

Report to: **Governance Committee**

**Appendix A**

Date of meeting: **16 July 2019**

Title of report: **Assessment of the Corporate Governance Framework for 2018-19**

By: **Assistant Chief Executive**

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.**

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**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;**
  - **consider any comments from the Audit 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 Local Authority 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 (AGS) 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 Committee on 12 July prior to the Governance Committee on 16 July 2019. Any comments arising from the Audit Committee will be reported to the Governance Committee at its meeting.

## **2. Assessment of the Corporate Governance Framework for 2018-19**

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 attached as Appendix 1 to this report. The Local Code of Corporate Governance was updated to reflect the revised

CIPFA/SOLACE Framework that was published during 2016 and was agreed by the Governance Committee in March 2017.

2.3 A review of the Council's governance arrangements for 2018/19 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 The 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 and did not identify any issues.

PHILIP BAKER

Assistant Chief Executive

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Local Member: All

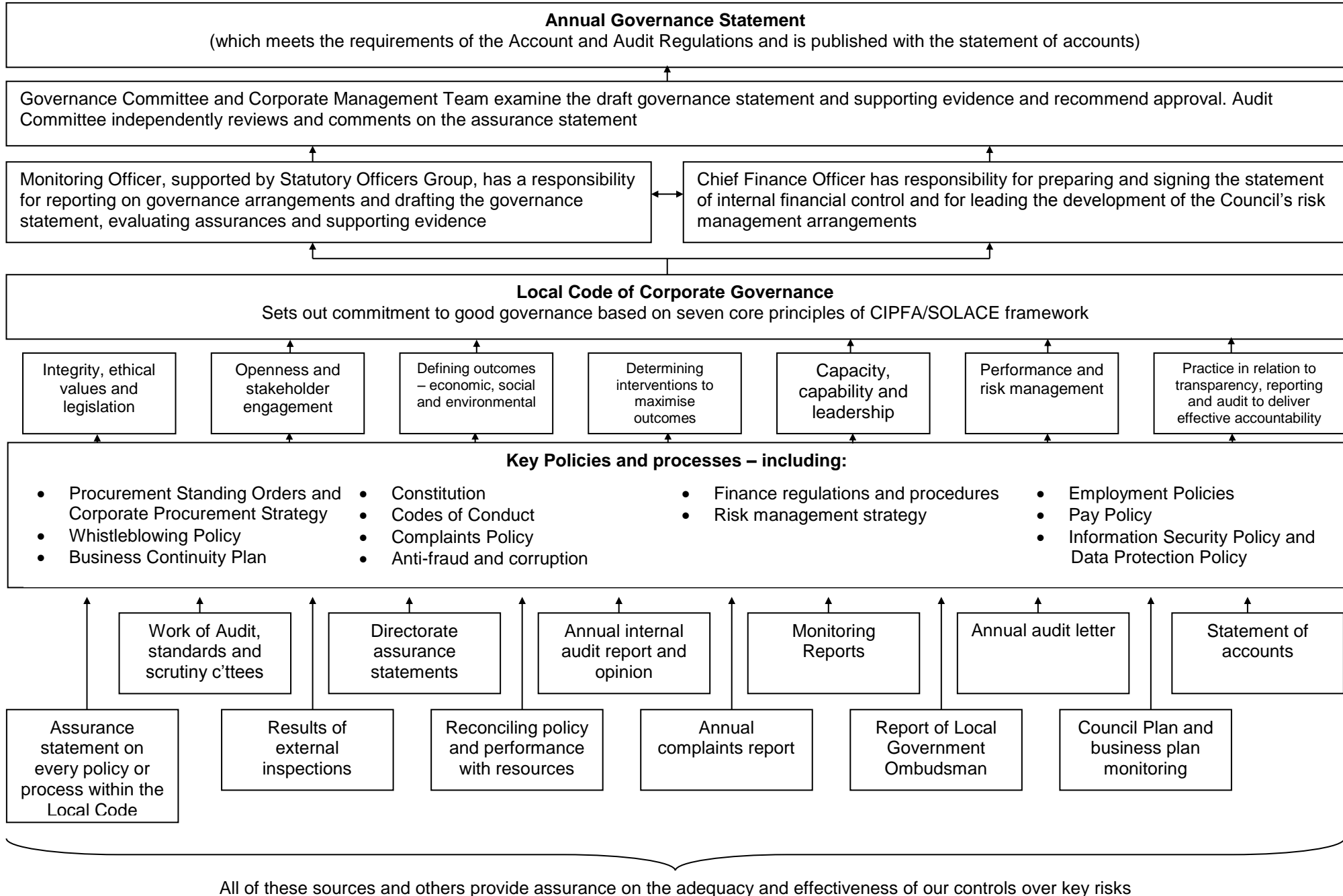
**BACKGROUND DOCUMENTS:** Pro formas returned by document "owners" setting out whether the various codes, policies and strategies are being complied with.

**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
Reconciling Policy, Performance and Resources	✓	✓	✓	✓		✓	✓
Council Plan	✓		✓			✓	✓
Council Monitoring		✓		✓	✓	✓	✓
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	✓			✓			
Member Training and Development					✓		✓
Guidance to members on outside organisations	✓		✓				
Code of Conduct for Employees	✓						✓
Code of Conduct for Members	✓						✓
Anti Fraud & Corruption Strategy	✓						✓

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
Confidential Reporting (Whistle-blowing) Policy	✓	✓				✓	✓
Anti Money Laundering Policy	✓						✓
Financial Regulations & Standard Financial Procedures	✓		✓	✓		✓	✓
Medium Term Financial Plan	✓		✓	✓			
Communication/ engagement with residents and partners		✓					✓
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 2019****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.eastsussex.gov.uk](http://www.eastsussex.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, regulation 4(3), 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 2019 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 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.

A report from the Committee on Standards in Public Life included the following best practice recommendation: Councils should report on separate bodies they have set up or which they own as part of their Annual Governance Statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place. This matter is currently being considered and reviewed by officers and will be included in the report on the assessment of corporate governance in 2020.

Councillor Keith Glazier, Leader  
Becky Shaw, Chief Executive  
16 July 2019



## **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 outcomes from the review of the Orbis partnership, which will result in a reshaped partnership model, including the development of a new Inter Authority Agreement.
- Implement new eRecruitment system to streamline the process, increase automation and ensure compliance with data security standards including GDPR.
- Implement project and portfolio management tool to ensure adequate control and governance over our change initiatives, ensuring they remain aligned with priorities and are adequately resourced and monitored post 'go live' to maximise benefits realisation.
- Review the approach for claiming business and mileage expenses to streamline the process and increase the level of compliance and assurance.
- Review and update the Council's Financial Regulations (seeking approval by the Governance Committee).
- Rollout the Contract Management Framework and training across the Council. The Framework will continue to evolve, with the addition of guidance around de-commissioning services and exit management.
- Revise Procurement Standing Orders to implement streamlined governance, with an Annual Forward Plan to approve all key procurements up front as part of the business planning cycle.
- Invest in high availability Orbis data centre infrastructure enabling the requirement for Disaster Recovery.
- Deployment of LGA funded cyber awareness training platform.
- Wholesale laptop refresh and replacement with Windows 10 enabled hybrid laptops. This will ensure the devices are compliant with cyber security and Public Service Network compliance standards.

### **Children's Services**

- Further develop arrangements for school-led improvement by establishing school improvement boards for primary and secondary phases.
- Continue to work towards the implementation of the new 'hard' schools national funding formula.
- As part of the CAMHS Transformation agenda and provided that resources will allow, work with partners to both further develop the Single Point of Advice and integrate the CAMHS front door to cover all referrals for mental health/emotional wellbeing support and to extend the successful Drop in/One Stop Shop IRock clinic that is currently operational in Hastings to Eastbourne.
- Implement any actions emerging from further forecasting work on our !SEND data to check our assumptions, provide more granular detail about the pressures and provision required.

### **Communities, Economy and Transport**

- Continue to develop Sub-national Transport Body governance and constitutional arrangements.
- Implement actions for improvements in control arising from an internal audit review into procurement activity within the Parking Service
- Complete a wider audit review of parking arrangements in East Sussex, including in relation to compliance with legislative requirements, general contract management, income and the management of penalty charge notices.
- Review of the corporate Records Management Policy

- Implement actions arising from an audit to in relation to the powers of entry when officers enter land/property for the purposes of enforcement.
- Preparations for the governance surrounding procurement for the next generation highways contract.

### **Adult Social Care and Health**

- Implement a revised approach to system governance for managing NHS financial recovery, business as usual and delivering the strategic priority to integrate care as part of the move to a single health and social care integration programme across the whole of East Sussex with all three CCGs and NHS providers.
- Continue to develop a joint Programme Management Office (PMO) with NHS partners to track measurable progress and benefits realisation across the three key programme workstreams and the NHS financial recovery plan.

### **Governance Services**

- Deliver an ongoing training programme for councillors in response to needs identified.
- Ensure councillors receive a reminder in relation to compliance with General Data Protection Regulations.
- Implement the use of protocols to guide the process of undertaking scrutiny reviews and refresh templates used in the production of scrutiny review reports.
- Support an Internal Audit review of the online declaration of interest and gifts/hospitality system.
- Amend the annual governance review process to incorporate details of separate bodies which the Council owns or has established. The Committee on Standards in Public Life included the following best practice recommendation in a recent report: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.
- Complete business risk assessment of the School Appeals Management System.