

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

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, 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 acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control**
- **facilitating the effective exercise of its functions**
- **management of risk**

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. 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 2015, regulation 6(1), which requires all relevant authorities to, each financial year: -

- (a) conduct a review of the effectiveness of the system of internal control
- (b) prepare an annual governance statement

2. ROLES OF THOSE RESPONSIBLE FOR THE DEVELOPMENT AND MAINTENANCE OF THE GOVERNANCE ENVIRONMENT



The roles of those responsible for the development and maintenance of the governance environment can be summarised as follows: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • Review or scrutinise Executive decisions • Assist with policy formulation and review • Report to Council / Cabinet on Council functions/ matters affecting the area or its inhabitants
Audit Committee	Management Team
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • Develop and maintain the Council's strategic direction • Ensure delivery of agreed targets within service areas • Review overall performance, both financial and non-financial, and change management
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • Head of Paid Service – discharge of Council functions • Monitoring Officer – lawfulness and fairness of decision making • Chief Financial Officer (S151) – lawfulness of Council's financial affairs and financial prudence of decision making 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes

3. EFFECTIVENESS OF THE KEY ELEMENTS OF THE CORPORATE GOVERNANCE FRAMEWORK

Purpose of the Governance Framework

The governance framework comprises: -

- **the systems and processes, culture and values by which the authority is directed and controlled**
- **its activities through which it accounts to, engages with and leads its communities**

It enables the authority to monitor: -

- **the achievement of its strategic objectives**
- **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**
- **evaluate the likelihood and potential impact of those risks being realised**
- **manage those risks efficiently, effectively and economically**

The governance framework has been in place in the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements that comprise the Council's governance arrangements include: -

1. The Council's Constitution, Budget and Policy Framework

- The **Council's Constitution** which sets out the Council's decision making framework enabling decisions to be taken efficiently and effectively, provides a means of holding decision makers to public account, a structure to deliver cost effective quality services to the community, and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, values, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including Financial Strategies and Budgets, Asset Strategies and Management Plans, Local Development Plans

2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing and Complaints Procedures** that provide individuals with opportunities to report issues with the Council
- **Information and IT Policies and Procedures** protecting data held by the Council
- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to regular review to reflect changes to the Council's Governance Framework, and any update to the CIPFA / Solace framework.

The governance arrangements were subject to evolution during the year with a number of activities and actions undertaken in reviewing and strengthening the Council's Governance Framework. These are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The establishment of governance arrangements for the Garden Communities project.
- Consultation on a draft Corporate Enforcement Strategy to provide a framework ensuring that the Council's enforcement functions are carried out in an equitable, practical and consistent manner, for introduction in 2017/18.
- Review of the Monitoring Officer Protocol.

B. Ensuring openness and comprehensive stakeholder engagement

- The Council continued to be engaged in a number of partnership projects and initiatives to bring about sustained 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.
- A continuing role for the Local Plan Committee to oversee the remaining stages of preparing the Local Plan, addressing the fundamental issues raised by objectors and dealing with other aspects of planning policy work.
- All Members receiving a presentation from representatives of the Local Government Boundary Commission for England, together with events for local community groups and representatives and Town and Parish Councils, providing information regarding the electoral review for the District.
- All Member briefings on topical subjects including Jaywick Sands, Budgets, the emerging Local Plan, and Garden Communities.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

- Approval of a Corporate Plan for 2016-2020 outlining the Council's vision, its priorities and projects, and with community leadership at its heart.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- As part of the financial strategy process, the establishment of Portfolio Holder led working parties each with a remit to identify budget reductions to meet the budget gaps for the period 2017/18 to 2019/20, providing forums for members and officers to discuss ideas and share information.
- Approval of a revised Capital Strategy taking account of the Council's financial environment, and providing guidance for individual capital investment decisions to promote consistency and reflect financial governance requirements.

- Approval of a Commercial Property Investment Policy to provide the opportunity to obtain improved yields compared to existing investment opportunities available.
- Adoption of a Customer Service Delivery Strategy to deliver an improved level of customer service at a reduced cost.
- Consultation on a draft Asset Management Plan, Property Strategy, Property Programme to enable the Council to manage effectively its land and property assets, for adoption in 2017/18.

E. Developing the entity's capacity, including the capacity of its leadership and the individuals within it

- The Officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available.
- Changes to Cabinet roles and responsibilities during the year to meet the challenges ahead, including Jaywick being given its own Cabinet Member with special responsibility to drive forward regeneration efforts to bring new homes, jobs and infrastructure to the area.
- The merger during the year of the Community Leaderships 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 including health, policing and the voluntary sector.
- A proactive framework for revising the Constitution ensuring it remains up to date and fit for purpose, enabling the Council to operate effectively in pursuit of its priorities.
- Continuing progress in transforming working arrangements to provide Members and officers with the best tools the Council can provide to undertake their roles effectively and efficiently in a modern environment.
- An Electoral Review Working Group, with cross party representation from Members, drawing up recommended proposals in respect of the total number of Councillors and numbers and boundaries of wards to be put to the Local Government Boundary Commission for England.
- A review of the Senior Management structure of the Council.
- Consideration of the operation of political proportionality rules in the allocation of seats on Committees to non-aligned Members.
- The adoption of a People Strategy setting out the Council's people priorities including recruitment, retention, staff development and organisation development.

F. Managing risks and performance through robust internal control and strong public financial management

- The retraining of staff and ensuring that rigorous management systems are put in place regarding health and safety.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- The determining of arrangements for the appointment of the Council's external auditors for 2018/19 onwards.
- The introduction of a revised Code of Corporate Governance consistent with the CIPFA / SOLACE Framework for delivering good governance in Local government 2016.

4. OPINION ON THE LEVEL OF ASSURANCE THAT THE GOVERNANCE ARRANGEMENTS CAN PROVIDE

The framework in place provides a sound basis for delivering good governance within the Council.

The Council has a statutory 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 Internal Audit as outlined in the Audit and Governance Manager's annual report**
- **Any issues reported or comment from the Council's external auditors and other review agencies and inspectorates**
- **The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment**

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backdrop of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in 2016/17 to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

The Council draws assurance on its governance arrangements from a number of 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.

The control and governance arrangements were found to be operating satisfactorily in many of the activities audited during the year, with significant issues identified only in a small number of the audits completed. Summaries of the significant 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 audits on Sundry Debtors, Procurement, S106 Agreements, Housing Allocations, Risk Management, Payroll and Human Resources Computer Application Review, and Uniform Computer Application Review, all of which had been given an assurance rating of Improvement Required. It should be noted that some of the issues identified in these audits were quite specific and that the governance arrangements were otherwise generally found to be of a satisfactory standard, however there were some weaknesses identified related to key or systems in use across the Council therefore giving a wider risk exposure.

The Audit and Governance Manager has drawn together the results of all the audits undertaken during the year, and considered where appropriate the work undertaken by other review agencies, in forming an opinion. Whilst the governance arrangements were generally found to be sound and fit for purpose, the wider risk exposure linked to some of the significant issues reported result in it only being possible to give a qualified assurance.

The corrective action taken by officers with regard to the issues raised by Internal Audit aids the improvement / maintenance of the control and governance framework. Robust mechanisms are in place to monitor progress of corrective action, with follow up audits scheduled as necessary.

- **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 any material ongoing issues incorporated within Significant Governance Issues below.

- **Other Review Agencies and Inspectorates**

The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

5. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT

In respect of the governance issues identified as part of last year's Annual Governance Statement, the actions undertaken to address and resolve those issues included: -

- **Planning finances effectively to support the sustainable deliver of strategic priorities and maintain statutory functions**

A balanced budget for 2017/18 was agreed by Full council on 7th February 2017.

A key priority for the Council is now to look ahead to the budgets for 2018/19 and 2019/20 which will present a significant financial challenge with early forecasts indicating savings of £3.4m being required.

- **Managing and utilising assets effectively to support the delivery of strategic priorities**

The on-going and comprehensive review of assets continues to form an important strand of work associated with the wider office transformation project. Decisions in respect of the Council offices in Weeley have now been taken and are being taken forward along with a number of further asset related initiatives.

An Asset Management Plan and a Property Strategy have been adopted early in 2017/18.

- **Working with partners effectively to deliver strategic priorities - Jaywick**

The Council continues to work with partners in progressing / developing the various strands of this major project.

- **Working with partners effectively to develop strategic priorities – Garden Communities**

Full Council on 29th November 2016 gave approval in principle to the Council being a long term funder for the project, in partnership with other Council's, having received a comprehensive report which set out the first steps in this major project.

The Council continues to work with partnering authorities to take this project forward with further decisions planned to be presented to Members in 2017/18.

- **Other Major Issues – Code of Corporate Governance**

A new Code of Corporate Governance, taking account of the CIPFA / Solace framework for delivering good governance in Local Government, was agreed by the Audit Committee at its 26th January 2017 meeting.

- **Other Major Issues – Embedding arrangements regarding recording of Officer Decisions and the Scheme of Delegation within departments**

Training was provided to Senior Officers on the new Committee Management system in 2016, which included the requirements for Officer Decisions.

The Scheme of Delegation to Officers remains as an ongoing activity to reflect the most up to date position in respect of Portfolios and Senior Management Structures.

6. SIGNIFICANT GOVERNANCE ISSUES

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
<p>Sustainable Resource Deployment: Achievement of Savings Needed over the Medium Term</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. Given the scale of savings needed, there is a risk that savings plans to bridge this gap are not robust and / or achievable.</p> <p>Delivery of the Transforming The Way We Work project</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 backdrop of planned cuts in Government funding to the Council over the period 2017/18 to 2019/20, with expected savings of £3.4m being required.</p> <p>To continue to maintain strong governance arrangements as the Council transforms the way in which it provides and delivers its services.</p>

Governance Issue	Action
<p>Informed Decision Making: Garden Communities</p> <p>Working with partners to identify an agreed strategic approach to the allocation and distribution of large scale housing led mixed use development, including employment opportunities and infrastructure provision. As a new and significant arrangement there may be risks relating to the governance arrangements for the establishment of the project.</p>	<p>To continue to play a key role in the development of the Garden Communities Project including key governance structures and financial arrangements set against open and transparent decision making.</p>
<p>Working with Partners and Other Third Parties</p> <p>Working with partners / third parties to effectively deliver the Jaywick Sands Community Development project</p>	<p>To continue to work with Essex County Council and other partners to develop options for residential and other development. To develop options for housing company and lead on set up of company.</p>
<p>Other Major Issues</p> <p>Competing priorities and resources not being aligned with projects at their outset to establish if there are sufficient resources to deliver those projects within the expected timescales</p>	<p>To ensure deliverability of projects without impact on the day to day operations of the Council.</p>
<p>In the light of recent experience, ensuring that the Council operates and delivers safe services.</p>	<p>To develop and maintain a robust corporate approach to delivery against the Council's health and safety responsibilities</p>

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

7. CONCLUSION

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.

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and 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 as part of our next annual review.

Ian Davidson
Chief Executive

Neil Stock
Leader of the Council

Date

Date