

Committee: **Governance Committee**
Date: **19 July 2016**
Title of report: **Assessment of the Corporate Governance Framework for 2015/16**
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 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 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 15 July prior to the Governance Committee on 19 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 2015/16

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.

2.3 A review of the Council's governance arrangements for 2015/16 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 also provided 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 stated that 'We have reviewed your Annual Governance Statement and concluded that it was consistent with our understanding'.

3.4 CIPFA/Solace have recently issued the 'Delivering Good Governance in Local Government Framework 2016'. This updated Framework will apply to the Annual Governance Statement prepared for the 2016/17 financial year which will be submitted to the Committee in 2017.

PHILIP BAKER

Monitoring Officer

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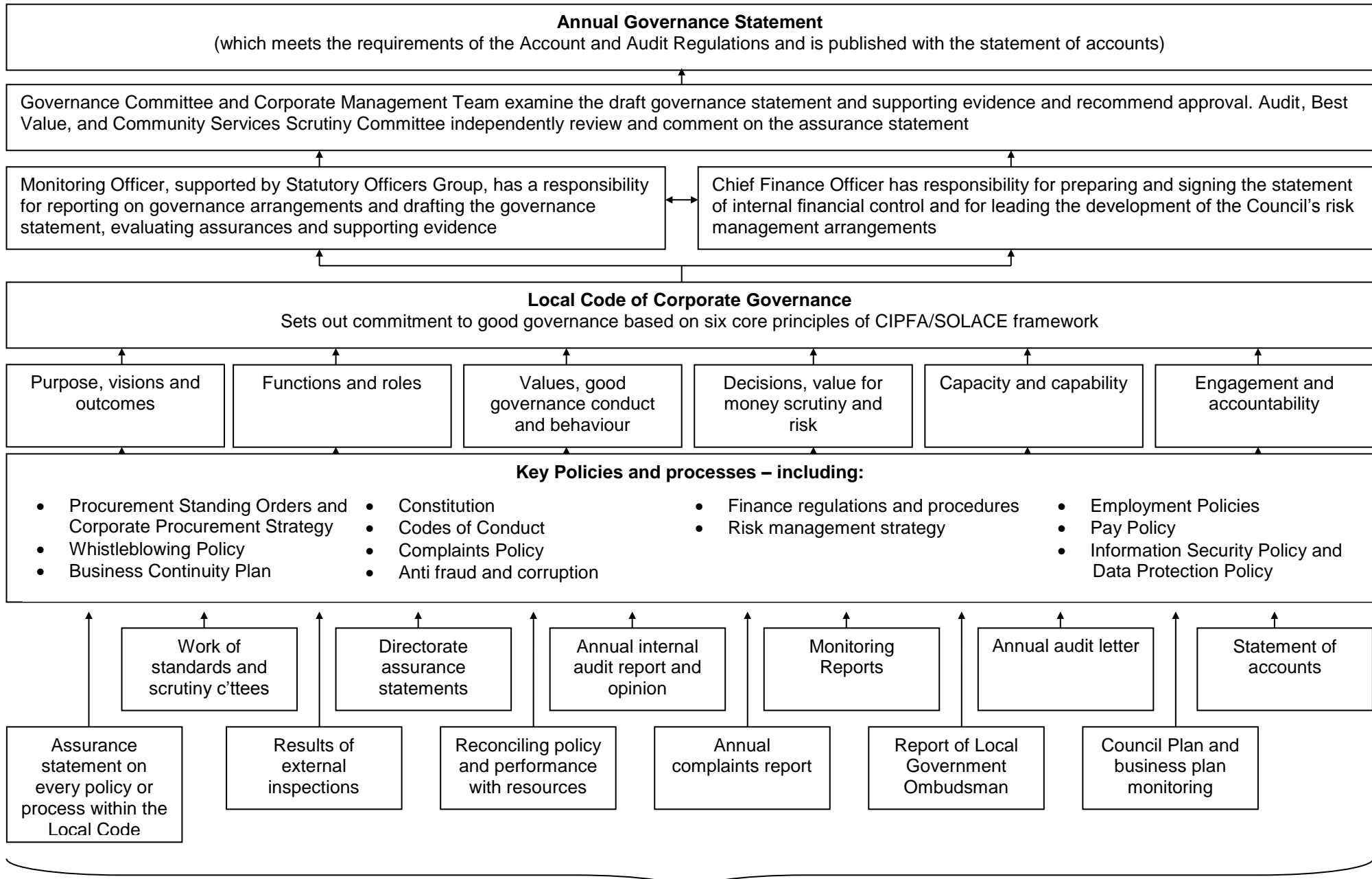
Local Member: All

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			✓	✓		
Information Security Policy (including Data in Transit) and Data Protection Policy			✓			
Freedom of Information Policy			✓	✓		✓

ESCC Framework for the Annual Governance Statement



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 2016****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 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 2016 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
19 July 2016

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)

- Develop and establish a process to engage with and on-board any potential partners to Orbis which ensures stability of the delivery of Orbis priorities.
- Implement the new Capital Programme governance arrangements and programme delivery procedures (following the review of Capital Programme performance and processes that took place in 2015/16).
- Governance arrangements to be part of the design and implementation of Orbis services in line with the Orbis Target Operating Model.
- Review of Financial Regulations.
- As part of the establishment of the Orbis partnership and implementation of the associated programme of IT investment, robust yet proportionate governance and assurance will be developed. This will be provided through the establishment of internal best practice IT governance mechanisms to oversee and drive the maintenance of information integrity, systems compliance and high levels of availability across the Partnership and for the sovereign organisations.

Children's Services

- Ensure actions in the action plan following the inspection in November 2015 of the local authority arrangements for supporting school improvement, are implemented and progress is monitored.
- Ensure preparations are in place for the new Joint Targeted Area Inspections and the Local Area Special Educational Needs and Disability (SEND) Inspection.
- Continue to ensure the integration of financial, performance and risk management processes to ensure robust decision making.
- Continue to develop arrangements in place for information governance and ensure confidential, sensitive and personal data is held, managed and transferred securely in line with corporate guidance.
- Respond to and learn from serious case reviews.
- Undertake critical services manager training in May 2016 in line with the recommendation from the corporate wide audit of business continuity arrangements by Mazars. Continue to publish a 6 monthly resilience and health and safety newsletter for staff.
- Troubled Families Strategy to be put in place to ensure maximum benefit is derived from the payment by results system.
- Monitor the implementation of the new integrated Health Visiting and Children's Centre Service

Communities, Economy and Transport

- Review of the Highways Contract governance arrangements.
- Audit and review of the National Trading Standards Scams team and third party funding contributions.
- Review the process for formal information requests, including Freedom of Information, Data protection and environmental information.
- Process review and governance audit of Community Infrastructure Levy/Section 106 contributions.

Adult Social Care and Health

- A business case for implementing an 'accountable care model' across East Sussex Better Together (ESBT) organisations will be developed by November 2016. This will propose a new way of organising services and funding. Associated governance and risk management arrangements will be agreed as part of the process and an audit opinion will be given on the business assumptions for the accountable care model and locality based teams.
- The ESBT Public Reference Forum and Advisory groups will continue this year. These approaches enable local people and partners from the voluntary and community sector to support and inform the design and development of local services. The Advisory Group also acts as a critical friend, advising on ESBT Programme communications and engagement activity.
- An audit of the post implementation review of the Social Care Information System (SCIS) project will be undertaken. Phase two of the SCIS programme will be implemented and governance arrangements for this and ongoing system management and development have been agreed by the existing SCIS Board.
- The impacts of the 2015/16 Reconciling Policy, Performance and Resources savings will be monitored by the Department Management Team (DMT) and regular reports will be provided to Adult Social Care Scrutiny. The monitoring includes a range of qualitative and quantitative measures including client and carer survey results.
- The Adult Social Care and Public Health risk logs will continue to be monitored by DMT.
- The Director continues to co-chair the Association of Directors of Adult Social Services South East Regional meetings which have been overseeing regional sector led improvement and Care Act 2014 implementation.

Governance Services

- Implement and keep under review the move towards paperless meetings.
- Implement and keep under review the online declaration of interest and gifts/hospitality system and request that all staff submit a new declaration.
- Ensure appropriate governance arrangements are developed in relation to the establishment of Orbis Public Law.
- Start preparation for the 2017 County Council elections and Member induction.