserves / one-off funding to balance the budget.
  - 2) Members also took into account the impact on the budget for different levels of Council Tax, set against the move to self-sufficiency and financial sustainability.
- **Council's Constitution** – The Council's Monitoring Officer is providing guidance on the application of the rules and procedures and is continuing to do so on both general and specific issues as required / requested.
- **Other Major Issues – Local Council Tax Support** – The 2016/17 scheme was agreed by Full council on 24<sup>th</sup> November 2015, which remained the same as the 2015/16 scheme. The relevant activities to review the scheme for 2017/18 have been scheduled.
- **Other Major Issues – Clacton to Holland Haven Coast Defence Scheme** – A review of the scheme including detailed financial analysis was presented to Cabinet at its 11<sup>th</sup> December 2015 meeting. The scheme was delivered on time and within budget with unused funding being directed to a complimentary project that seeks to address cliff stabilisation risks along the same coastline.



- **Other Major Issues – Acquisition of Sites in Jaywick / Facilitation of Development** – The initial acquisition of 5 sites in Jaywick has been completed. The various options to deliver the next phase are being developed / considered, and therefore this is carried forward as a governance issue into 2016/17.
- **Other Major Issues – Code of Corporate Governance** – Revised Code of Corporate Governance guidance is applicable from 2016/17. The Code of Corporate Governance will be updated in 2016/17 to reflect the new guidance.

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. The Committee's attention was drawn to the significant issues identified in the Asset Management and Sundry Debtors audits where the level of assurance was classified as Improvement Required. In addition the Committee had been made aware of significant issues identified regarding procurement processes in an investigation that had been undertaken.

Robust mechanisms exist to ensure that corrective action is taken in such cases, with follow up audits scheduled as necessary.

Taking into account the issues identified during the year and reviews by other assurance providers, it was only possible to provide a qualified 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 taking account of the revised requirements relating to the External Audit value for money opinion: .

Governance Issue	Action
<b>Sustainable Resource Deployment</b>	
<p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>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 backcloth of the potential for further cuts in Government funding.</p> <p>The forecast budget 'gap' is £1.968m in 2017/18 rising to £5m on a cumulative basis by 2019/20. The budget 'gap' primarily reflects the continuing year on year reduction in Government funding.</p> <p>Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term, by aiming to find savings from within its underlying revenue budget rather than relying on potentially time limited income such as from the New Homes Bonus to balance the budget.</p> <p>Cabinet Members to lead on taking forward savings proposals which will include some difficult decisions such as ceasing service provision, decommissioning assets or reducing the level of services provided.</p>
<p>Managing and utilising assets effectively to support the delivery of strategic priorities</p>	<p>A key / overlapping element of work that will be progressed during the year will be how the Council manages and utilises its assets effectively to support the delivery of services and priorities.</p>
<b>Working with Partners and Other Third Parties</b>	
<p>Working with partners effectively to deliver strategic priorities</p>	<p>To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, and with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.</p>

<b>Governance Issue</b>	<b>Action</b>
	To continue to play a key role in the development of the Garden Communities Project including key governance and financial arrangements set against open and transparent decision making.
Other Major Issues	To revise the Code of Corporate Governance taking account of the new CIPFA/ Solace framework applicable from 2016/17.
	To continue to embed the arrangements regarding the recording of Officer Decisions and the Scheme of Delegation within Departments.

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

Neil Stock  
Leader of the Council

Date

Date