



**Lewes District Council**

## **Annual Governance Statement**

### **Responsibility**

Lewes District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It also needs to ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **What is governance?**

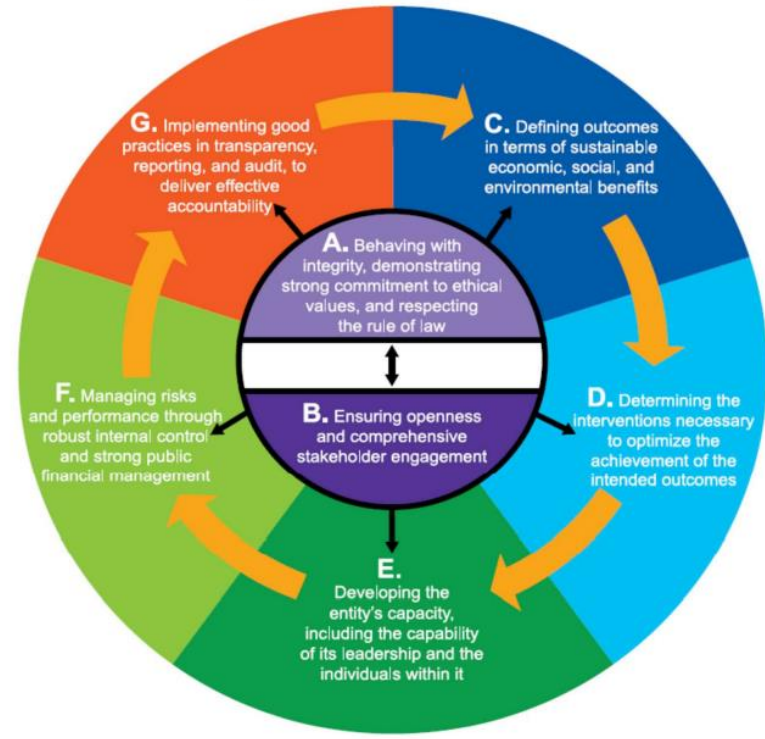
Governance is about how the council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which the council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Lewes District Council has approved and adopted a Local 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 code is available on the website ([www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance](http://www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance) )

Appendix 5

The principles of good governance are given in the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016* from which the following diagram is taken.

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



Source: CIPFA 2016

The Code of Corporate Governance contains a table which demonstrates how the council meets the core principles.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. 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.

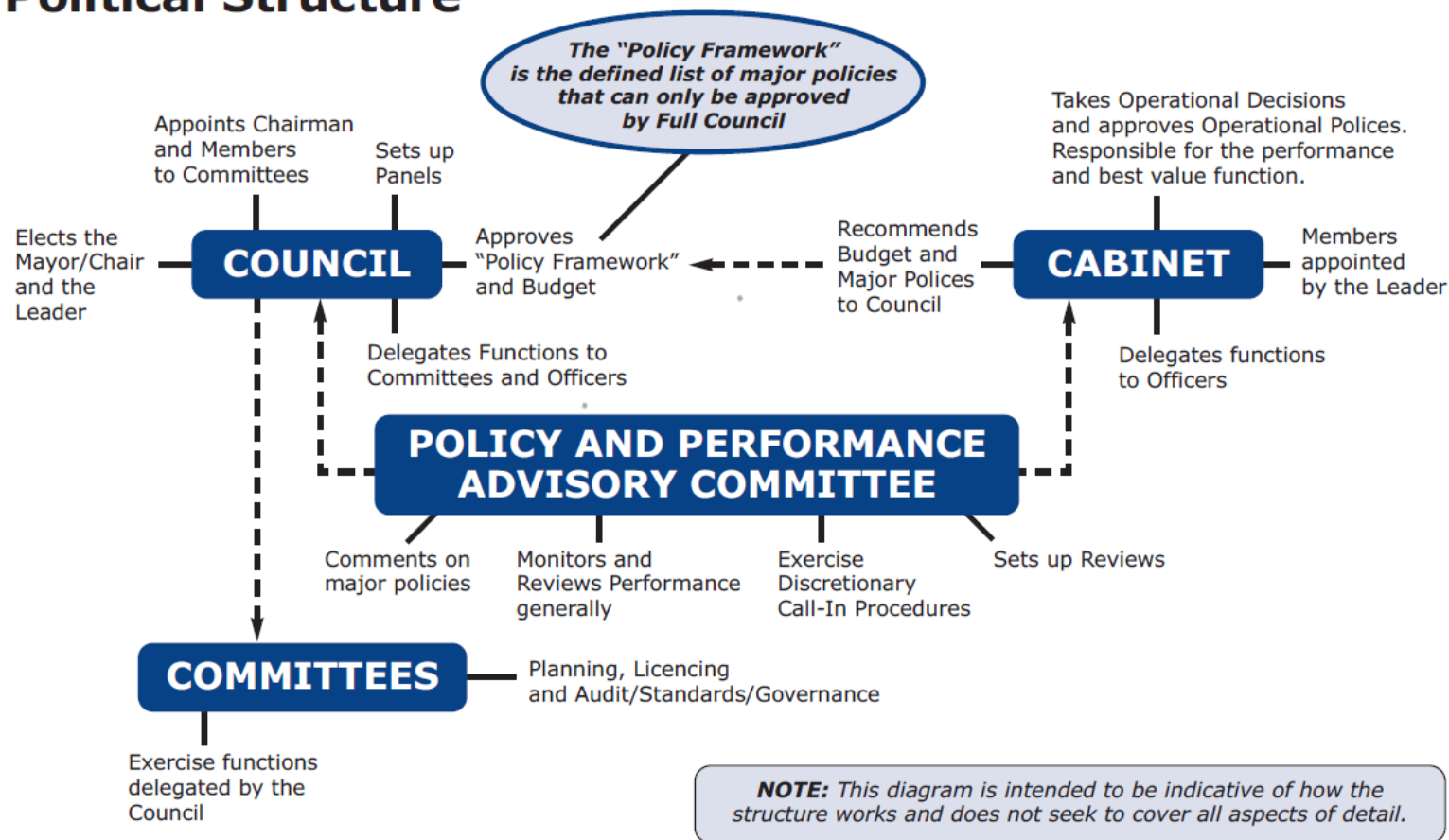
The production of this Annual Governance Statement forms part of the governance framework by providing a review of the governance arrangement in operation during the financial year.

## **The Governance Framework**

The diagram on the next page shows how the political structure of the council works and interacts.

## How it Works...

### The Modernised Political Structure



## Roles and Responsibilities

### Head of Internal Audit

The head of internal audit (Chief Internal Auditor) provides an independent opinion on the control environment. This is based on the work of the internal audit team in delivering a risk-based audit plan of a breadth sufficient for the head of internal audit to place reliance on it to base their opinion on.

### Monitoring Officer

The Head of Legal Services was the designated Monitoring Officer during the financial year, but this post moved to the Head of Democratic Services at the year end. The Monitoring Officer has the duty to ensure that the council, its officers and its elected Councillors, maintain high standards of conduct.

### Director of Finance and Performance (Chief Finance Officer – S. 151 Officer)

The Director of Finance and Performance (Chief Finance Officer) has been designated as the s.151 Officer. They are responsible for ensuring that the council controls and manages its money efficiently.

## Scrutiny and Review

Scrutiny and review is provided by the following:

### Audit and Standards Committee (Changed to Audit and Governance in May 2023)

The committee provides assurance by carrying out independent scrutiny of areas such as audit, risk management, counter fraud and financial accountability. It does this by way of reviewing reports provided to its quarterly meetings.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=423>

### Policy and Performance Advisory Committee

The committee reviews the delivery of services and performance and supports the work of the Cabinet and Council. It allows Councillors outside the Cabinet, and members of the public, to have a greater say in council matters by investigating issues of local concern.

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For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=641>

### **Cabinet**

The Cabinet is responsible for most day-to-day decisions of the council. Each member is assigned a portfolio identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=417>

### **Corporate Management Team**

The team provides strategic management and planning. The team also considers the annual Internal Audit plan, Strategic Risk Register and Annual Governance Statement.

### **External Audit**

The external auditors audit the financial statements and provide an opinion on these. They produce an Annual Audit Letter which assesses how the council manages its resources and delivers value for money.

## **Review of Effectiveness**

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance framework has been in place at the council for the year ended 31 March 2023.

One element used to gain assurance is information gathered from Managers' Assurance Statements. These statements contain questions based on the core principles of good governance as well as other areas such as safeguarding, the Bribery Act and the Regulation of Investigatory Powers Act. These are completed by senior managers and any issues raised are considered.

## Appendix 5

### Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	<p>Company Active</p> <p>Incorporated on 30 June 2017.</p> <p>To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC respective Housing Revenue Accounts.</p>	<p>Limited Liability Partnership LDC and EBC</p> <p>Company number: OC41800</p>	<p>Governed by LLP Agreement and an Executive Committee of 6 - made up of 3 elected members from each authority.</p>	<p><b>Lewes District Council</b></p> <p>Ownership of voting rights - More than 25% but not more than 50%</p> <p>Right to surplus assets - More than 25% but not more than 50%</p> <p><b>Eastbourne Borough Council</b></p> <p>Ownership of voting rights - More than 25% but not more than 50%</p> <p>Right to surplus assets - More than 25% but not more than 50%</p>	<p>Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes.</p> <p>Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP.</p> <p><a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a></p>
Lewes Housing Investment Company Ltd (LHICL)	<p>Company Active</p> <p>Incorporated on 4<sup>th</sup> July 2017</p> <p>To undertake more commercial development, place shaping activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.</p>	<p>Company LDC only</p> <p>Company number: 10848011</p>	<p>Governed by Articles of Association and a Board of 5 directors made up of senior staff and Elected Members from Lewes District Council.</p>	<p>Wholly owned by Lewes District Council</p>	<p>To enable the council to undertake non HRA development and use associated forms of tenancies</p> <p><a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a></p>

### **Managing the Risk of Fraud and Corruption**

The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

### **Financial Management Code**

With local authorities across the UK facing the challenges of reduced funding and increased demand for services, the need for robust financial management has never been more important. The CIPFA Financial Management Code (FM Code) sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should seek to achieve. The self-regulation approach is also to prevent local authorities 'failing' and avoid any need for any external control or reductions in current powers. It is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out.

In 2022/23 the Director of Finance and Performance (Chief Finance Officer – S151 Officer) has taken account of the requirements of the CIPFA Financial Management Code and has acknowledged the approaches to Value for Money and the Council's financial resilience. A significant amount of the Code activities continues to be implemented by various teams across the Council including – the Finance Service, Internal Audit, other service departments, etc.

The Director of Finance and Performance (Chief Finance Officer – S151 Officer) has identified the Lewes District Council long-term financial viability as the key risk area regarding future compliance with the Code and this is being assessed through a combination of: the budget setting process; the Medium Term Financial Strategy; regular reviews of the Council's capital programme; Treasury



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Management Strategy and the provision of clear and regular financial updates/training to Members. The Council has a satisfactory record of financial management and so, analysing the council's structures, processes, and procedures against the FM Code's Financial Management Standards, shows a reasonable level of compliance with these principles. However, there are areas where further actions/consideration needs to be given to ensure full compliance with every aspect of the FM Code.

### **Local Government Association – Peer Challenge**

Lewes District Council undertook a peer challenge jointly with Eastbourne Borough Council, coordinated by the Local Government Association, in September 2022. This was originally scheduled for March 2020, but deferred due to the pandemic. The challenge focused on a standard set of 5 criteria;

1. Local priorities and outcomes - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities?
2. Organisational and place leadership - Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. Governance and culture - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. Financial planning and management - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges?
5. Capacity for improvement - Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

In addition, the council asked that they also considered its approach to sustainability and net zero.

A report with recommendations for improvement was received by the council in January 2023. Work is currently being undertaken to respond to the recommendations in the report. Due to the election there has been a delay in presenting the report to Cabinet. This will be done in June 2023, after which time the report will be made public.

### **Strategic Risk Register**

The council maintains a strategic risk register which is reviewed quarterly by the Corporate Management Team and changes are reported to the Audit and Governance Committee. The review considers the internal controls, to ensure early prevention and/or mitigation of risks and governance concerns, and the risk scores.

### **Quarterly meetings to discuss governance**

During the financial year, quarterly meetings were set up to discuss any governance issues. The members of the meeting were the Chief Internal Auditor, Director of Finance and Performance (Chief Finance Officer – S. 151 Officer), Monitoring Officer, Head of Democratic Services and the Governance & Compliance Lead & Group Company Secretary. No significant issues were raised.

### **Managers' Assurance Statements**

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. 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. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors, Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

Issues raised this year that were considered by the Corporate Management Team were:

#### Digital by Design

This was raised by just one person and affects just one area. The relevant director assured the Corporate Management Team that this was not a significant issue and any issues were being addressed.

#### Capacity

This is acknowledged to be an issue across the local government sector in general. However, the shared service provides resilience and both authorities have a lower turnover by comparison with other authorities. It is recognised that there are pressure points where it is hard to recruit nationally. HR and the Director of Finance and Performance are working together to consider how to attract applicants. (See also performance)

#### Governance/Policies

All relevant policies are readily available to all staff on the councils' intranet and managers are responsible for ensuring that their staff are aware of those relevant to their work. With regard to data protection, home working in some form has been in place since 2010 and the councils' history of few data breaches speaks for itself.

#### Delegated Powers

Work is progressing on updating the scheme of delegation and this will be concluded in 2023-24.

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### Performance

Salary points in the contribution zone are designed to recognise and reward employees who demonstrate the highest level of contribution and performance. Progression in this zone is not automatic and is determined by outstanding performance in the role. The contribution zone may also be used where there are demonstrable recruitment and retention difficulties. Contribution zone increments should be discussed and agreed with the budget holder and Head of Service/Senior Managers before being passed to the relevant Corporate Management Team representative for their authorisation.

### Waste Vehicles

There is a programme of proactive fleet replacement and alternative fuel is also being investigated.

The Corporate Management Team are therefore of the opinion that there are no significant governance issues. However, the concerns noted above have been included here in the body of the Annual Governance Statement for transparency.

### **Statement by Head of Democratic Services (and Monitoring Officer):**

As Head of Democratic Services (and Monitoring Officer), I am not aware of any major governance issues in my area or elsewhere in the organisation. Work is progressing on updating the scheme of delegations to officers to improve clarity and the council's constitution continues to be reviewed and updated, where appropriate. An additional piece of work will look to incorporate into the Code of Conduct for Members, the best elements of the Local Government Association's model code. It should be noted that there is nothing inherently inadequate or defective with the existing code or the council's arrangements for dealing with complaints about councillor conduct (in so far as legislation allows).

### **Opinion of the Chief Internal Auditor**

The work of the Internal Audit team was impacted by carrying a vacancy throughout the year and training new staff. This impacted the audit plan and reduced the number of audits that could be undertaken during the year. However, it is considered that there were still a reasonable number of new and follow up reviews carried out across the authority and did not significantly limit the scope of the work.

The Chief Internal Auditor is required to give an opinion of the overall adequacy and effectiveness of the control environment. The control environment is considered in three ways: the production of the Annual Governance Statement the effectiveness of Internal Audit, and the results of the work of Internal Audit.

Effectiveness of Internal Audit: A self-assessment against the Public Sector Internal Audit Standards has been carried out and shows that the work of the Internal Audit team is carried out in accordance with the standards.

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The work of Internal Audit: It has been noted that, during the majority of the year, a number of recommendations remained outstanding after following up reviews. However, during the last quarter there was a drive to address recommendations and the number of those outstanding was greatly reduced.

While the governance framework is in place and working and Internal Audit are carrying out their work in accordance with standards, the opinion on the control environment has to be caveated by the number of outstanding recommendations that were outstanding during the year and there being three reviews where there are recommendations outstanding after three to five follow ups.

The Chief Internal Auditor has some concerns about risk management at the operational level and whether thorough business case/background information for projects is being given to committees to make informed decisions. Work will be carried out to look into these areas thoroughly in 2023/24 and the findings will inform the audit opinion for that year.

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**UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2021/22**

No significant issues were reported in 2021/22.

**SIGNIFICANT GOVERNANCE ISSUES 2022/2023**

There are no significant governance issues to report.

**STATEMENT**

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

Signed on behalf of Lewes District Council:

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Leading Member

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Chief Executive

Date: