

Committee: **Governance Committee**
Date: **18 July 2017**
Title of report: **Assessment of the Corporate Governance Framework for 2016-17**
By: **Monitoring Officer**
Purpose of report: **To (1) provide information on compliance with the Council's code of corporate governance and any changes to it that may be necessary to maintain it and ensure its effectiveness in practice; and (2) gain approval of the Council's Annual Governance Statement in compliance with the requirements of the Accounts and Audit Regulations 2015.**

RECOMMENDATIONS: The Governance Committee is recommended to:

- **approve the action plan for the next year;**
 - **note that items identified to enhance governance arrangements are reflected in Business Plans and that implementation will be monitored through the year;**
 - **confirm that Members are satisfied with the level of assurance provided to them through this report and the Council's governance framework and processes;**
 - **note any comments from the Audit, Best Value and Community Services Scrutiny Committee;**
 - **identify any significant governance issues that should be included in the Council's Annual Governance Statement; and**
 - **approve the Annual Governance Statement for signature by the Leader and the Chief Executive and publication within the Statement of Accounts.**
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1. Supporting Information

1.1 The Corporate Governance framework reflects both legislative and regulatory change and is based on revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Chief Executives and Senior Managers (SOLACE).

1.2 The Accounts and Audit Regulations 2015 require the Council to ensure that it has in place a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for risk management. The Council is required to conduct an annual review of the effectiveness of its system of internal control and to prepare an annual governance statement in accordance with proper practices in relation to internal control to accompany its Statement of Accounts.

1.3 The production of an Annual Governance Statement is the final stage of an ongoing process of review of our governance arrangements including risk management and internal control. In summary the process must involve an organisation reviewing the adequacy of its governance arrangements, developing an action plan for improving those arrangements and communicating the framework to users and stakeholders.

1.4 The report is to be considered by the Audit, Best Value and Community Services Scrutiny Committee on 14 July prior to the Governance Committee meeting on 18 July. Any comments arising from the Scrutiny Committee will be reported to the Governance Committee at its meeting.

2. Assessment of the Corporate Governance Framework for 2016-17

2.1 The Council's corporate governance framework is underpinned by a number of key documents and processes. These are summarised in section 4 of the Annual Governance Statement (Appendix 3).

2.2 The main policies and strategies that make up the Council's corporate governance framework are set out in the Local Code of Corporate Governance and are summarised in

Appendix 1 to this report. The County Council's Local Code of Corporate Governance sets out the main principles of good governance for the Council. The Code is based on existing good practice and the core principles of the CIPFA/SOLACE framework. The Code has been updated to reflect the revised CIPFA/SOLACE Framework that was published during 2016 with the 7 core principles of the Framework being adopted as the County Council's principles of good governance. Three areas have been incorporated into the new principles which were not specifically referenced in the previous version of the Code. These are internal control, defining benefits and determining interventions. The revised Code was agreed by the Governance Committee in March 2017.

2.3 A review of the Council's governance arrangements for 2016/17 has been undertaken. This review process is summarised in Appendix 2. Each document or process in the framework has been assessed and named officers have been required to provide an assurance as to whether the document is being complied with, the level of awareness of the document amongst staff and stakeholders, whether it reflects Council policy and best practice, and arrangements for reviewing it. Where further improvements are identified these are set out within the Annual Governance Statement and form part of departmental business plans for the year ahead.

2.4 In addition, all Chief Officers have signed their own Directorate Assurance Statement confirming that proper governance arrangements, effective risk management and a sound system of internal control are in place within their department. They are also asked to identify any exceptions and any actions being taken to address them. Similarly, these issues will be monitored through the relevant Business Plans. The Chief Finance Officer has signed an Assurance Statement regarding the Council's governance arrangements

2.5 The overall Corporate Governance assessment and review of effectiveness has also been informed by the sources of assurance set out in section 3 of the Annual Governance Statement (Appendix 3). As part of the assurance gathering process, the CIPFA/SOLACE guidance on corporate governance was taken into account and is reflected in the Local Code.

2.6 Evidence shows that the Council continues to have in place good arrangements for corporate governance and that they are working effectively.

3. Annual Governance Statement

3.1 An Annual Governance Statement from the Leader of the Council and the Chief Executive is included at Appendix 3. It includes the mandatory disclosure of any significant governance issues identified through the Council's governance and internal control arrangements.

3.2 Sound corporate governance is crucial if the Council is to continue to provide leadership, direction and control. It is important that members are aware of the documents and activities that work together to provide assurances about the Council's governance measures in place. The Annual Governance Statement provides an opportunity for the Council to assess and report transparently to the public how it ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.3 Since the abolition of the Comprehensive Area Assessment our external auditors are no longer required to formally assess and make scored judgements on our governance arrangements. However, they do review the Annual Governance Statement and in their most recent Annual Audit Letter concluded that it was consistent with their understanding.

PHILIP BAKER

Monitoring Officer

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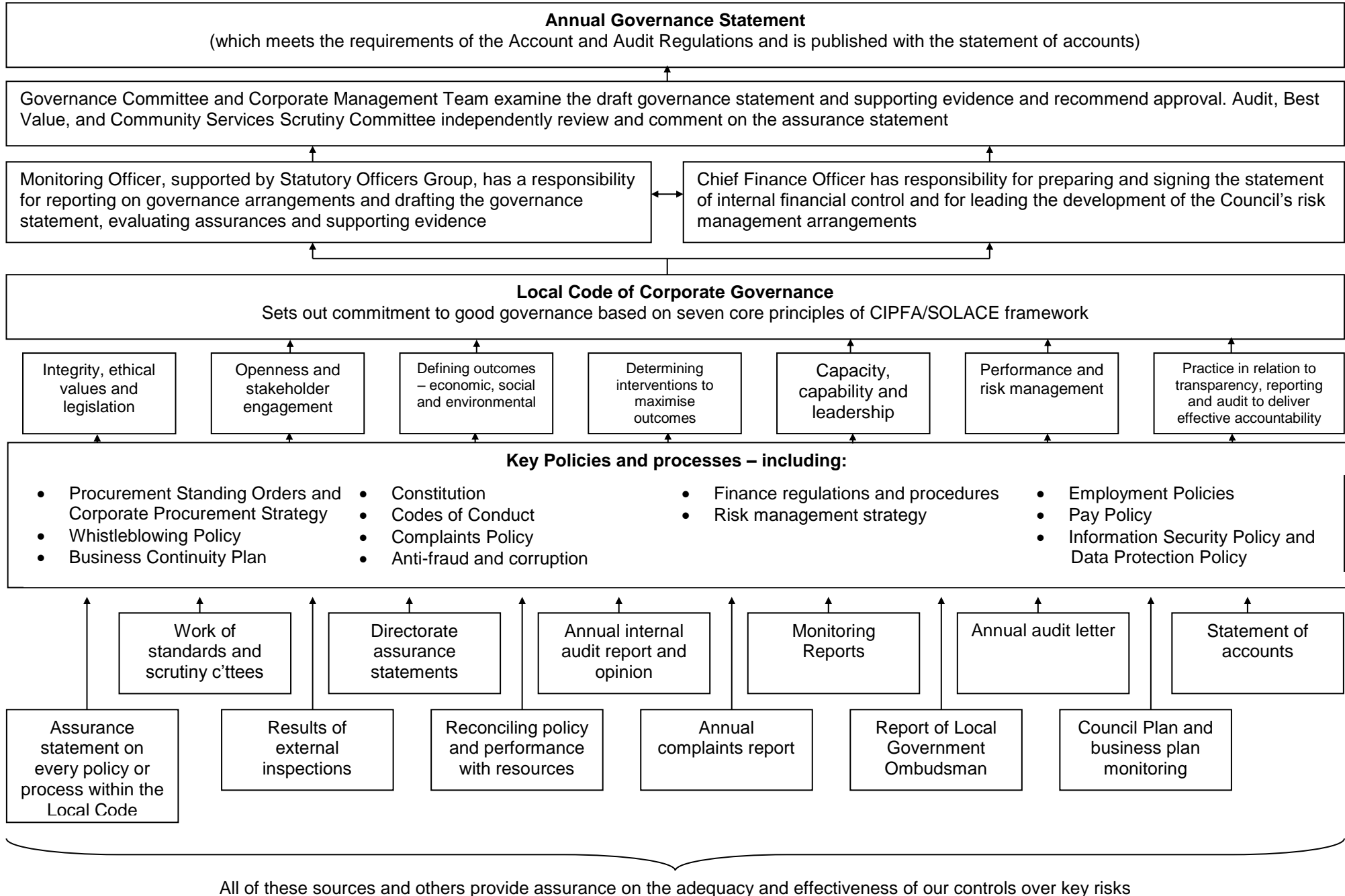
BACKGROUND DOCUMENTS: Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

Local Code of Corporate Governance – key policies and processes

Policy or process	Integrity, ethical values and legislation	Openness and stakeholder engagement	Defining outcomes – economic, social and environmental benefits	Determining interventions to maximise outcomes	Capacity, capability and leadership	Performance and risk management	Practice in relation to transparency, reporting and audit to deliver effective accountability
Procurement Standing Orders and Corporate Procurement Strategy	✓		✓	✓		✓	
Risk Management Strategy			✓	✓		✓	
Corporate Complaints Policy	✓	✓				✓	✓
Constitution	✓	✓		✓		✓	✓
Business Continuity Plan						✓	
Employment Policies	✓				✓		
Pay Policy	✓	✓			✓		
Scheme of Delegation	✓				✓		✓
Code on Officer / Member relations	✓			✓			
Guidance to members on outside organisations	✓		✓				
Code of Conduct for Employees	✓						
Code of Conduct for Members	✓						
Anti Fraud & Corruption Strategy	✓						
Confidential Reporting (Whistle-blowing) Policy	✓	✓				✓	
Anti Money Laundering Policy	✓						
Financial Regulations & Standard Financial Procedures	✓		✓	✓		✓	

Policy or process	Integrity, ethical values and legislation	Openness and stakeholder engagement	Defining outcomes – economic, social and environmental benefits	Determining interventions to maximise outcomes	Capacity, capability and leadership	Performance and risk management	Practice in relation to transparency, reporting and audit to deliver effective accountability
Health and Safety Policies & Procedures	✓						
Information Security Policy (including Data in Transit) and Data Protection Policy	✓						
Freedom of Information Policy		✓				✓	

ESCC Framework for the Annual Governance Statement



East Sussex County Council**Annual Governance Statement for the year ended 31 March 2017****1. Scope of responsibility**

East Sussex County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County 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. In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, East Sussex County 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 Local Code is on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer. This statement also sets out how the County Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the governance framework

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2017 and up to the date of the approval of the statement of accounts.

3. Review of effectiveness

East Sussex County Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

- the work of Members through the Cabinet, Committees including Governance Committee, Standards Committee, Audit Best Value and Community Services Scrutiny Committee, Scrutiny Committees generally and the full Council;
- the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Chief Operating Officer and the Chief Finance Officer;
- the work of the Monitoring Officer and the Statutory Officers' Group ;
- the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
- the work of the internal audit service including their quarterly progress reports, on-going action tracking arrangements and overall annual report and opinion;
- the external auditors in their audit annual letter and annual governance report;

- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Care Quality Commission and the Office for Standards in Education

4. Key elements of the governance and internal control environments

The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
- a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- financial management structures which promote ownership of financial issues within service departments;
- compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer;
- the Council's constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Procurement Standing Orders, Financial Regulations and Standard Financial Procedures;
- a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member committees with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

5. Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance

Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out on the attached annex A together with the department responsible for them.

The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan. The areas outlined in the attached annex A will be monitored through departmental business plans.

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda which will be monitored and managed.

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

Councillor Keith Glazier, Leader
Becky Shaw, Chief Executive
18 July 2017

Annex A

The following actions will be taken to strengthen governance, risk management and internal control environment during the current year. The actions are shown for each department and will be monitored through departmental business plans

Business Services (BSD)

- Implement the governance model for the three partners in the Orbis partnership (to include the Joint Committee, Management Board and Leadership Team arrangements). Including working with partners to ensure that the financial arrangements relating to the Orbis partnership are robust as the partnership is extended to Brighton & Hove City Council.
- Work with partners to ensure that the business support arrangements and professional advice relating to the East Sussex Better Together (Health & Social Care Integration) programme are robust as the partners progress through the 2017/18 transition year towards an accountable care model.
- Work with partners to ensure that the financial arrangements relating to the ACCESS pensions investment pool are robust as the member Councils progress towards implementation (currently scheduled from April 2018).
- Review the impact on licensing and contracting arrangements to ensure that, as the Orbis Partnership continues to develop, the organisation is fully compliant with, and maximising the opportunities, around our shared services.
- Review the Procurement Standing Orders to reflect changes in partnership arrangements and develop and establish improved processes around contract performance management.

Children's Services

- Monitor and evaluate the improvement plan, following the Special Educational Needs and Disability (SEND) Area Inspection in December 2016, and actions taken to manage demand of SEND services.
- Continue to ensure preparations are in place for the Joint Targeted Area Inspections and local authority children's services inspection framework which will be published in autumn 2017 for implementation in January 2018.

Communities, Economy and Transport

- Review of the Highways Contract management arrangements. Audit are currently reviewing highways contract governance and contract management and we will action any outcomes from the review.
- Ongoing review of the Waste Contract. We have recently had a Local Partnership's Review, Brighton & Hove City Council audit and a DEFRA Contract Management Review. The latter gave a satisfactory assurance and the Local Partnership's Review of the contract is ongoing
- Sustainable Drainage Systems – review of statutory obligations outlined in the Act. The review is ongoing. Following publication of the Audit report consideration will be given to the recommendations and their implementation.
- Sub-National Transport Body governance and establishment of the shadow board. The first partnership board meeting was held on 26 June. Leaders of the relevant authorities agreed the constitution and governance arrangements for its establishment in shadow form including membership and voting. Work will be ongoing as regards the establishment of a new statutory body.

Adult Social Care and Health

- The ESBT Integrated Strategic Investment Plan sets out the intentions of the CCGs and County Council in terms of patterns of investment and expected outcomes for 2017/18. This will require ongoing review against actual delivery, expenditure and performance, with in-year adjustments made as required to mitigate risks and reflect changing circumstances. A unified outcomes framework and a single performance management process are being developed to support this monitoring.
- New arrangements for stakeholder (including public) engagement in planning and delivering services will be implemented as we move towards new overarching and integrated governance structures and planning processes across health and social care. The new arrangements are designed to enable a broader variety of people to have a say in how we plan and deliver health and care services across the county.

Governance Services

- Ensure the successful election and induction of 50 councillors at the County Council election in May
- Implement and keep under review the move towards paper light meetings
- Review the online declaration of interest and gifts/hospitality system as required and publicise further the need for all staff to submit a declaration.
- Ensure appropriate governance arrangements are developed and maintained in relation to the establishment of Orbis Public Law