

**DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2017**

**Introduction**

This is the Lewes District Council's Annual Governance Statement (AGS) for 2017. The AGS includes:

- Acknowledgement of the responsibility to ensure there is a sound system of governance in place at the Council.
- A reference to the governance framework including the local code of corporate governance.
- An outline of key elements of the governance framework and an assessment of its effectiveness.
- A statement on significant governance issues.
- An opinion on the level of assurance that the governance arrangements provide.

The AGS will be published on the Council's website and will also form part of the Council's Statement of Accounts. The AGS is required by Regulation 6 (1) of the Accounts and Audit Regulations 2015.

**Scope of responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. It is responsible for putting in place proper arrangements for the governance of its affairs, and ensuring the effective exercise of its functions.

The Governance Framework comprises the systems and processes by which the Council is directed and controlled, and the activities through which it accounts to, and engages with the community. The framework enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services. The Council has responsibility for conducting, at least annually a review of its effectiveness of its governance framework including the systems of internal control.

The Council has a local Code of Corporate Governance which sets out the governance arrangements at the Council. This can be found at <http://www.lewes.gov.uk/council/3748.asp>

# **Key elements of the governance framework and an assessment of its effectiveness**

## **The Council**

The Council sets out its vision, priorities, projects and planned performance in the Council Plan. Underpinning this is a number of key strategies, programmes, service delivery and project plans which provide detailed commitments in terms of the Council's services and activities. The Medium Term Finance Strategy looks ahead five years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

The four year Council Plan is reviewed and approved each year by Cabinet and Full Council. The Council Plan 2016-20 was approved by Full Council at its February 2016 meeting. The Plan is divided into three themes being customers and communities, place and value for money.

Standards of behaviour and conduct of Councillors and officers are governed by Member and Officer Codes of Conduct, the Anti-Fraud and Corruption Strategy, Whistle Blowing Policy, Anti Bribery Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. A Core Values and Behaviours Statement was agreed in April 2013, following extensive consultation with staff. These guidance documents and procedures are the subject of training/awareness raising for staff and Councillors and are made available via the Council's intranet. The Council also has a Competency Framework which is part of the performance management and appraisal systems.

A Councillors' induction programme takes place every four years after a District Council Election. Individual Councillors' training needs are reviewed annually and specialist training on specific areas of activity are organised by officers as required e.g. IT, planning and scrutiny matters. Each year all Council committees are invited to identify training needs/issues arising from their work programme. Training needs for each member of staff are assessed as part of the annual appraisal process.

The Council has an established framework for financial governance based on Contract and Financial Procedure Rules, with sound budgeting systems, clear budget guidance for managers and regular reporting of financial performance to Councillors and officers.

At its September 2015 meeting Cabinet approved the integration of staff and services with Eastbourne Borough Council called the "Joint Transformation Programme (JTP)". To support this transformation and change a detailed governance structure was put in place. This includes the:

- Joint Transformation Board (members from both councils including from the opposition groups),
- Joint Transformation Core Team (officers from both councils with designated roles)

- Joint Transformation Consultative Forum (Unison and staff representatives).
- Joint Transformation Quality Assurance Panel (an officer panel).

In May 2016 the Full Business Case for the Joint Transformation Programme (JTP) was approved by the Cabinets at both Lewes District and Eastbourne Borough Council. The JTP comprises three phases of restructuring. Phase 1 was completed in April 2017 with the appointment of seven new Heads of Service and other senior management roles. Phase 2 has commenced with the intention of publishing a draft target operating model by the end of August 2017. The workforce of Lewes District Council transferred to Eastbourne Borough Council in February 2017.

The Head of Audit and Counter Fraud has monitored the impact on the control environment of the Council's restructuring and where appropriate liaised with managers who are working to ensure the control environment keeps pace with these changes.

The General Fund budget for 2016/17 included a savings target of £0.685m including £0.4m to be generated from the JTP with EBC, of which Phase One (creating a single team of leaders and managers across LDC, EBC and Eastbourne Homes) is the main driver. This target is expected to be achieved, although because the new JTP Phase One management restructure will not be fully completed until June 2017, some of the savings will be deferred into 2017/18. This was reported to the Audit and Standards Committee in March 2017.

## **The Constitution**

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to Councillors and officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit and Standards Committee and the Scrutiny Committee) as well as the roles and responsibilities of Councillors and senior officers. The Council has adopted the Leader and Cabinet model.

The Council's Constitution sets out the roles of the Head of Paid Service, Monitoring Officer and Chief Finance Officer (Section 151) - at Lewes District Council these roles are fulfilled by the Chief Executive, Assistant Director - Legal and Democratic Services and Deputy Chief Executive. These roles include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with and expenditure is lawful. The Head of Paid Service is responsible for overall corporate management and operational responsibility (including overall management responsibility for all officers). The above officer roles sit on the Council's Corporate Management Team and have regularly discussed matters relevant to their roles in the period of the AGS.

Communication between Councillors and officers is governed by the Protocol on Member/Officer Relations. There is also a Councillor Protocol for Procurement.

## **Cabinet**

The Council appoints the Leader who appoints members of Cabinet. The Cabinet currently has seven members and meets seven times in the municipal year. Each member of the Cabinet has a portfolio for which they are responsible. During the period of this AGS the Cabinet undertook a number of key tasks relevant to the governance arrangements including:

- Endorsing the opinion of the then Head of Audit, Fraud and Procurement that the overall standards of internal control were satisfactory at its September 2016 meeting.
- Receiving and endorsing the annual report on risk management including the strategic risks identified by Corporate Management Team at its July 2016 meeting.
- Considering the Council's progress and performance in respect of key projects on a quarterly basis.
- Agreeing the General Fund and Housing Revenue Account financial performance for each quarter.

## **Audit and Standards Committee**

The Council has established an Audit and Standards Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities", and reports to the Cabinet on the effectiveness of internal controls within the Council.

The Audit and Standards Committee has met regularly during period of this AGS. The Chair's annual report on the work of the Audit and Standards Committee is reported to this meeting of the Committee.

The Head of Audit and Counter Fraud has reported regularly to the Audit and Standards Committee on the work of Internal Audit, on governance and internal control, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2016/17, the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control issues created significant risks for the Council.

An audit of Right to Buy reported to the Audit and Standards Committee in September 2016 identified minimal assurance that there was an adequate system of internal control covering the administration of Right to Buy applications. Appropriate corrective action was taken during the audit to address immediate issues and risks, and further changes to the controls covering the processing of Right to Buy cases have been introduced.

During the period of this AGS there has been one case for consideration by the Standards Panel relating to a Lewes District Councillor. It met in February 2017 and concluded that the Councillor had failed to comply with the Code of Conduct. The Panel required the Monitoring Officer to arrange training for the Councillor on the Code, and the training took place in April 2017.

### **Scrutiny Committee**

The Council's Scrutiny Committee oversees the independent review of performance and decisions of Cabinet and other activities and functions of the Council. This is achieved through its regular meetings, appointed Scrutiny Panels and the Call In Procedure. The Scrutiny Committee has met seven times since April 2016. During the period of this AGS the Scrutiny Committee undertook a number of key tasks relevant to the Council's governance arrangements including:

- Receiving the Waste and Recycling Service Review in July 2016 with opportunity to make comments in advance of Cabinet considering the review options.
- Agreeing the work programme for 2016/17 in July 2016.
- Receiving quarterly portfolio progress and performance reports with the opportunity to make recommendations to Cabinet.
- Receiving the 2017/18 Budget Overview and Tax Base report in January 2017 with the opportunity to forward any comments to the next meeting of Cabinet.
- The Scrutiny Panel at its March 2017 meeting calling in of a draft Executive Member Decision on the Application for LDC Business Rates Discount Scheme.

### **Corporate Management Team (CMT)**

The role of CMT is to provide strategic management and planning, and ensure proper oversight of priority and budget setting, service planning and performance management. CMT also provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, and develops relationships with key stakeholders. Individual members of CMT are responsible for the performance of their relevant department/service areas, progress of their relevant portfolio themes and liaison with portfolio holding members. CMT reviews the Internal Audit Plan, Strategic Risk Register and the AGS.

In July 2016 Lewes District Council and Eastbourne Council formed a joint CMT structure to manage the services of both councils. Meetings of this body take place weekly. The Scheme of Delegation was revised on the establishment of the joint CMT. AS the JTP progresses and new heads of service have been appointed interim arrangements have been put in place to ensure appropriate sub delegation and decision making powers.

As part of the Council's internal assurance framework, CMT have confirmed the proper operation of internal controls including compliance with the Constitution in

those service areas for which they are responsible by completing an assurance statement and considering significant governance issues.

Under the Code of Practice for Local Authority Accounting 2016/17 the Council is required to confirm that its financial management arrangements conform with governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (2015). The Council's arrangements conform with the requirements of the Statement and this has been confirmed by the Deputy Chief Executive (Section 151 Officer).

### **Internal Audit and Counter Fraud**

The Council has an Internal Audit and Counter Fraud Division that is an independent, objective assurance and consulting function. From July 2017 this service will be provided by a shared service between Lewes District Council and Eastbourne Borough Council. The Head of Audit Counter Fraud for the two councils was appointed to this post in April 2017.

The Division operates in accordance with the auditing guidelines in the Public Sector Internal Auditing Standards (PSIAS). Many of the standards set out in the PSIAS are also found in the Statement of the Role of the Head of Internal Audit published by CIPFA in 2010.

It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This must be completed by 31 March 2018. Through the Sussex Audit Group this is due to be completed by December 2017.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Fraud Investigations Team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax Fraud and Right to Buy Fraud. The outcome of this work informs the opinion on the internal control environment. The Council works closely with the national Single Fraud Investigation Service (SFIS) in the DWP to ensure an effective response to cases of Housing Benefit fraud.

Summaries of the cases investigated and the outcomes have been included in the regular reports to the Audit and Standards Committee, as well as the Annual Report on Fraud and Corruption which is reported to this meeting of the Committee. The preparatory work on the National Fraud Initiative 2016/17 began in April 2016, with the required datasets being submitted in October 2016. Regular reports on the progress of the exercise have been provided to the Audit and Standards Committee.

In April 2016, the Head of Audit and Counter Fraud reviewed the Council's compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption. The results confirmed that the Council has adopted a response that is appropriate for its fraud and corruption risks and there are adequate means to maintain its vigilance to tackle fraud. Since this review there has been nothing that has arisen to require this opinion to change.

The Council has a local Code of Corporate Governance, which is reviewed annually. In 2016, the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives issued updated guidance for delivering good governance in local government. A review of the Council's Code of Corporate Governance and that of Eastbourne Borough Council is underway to take account of the revised principles. The aim is for this work to be completed by the time the AGS is signed on 30 September 2017. The review is being carried out by the Head of Audit and Counter Fraud and the Assistant Director – Corporate Governance. This work will ensure a consistent approach to corporate governance at both Lewes District Council and Eastbourne Borough Council.

## **Managing Risks**

The Council's risk management framework is outlined in its Risk Management Strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. Strategic risks are updated and reported annually to the Audit and Standards Committee (June 2016) and Cabinet (July 2016). Each risk is owned by a member of CMT. Operational risks are reviewed as part of service planning. Key staff are trained in the assessment, management and monitoring of risk. Risk assessment and management is an integral part of key Council projects.

The Audit and Standards Committee receives updates on risk management at every meeting. The reports during 2016/17 noted that most risks are mitigated by the effective operation of controls or other measures. Whilst there are some risks that are outside the Council's control, such as a major incident, flu pandemic, a downturn in the national economy or a major change in government policy or legislation, the Council has sound planning and response measures to mitigate the impact of such events and continues to monitor risks and the effectiveness of controls.

## **Business Continuity**

The Council has a Business Continuity Plan (BCP), which was updated in September 2014. An Internal Audit review of the BCP in June 2016 identified some areas for improvement in the Council's BCP arrangements. There is a risk that a loss of IT services would mean that the priorities for restoration of services that are set out in the BCP may not be achieved in all circumstances. This risk is partially mitigated through preventative measures, and more effective mitigation is gradually being put in place with the significant upgrading of the Council's IT infrastructure and with the introduction of IT shared services with Eastbourne Borough Council. As part of the ongoing improvements the Assistant Director of Business Transformation was designated the lead officer for business continuity in July 2016 and standardisation of BCP arrangements at both councils is underway.

## **Communication and Partnership Working**

The Council has a variety of communication channels with local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks.

The Council's Consultation and Communication strategies set out the approach and specific consultations are planned and agreed in an annual programme.

The Council has a system for reviewing partnership working and has identified a small number of strategic partnerships which require more robust governance arrangements. Partnership governance is subject an annual review process. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

The Council has service level agreements (SLAs) for three strategic partnerships with voluntary and community associations that receive Council funding. These agreements include enhanced monitoring and governance arrangements. The guidance for partnership working was reviewed in April 2016 to take account of the changing nature of the partnerships that the Council is involved with. This guidance incorporates the requirement for an annual review to be undertaken by partnership lead officers.

### **Measuring and managing performance**

The Council has clear annual business planning and performance management arrangements in place. Performance and project management is supported by the corporate software system (Covalent).

Progress and performance information is reported to Corporate Management Team, Scrutiny Committee, and Cabinet each quarter. Operational performance monitoring takes place at monthly service review meetings. The quality of services is monitored through regular/ ad hoc consultation with, and feedback from, service users in the form of commissioned survey research, comments and complaints and the Council's own online surveys.

The year-end Performance Report for 2015/16 was considered by the Scrutiny Committee and Cabinet in July 2016 providing a high level summary of progress and performance. The Council's strategic priorities, projects and performance targets were determined as part of a review of portfolio responsibility during summer 2015 and restated in the updated Council Plan for 2016-2020. These priorities were communicated via the website and internally through the Corporate Briefing and Infolink. The Business Planning and Performance Team is responsible for overseeing the Council's business planning, project management and performance management arrangements to ensure efficient and effective delivery of the Joint Transformation Programme and improvement targets over the short to medium term.

The Council has a Project Management Framework that contains a set of principles and procedures for the planning, control and delivery of projects. The Council has developed a set of clear and consistent project documents and associated tools which have been the subject of consultation and training amongst senior officers.



## **Complaints and Whistleblowing**

Customer complaints and compliments continue to be monitored as part of monthly performance monitoring and management arrangements for the Service Delivery Directorate. Data is also reported to the Scrutiny Committee and Cabinet each quarter.

The Council Whistleblowing Policy sets out how staff, Councillors partners and contractors can raise concerns in relation to their work for the Council. In 2016/17 Corporate Management Team and the Head of Audit and Counter Fraud have confirmed there have been no reported cases of whistleblowing.

## **External Audit**

The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The core duties of the external auditor are to give an opinion on the financial statements and to review arrangements for securing value for money. In addition it can consider electors' questions and objections and make formal recommendations as well as report in the public interest. To ensure there is an effective relationship with the external auditor council officers provide a range of information and responses in a timely manner as well as carefully considering audit findings and recommendations.

The Council's external Auditor, BDO, reports to the Audit and Standards Committee. Key reports during 2016/17 were:

Annual Audit Letter for 2015/16 (October 2016) – This report summarised the key issues from the work carried out by BDO during the year, and was presented to the November 2016 meeting of the Committee. The key issues were:

- BDO issued an unqualified true and fair opinion on the financial statements for the period ended 31 March 2016 on 7 October 2016, shortly after the national deadline of 30 September 2016.
- BDO identified a number of misstatements on the Cash Flow Statement and in the classification of short term investments. These were corrected before completion of the financial statements.
- BDO were satisfied that the Narrative Report, which local authorities include in the Statement of Accounts to offer interested parties guidance on the most significant matters, was consistent with the financial statements.
- BDO did not identify any significant deficiencies in the Council's framework of internal controls, but did report on areas where improvements in controls could be made including declarations of related party transactions, the documentation of Council Tax discounts, and access to some IT systems.
- BDO were satisfied that the Annual Governance Statement (AGS) was not misleading or inconsistent with other information they were aware of from their audit work.
- BDO issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

- BDO found that the Council has adequate arrangements for budget setting and budget monitoring, and the Council has identified sufficient savings over the next four years to balance its budget.
- BDO noted that many of the savings will arise from the Joint Transformation Programme with EBC, and BDO were satisfied that there are effective governance arrangements in place to oversee delivery of the project.
- BDO noted that the Council's Whole of Government Accounts (WGA) submission is below the threshold for further work other than to submit the WGA Assurance Statement. This was submitted on 7 October 2016 ahead of national deadline.
- BDO reviewed the governance arrangements for Council's New Homes Project, and made a number of recommendations for improvement that should be applied to future projects.

Grant Claims and Returns Certification for year ended 31 March 2015 (April 2016). The report was presented to the June 2016 meeting of the Committee. The key points were:

- The audit identified a high level of errors within the cases tested, which required a significant amount of extra testing by BDO and the Council. No amendments were made to the final claim submitted to DWP.
- The main errors were in the administration of benefits involving non-HRA rent rebates and rent allowances. There were a small number of cases of incorrect classification of expenditure as non-HRA, when the expenditure should have been classified as HRA rent rebates.
- The audit identified deficiencies in the Council's systems and controls around the identification of prior year uncashed payments, resulting in an under claim of £556.
- As a result of the errors found in administering benefits, BDO qualified the claim across all benefit expenditure types. The additional work required to be completed by the Council and BDO meant that the audited claim was submitted to DWP in March 2016, four months after the deadline date.
- The certification of the returns for the Pooling of Housing Capital Receipts was completed satisfactorily without amendment of certification. The main reported issue was the need for the Council to have in place appropriate plans to use retained receipts by certain milestone dates, otherwise the receipts must be paid to DCLG.

The DWP made a marginal adjustment to the submitted claim which was agreed at a total value of approximately £35.8m.

## **Significant governance issues**

Each member of Corporate Management Team has completed an Assurance Statement including the identification of significant governance issues for 2016/17. For 2016/17 there have been no significant governance issues identified.

## Opinion on assurance

The Council has an assurance framework that sets out the sources of assurance within the Council's governance environment and provides the evidence to support the Annual Governance Statement.

We have been advised by the Audit and Standards Committee of the results of the assessment of effectiveness of the governance framework. It is our opinion that Council's governance arrangements in 2016/17 are fit for purpose and provide a robust platform for achieving the Council's priorities and meeting the challenges in 2017/18.

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Councillor Andy Smith,  
Leader of the Council.

Date:

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Robert Cottrill,  
Chief Executive.

Date: