

DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2018

Introduction

This is the Lewes District Council's Annual Governance Statement (AGS) for 2018. The AGS includes:

- An 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 in the Councils' website at <https://www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance/>

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 are 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 and subsequently a refreshed version was agreed by Cabinet in July 2017. 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 (councillors from both councils including from the opposition groups),

- Joint Transformation Delivery Board (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 Council 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, along with staff undertaking strategy and commissioning functions. Phase 2 was completed in March, 2018 and involved the bulk of service delivery staff. Work on Phase 3 commenced in June 2018 and focuses on support services (including Human Resources, Finance and Legal).

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 2017/18 included a savings target of £0.6m half of which was to come from the continuing JTP. This target is expected to be achieved, although because the new JTP Phase Two management restructure was not fully completed until March, 2018 some of the savings have been deferred into 2018/19. This was reported to the Audit and Standards Committee in November 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 eight Councillors 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 Head of Audit and Counter Fraud that the overall standards of internal control were satisfactory at its September 2017 meeting.
- Considering the Council's progress and performance in respect of key projects and targets on a quarterly basis.
- Agreeing the General Fund, Housing Revenue Account, Collection Fund and Treasury Management 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 was reported to the July 2018 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 2017/18 overall standards of control have been generally satisfactory. In the main, procedures and controls remained effective during the year. However, in some areas controls did not operate fully, partly as a result of changes in the organisation and staffing of services arising from the JTP. It is not anticipated that the control issues have had a material effect on the financial accounts for 2017/18, and the issues are being addressed by managers as the JTP process continues.

This opinion is based on the work of Internal Audit, the internal assurance framework, external reviews, and the Council's work on risk management. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in which internal control problems created significant risks for Council activities or services.

During the period of this AGS there have been no cases for consideration by the Standards Panel relating to a Lewes District Councillor.

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 four times since April 2017. 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 North Street Quarter Due Diligence Report in November 2017 to conduct a review of the North Street Quarter Development Partner.
- Agreeing the work programme for 2017/18 in September 2017.
- Receiving quarterly portfolio progress and performance reports with the opportunity to make recommendations to Cabinet.
- Receiving the 2018/19 Budget Overview and Tax Base report in January 2018 with the opportunity to forward any comments to the next meeting of Cabinet.

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, 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 Borough 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.

Under the Code of Practice for Local Authority Accounting 2017/18 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).

Managers Assurance Statements

As part of the Council's internal assurance framework, each member of CMT have completed a management assurance statement and also confirmed whether there

have been any significant governance issues. For the first time in 2017/18 each Head of Service has also completed these documents.

The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, Regulation of Investigatory Powers Act and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Once completed their contents are used to inform the governance statement.

Completed Managers' Assurance Statements were returned from all Directors, Assistant Directors and Heads of Service. Many statements contained minor concerns around the impact of the Joint Transformation Programme. These included: ensuring officer delegations are updated, aligning policies, testing effectiveness of IT to deliver efficiencies, on-going vacancies, training staff, developing new teams and building a joint culture.

CMT were asked to consider whether any of these individual issues or the Joint Transformation Programme as a whole should be noted as a significant governance issue or just noted in the body of the Annual Governance Statement.

CMT recognised that there were indeed risks inherent in the current programme. However it is felt that these risks are being prioritised and work is ongoing to mitigate the risks. Phase one of the programme has gone well and it is felt that this demonstrates that controls over JTP arrangements are already in place. The bulk of recruitment was carried out in January 2018 and most vacancies were filled by the end of the financial year. There is also a new development programme in place for Heads of Service. It was therefore agreed that it should appear in the body of the Annual Governance Statement but not as a separate significant governance issue.

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 has been 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 service 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 review is being undertaken by Chichester District Council - it is almost complete and the results will be reported to the September 2018 meeting of the Audit and Standards Committee.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Counter Fraud Investigations teams work 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 the July 2018 meeting of the 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. Further work to develop the approach to fraud will be undertaken by the Audit and Counter Fraud service over the coming year.

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 revised Code of Corporate Governance taking account of the 2016 guidance was approved by the September 2017 meeting of the Audit and Standards Committee. Full Council approved the inclusion of the Code in the Council's Constitution at its October 2017 meeting.

The work has ensured 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 is well established within the Council. There are robust systems for identifying, evaluating and managing risk in the decision making and service planning processes. In March 2018 the Audit and Standards Committee became the principal recipient of the Council's strategic risk register and ongoing updates with each risk becoming the responsibility of CMT as a whole. CMT reviews the strategic risks on a quarterly basis and where changes are proposed they are reported to the Audit and Standards Committee. Operational and key project related 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 the Council's approach to project management, as set out in the Project Management Toolkit. Further work to enhance risk procedures will take place during 2018/19.

The Audit and Standards Committee also receives updates on risk management at every meeting. The reports during 2017/18 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.

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 to an annual review process. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

The Council has grant agreements with three voluntary and community associations that receive Council funding. These agreements include enhanced monitoring and governance arrangements. The Council has guidance for partnership working which 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 (Pentana).

Progress and performance information is reported to Corporate Management Team each month, Scrutiny Committee, and Cabinet each quarter. Operational performance monitoring takes place at monthly operational management 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 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. A review of the Council Plan for the first year (2016/17) was reported to Cabinet in June 2017. Cabinet has received quarterly reports on progress and performance in respect of key projects and targets through 2017/18. 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. A joint Performance Management Framework was adopted in March 2018 which established a common approach to performance management across Lewes and Eastbourne Councils.

The Council has a joint Project Management Toolkit that contains a set of principles and procedures for the planning, control and delivery of projects across Lewes and Eastbourne Councils. 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. 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 2017/18 the Head of Audit and Counter Fraud has 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 2017/18 were:

Annual Audit Letter for 2016/17 (October 2017) – This report summarised the key issues from the work carried out by BDO during the year, and was presented to the November 2017 meeting of the Committee. The report confirms the interim results that were included in the Audit Completion Report that was presented to the September 2017 meeting of the Committee. The key issues were:

- BDO issued an unmodified true and fair opinion on the financial statements for the year ended 31 March 2017.
- BDO identified a number of immaterial misstatements, but these were found to have no material impact on the opinion on the financial statements.

- BDO did not find any significant deficiencies in internal controls.
- BDO were satisfied that the Annual Governance Statement (AGS) was not misleading or inconsistent with other information they were aware of from the audit.
- BDO issued an unmodified opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- BDO noted that, whilst there is a funding gap in the Medium Term Financial Strategy (MTFS) the Council has appropriate arrangements to remain financially sustainable over a period of the MTFS. All of the required savings for 2017/18 had been identified.
- 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 - the relevant section of the statement was submitted in advance of the statutory deadline.
- BDO noted that the Council had made progress against all the recommendations that were raised in respect of the New Homes Project, and there is evidence that the learning from this project has been applied to other capital projects.
- The BDO review of grant claims and returns for the year ended 31 March 2017 is in progress, and the results will be reported on completion of this work.

Under the provisions of the Local Audit and Accountability Act 2014, the Secretary of State for Communities and Local Government has specified that a company, Public Sector Audit Appointments (PSAA) Limited, will appoint auditors to local government, police and some NHS bodies.

The Council opted into the PSAA arrangements, and was consulted on the appointment of the external auditor for the period of five years from 2018/19. The PSAA have appointed Deloitte LLP, and the Council responded to the consultation to confirm its acceptance of the appointment, which will start on 1 April 2018. Deloitte LLP will also be the external auditors for Eastbourne Borough Council.

Significant governance issues

Each member of Corporate Management Team and every Head of Service have completed a significant governance issues statement for 2017/18. For 2017/18 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 2017/18 are fit for purpose and provide a

robust platform for achieving the Council's priorities and meeting the challenges in 2018/19.

.....
Councillor Andy Smith,
Leader of the Council.

.....
Robert Cottrill,
Chief Executive.

Date:

Date: