Committee:	**Governance Committee**
Date:	**21 July 2015**
Title of report:	**Assessment of the Corporate Governance Framework for 2014-15**
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 2011.**

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 the comments of 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**

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 2011 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 17 July prior to the Governance Committee on 21 July. Any comments arising from the Scrutiny Committee will be reported to the Governance Committee at its meeting.

1.5   During 2014/15 an audit of the 2013/14 Annual Governance Statement was undertaken. The audit sought to ensure that:
- All potential sources of assurances are identified and reported on
- Mechanisms are in place for ensuring that identified actions are addressed, monitored and reported on
- The process for compiling the Annual Governance is efficient, effective and fit for purpose
- The Council's policy framework is up to date and properly communicated.

1.6   The audit opinion arising from the review of the Council's arrangements for the production and compilation of the Annual Governance Statement was a substantial assurance. The review concluded that there were no significant errors or gaps in the 2013/14 Statement. Recommendations were made in relation to improvements that could be made to further ensure

accuracy, completeness and consistency of the Statement and that would add further value to the governance processes during the production of the Statement. Action has been taken to ensure that the recommendations made in the audit report have been implemented.

2.   Assessment of the Corporate Governance Framework for 2014-15

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 and are attached as Appendix 1 to this report.

2.3   The Monitoring Officer has undertaken a review of the Council's governance arrangements for 2014/15. 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.

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 not inconsistent or misleading with other information they were aware from their audit of the financial statements and that it complied with published guidance.

PHILIP BAKER
Monitoring Officer
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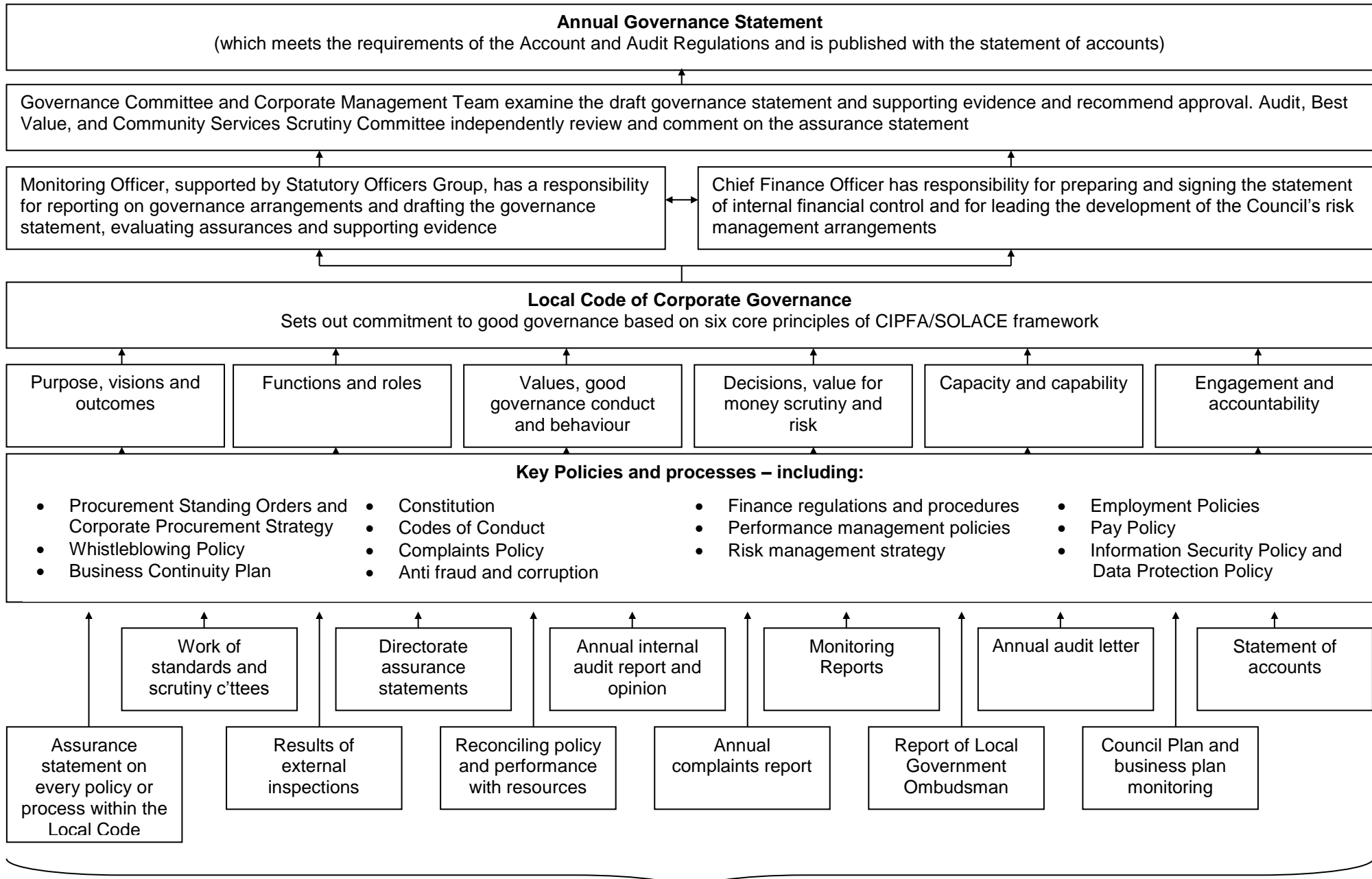Local Member: All

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	Purpose, vision & outcomes	Purpose, functions and roles	Values, good governance, conduct & behaviour	Decisions, value for money, scrutiny & risk management	Capacity & capability	Engagement & 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			✓	✓		
Health and Safety Policies & Procedures			✓	✓		
Consultancy Code			✓	✓		
Information Security Policy (including Data in Transit) and Data Protection Policy			✓			
Freedom of Information Policy			✓	✓		✓

Policy or process	Purpose, vision & outcomes	Purpose, functions and roles	Values, good governance, conduct & behaviour	Decisions, value for money, scrutiny & risk management	Capacity & capability	Engagement & accountability
Regulation of Investigatory Powers Act Policy			✓	✓		

ESCC Framework for the Annual Governance Statement

Annual Governance Statement
(which meets the requirements of the Account and Audit Regulations and is published with the statement of accounts)

Governance Committee and Corporate Management Team examine the draft governance statement and supporting evidence and recommend approval. Audit, Best Value, and Community Services Scrutiny Committee independently review and comment on the assurance statement

Monitoring Officer, supported by Statutory Officers Group, has a responsibility for reporting on governance arrangements and drafting the governance statement, evaluating assurances and supporting evidence

Chief Finance Officer has responsibility for preparing and signing the statement of internal financial control and for leading the development of the Council's risk management arrangements

Local Code of Corporate Governance
Sets out commitment to good governance based on six core principles of CIPFA/SOLACE framework

| Purpose, visions and outcomes | Functions and roles | Values, good governance conduct and behaviour | Decisions, value for money scrutiny and risk | Capacity and capability | Engagement and accountability |

Key Policies and processes – including:

- Procurement Standing Orders and Corporate Procurement Strategy
- Whistleblowing Policy
- Business Continuity Plan

- Constitution
- Codes of Conduct
- Complaints Policy
- Anti fraud and corruption

- Finance regulations and procedures
- Performance management policies
- Risk management strategy

- Employment Policies
- Pay Policy
- Information Security Policy and Data Protection Policy

| Work of standards and scrutiny c'ttees | Directorate assurance statements | Annual internal audit report and opinion | Monitoring Reports | Annual audit letter | Statement of accounts |

| Assurance statement on every policy or process within the Local Code | Results of external inspections | Reconciling policy and performance with resources | Annual complaints report | Report of Local Government Ombudsman | Council Plan and business plan monitoring |

All of these sources and others provide assurance on the adequacy and effectiveness of our controls over key risks

East Sussex County Council

Annual Governance Statement for the year ended 31 March 2015

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 2011, 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 2015 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 (still, 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 Glazier, Leader
Becky Shaw, Chief Executive
21 July 2015

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)
- Establish Joint Committee and governance arrangements for partnership with Surrey County Council.
- Organisational design of Surrey County Council partnership to review performance, risk, emergency planning and business continuity arrangements.
- Develop and implement an East Sussex and Surrey County Council Business Services Business Plan. Engage with staff to communicate and develop a consistent user experience and behaviours and maintain support to customers.
- Retain and exceed compliance with Government Information Governance standards; to protect and allow the organisation to access its business information more flexibly and to share it securely with its partners.
- Review Procurement Standing Orders to ensure alignment to new EU/UK Public Contract Regulations and East Sussex and Surrey County Council partnership governance arrangements.
- New governance arrangements put in place for the delivery of the Agile programme of changes, aligned to BSD service leadership.
- Develop internal process for increasing management visibility of BSD internal audit outcomes and implementation of recommendations.
- Joint review of Financial Regulations with Surrey County Council where appropriate.

Children's Services

- Roll out and embed evaluation as a standard approach to ensure resources are deployed effectively and achieving the desired impacts.
- Ensure the actions in the action plan following the Ofsted inspection of local authority arrangements for supporting school improvement in June 2014 are implemented and progress is monitored. Ensure preparations are in place for re-inspection in 2015. This will be monitored by the inspection working group and SMT.
- Continue to develop the integration of financial, performance and risk management processes to ensure robust decision making.
- Further develop the arrangements in place for information governance and for the handling, management and transfer of confidential, sensitive and personal data in line with corporate governance. Ensure robust information sharing agreements are in place for the Troubled Families Two programme.
- Continue to respond to the learning from serious case reviews
- Ensure effective learning from complaints and other forms of service user feedback by supporting operational teams to develop 'You said, we did'.
- Ensure effective workforce development strategies are in place to develop the skills, capabilities and ways of working that are required to meet changing needs.

Communities, Economy and Transport

- Further waste contract audits planned
- Revised governance arrangement for the KEEP
- Implementation of Local Enterprise Partnership federated model
- Review of Seachange governance arrangements

Adult Social Care and Health

- East Sussex Better Together are commissioning a public reference forum which will offer local people a diverse range of ways, both on and offline, for them to have their say on local service developments. The aim is for the forum to be managed by the local voluntary sector partners, to make the best use of the knowledge, skills and experience that already exist within our local communities.
- Impact monitoring across the Reconciling Policy, Performance and Resources savings plan and the Care Act will be combined, to ensure the overall impact of these changes is being assessed. This will be reported through Scrutiny Committee. ADASS and the Local Government Association proposed metrics for monitoring the impact of the Care Act are expected to be introduced nationally from June 2015, aimed at understanding how much demand there will be for deferred payments, early assessments for self-funders and carer assessment and services. The annual review of the Adult Social Care Equality Impact Assessment for the revised offer will incorporate Care Act changes.
- From April 2015, Care Act related contact with Social Care Direct / Single Point of Access will be monitored to ensure demand is being adequately managed and to ensure the department is best placed to respond to the nature of the queries being received. Care Act news and other existing communication and engagement channels will continue throughout 2015/2016 to ensure staff and public information is updated accordingly. A Care Act newsletter for Providers is being developed.
- Training for the new Social Care Information System (SCIS) has been scheduled for as close to system go live as possible, to minimise the gap between training and go live. The SCIS Board has agreed a comprehensive training programme with a combination of classroom and e-learning opportunities. The e-learning will remain available after go-live to support ongoing development requirements. Floor walkers will be based in all key locations to provide immediate support to staff, and telephone support will be available for staff working remotely.
- Adult Social Care and Public Health risk logs are to be combined for DMT reporting purposes to deliver a more holistic and strategic approach to risk management across the department.

Governance Services

- Ensure appropriate arrangements are developed in relation to the legal services partnership working with Surrey County Council to ensure continuity, accessibility and consistency of advice
- Review of member training and development to identify future needs particularly in light of the challenges and changes faced by the Council
- Review and automate the process for staff to submit declarations of interest and gift/hospitality returns and request that all staff submit a new declaration to ensure that the Council has a consistent approach and records are kept up to date