

Annual Governance Statement

2022/23

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. There is also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.

In discharging these overall responsibilities, the Council is responsible for putting proper arrangements in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council delivers good governance and reviews the effectiveness of these arrangements to meet the requirements of the Accounts and Audit Regulations 2015, specifically:-

- Regulation 6(1), which requires that the Council “must each financial year:-
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement”
- Regulation 6(4), which requires the annual governance statement to be “approved in advance of the relevant authority approving the statement of accounts” and “to be prepared in accordance with proper practices in relation to accounts”, to accompany the Council’s Annual Accounts.

(The above, which came into force on 1st April 2015, replace the equivalent Regulations 4(2) and 4(3) from the Accounts and Audit (England) Regulations 2011).

In 2020, the dates for preparation of the draft and final accounts were relaxed by the Government for two years in light of the Covid crisis and while the Government considered its full response to the recommendations of the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. For the preparation of the 2022/23 Accounts the draft and final accounts publication deadlines for relevant bodies have reverted to 31 May and 30 September.

As noted in the Redmond Review there are currently ‘insufficient qualified individuals to deliver all audits at the appropriate time’. As at March 2023:-

- the Council’s external auditors have again advised that this national resourcing issue means that they will not be able to complete all their audits by 30 September 2023 and currently anticipate scheduling the main audit work for the Council in early 2024. As in previous years, an appropriate statement will be posted on the Council’s website along with the unaudited draft Accounts in order to meet statutory requirements
- although the 2021/22 Accounts were presented to the Audit & Governance Committee in February 2023, the external auditors advised that some work remained to be completed. Although an unqualified opinion is expected, the Accounts and Letter of Representation had not been signed-off at the end of the financial year.

This document is the Council's Annual Governance Statement (AGS), relating to the internal control environment in place covering the **2022/23** financial year and the period during which the Council's Annual Accounts are prepared.

The Council's Governance Framework

The governance framework comprises the behaviours and values, systems and processes, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

Organisations with good corporate governance demonstrate the capacity to maintain high quality services and to deliver improvement. In 2016, CIPFA published its new *Delivering Good Governance in Local Government: Framework* (CIPFA/SOLACE, 2016).’ This applies to Annual Governance Statements for the financial year 2016/17 onwards and the Council has adopted a local Code of Corporate Governance based upon the principles of the new Framework.

Compliance with the Council’s local Code of Corporate Governance is considered annually and any issues identified are reported to the Audit & Governance Committee. Internal and external audit also produce reports which consider the adequacy of corporate governance arrangements across the Council.

The Terms of Reference for the Audit & Governance Committee were reviewed and updated in 2021 as part of the change to the committee system of governance at the Council. These provide clear guidance on its responsibilities, including consideration of all appropriate aspects of corporate governance. Minutes from meetings of the Audit & Governance Committee evidence this and are published on the Council’s website.

There is an Annual Governance Statement (this document) which is approved by the Audit & Governance Committee and subsequently reported to Full Council with the minutes of the Committee. The AGS is published to accompany the Annual Accounts, once approved, on the Council's website.

The key elements of the systems and processes that comprise the Council's governance arrangements are shown below, in relation to the seven principles of the CIPFA/SOLACE framework:-

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The culture of the organisation sets the foundation for ethical behaviour, staff / Member conduct and the prevention of fraud and corruption, by creating an environment that is based on openness and honesty in all Council activities. The culture is founded upon good organisational performance, external recognition, highly ethical staff and good employee attitude to internal controls.

The Equalities & Diversity framework (and associated Human Resources policies) sets the tone of the Council's respect agenda, with a revised Equality, Diversity & Inclusion Policy adopted in 2022. The Council has a Children, Young People and Adults At Risk – Safeguarding Policy, including considerations arising out of the Care Act 2014, and in March 2023 the Council adopted an Anti-Modern Slavery Pledge.

As required by central Government, the Council published its first gender pay gap figures in 2018 and this is now repeated annually. Staff and Unison were consulted on the initial results and an action plan has been progressed resulting in an improvement to the Council's position.

The standards of conduct and personal behaviour expected of members and officers of Arun District Council are defined and communicated through codes of conduct and protocols. The Members' Code of Conduct was revised in 2012 reflecting the Localism Act 2011 and in 2021 was revised to reflect the recommendations within the LGA's model Code of Conduct. The Council has an adopted Protocol on Member and Officer Relations together with an Employee Code of Conduct. The conduct of elected members is monitored by the Council's Standards Committee and allegations of breaches of the Code of Conduct are investigated by the Council's Monitoring Officer and reported to the Standards Committee, with the Council's Assessment Panel considering any investigations which in the Monitoring Officer's view require consideration at a hearing. This process is supported by the Council's Local Assessment Procedures and the Local Hearings Procedures.

From May 2021 the Council moved to a 'committee model' of operation under the provisions of the Local Government Act 2000. There are currently six 'service' committees and four regulatory committees reporting to Full Council, with their roles and responsibilities contained in the revised Constitution. (A diagrammatic representation of how the various stakeholders in the new governance process interact is included as Appendix 1 to this document).

At the District Elections held in May 2023, the Council remained in a position of No Overall Control. While the Conservative group remains the largest party, an administration comprising an alliance of the Liberal Democrat, Labour, Green and Independent groups has the majority and has political leadership of the Council. This may mean that current Council priorities, strategies and initiatives are subject to review and change.

The Council's Constitution provides clear guidance on the roles and responsibilities of the Chief Executive, Senior Officers, the Council's Leader and its Committees. This is

reviewed by the Monitoring Officer on a regular basis and proposed changes to the Constitution are considered by the Constitution Working Party (of Members), prior to recommending adoption by Full Council.

The Constitution also contains details of the authority's scheme of delegation, which in 2023 was supplemented with a scheme of CEO authorisation to Directors, and identifies the roles and responsibilities of Senior Officers of the Council, with specific responsibilities also incorporated into individual job descriptions. The Leader and the Committee Chairs and their deputies receive briefings from Senior Officers on a regular basis, including financial, legal and technical advice.

The Council takes the prevention of fraud, corruption and maladministration very seriously and has the following policies in place, which aim to prevent or deal with such occurrences:-

- Anti-Fraud, Corruption & Bribery Policy (including requirements of the Bribery Act 2011)
- Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998)
- HR policies regarding discipline of staff
- Registers of Interests for Members and staff.

The Council has assessed the risk of fraud in its operations, and the ongoing counter-fraud activities undertaken, against the CIPFA 'Code of practice on managing the risk of fraud and corruption', the updated 'Fighting Fraud & Corruption Locally' strategy, the UK Anti-Corruption Plan and general / professional best practice. It has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. An annual Counter-Fraud Report is provided to the Audit & Governance Committee and current / future risks are monitored.

The Council is committed to the highest possible standards of openness, probity and accountability. It has a published Whistleblowing Policy, which aims to encourage Officers, contractors and members of the public to report any instances of unlawful conduct, health and safety risks, damage to the environment and possible fraud, irregularity or unauthorised use of Council funds.

A Feedback and Complaints Policy is in place (updated in 2022) and the forms and guidance are available on the Council's website. Results of complaints which have been investigated are, where appropriate, used to drive service improvement and performance monitored through Corporate Plan indicators.

In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members. The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council continues to work with the Regulator through regular monthly

updates and periodic telephone conversations and as suggested by the Regulator, the Council commissioned a compliance health check and the results have been provided to the Regulator – it is anticipated that the issues have been resolved and the Regulator will release the Council from the Regulatory Notice in 2023.

B. Ensuring openness and comprehensive stakeholder engagement

The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Certain decisions, identified in the Council's Constitution, can only be taken by the Full Council. Under the committee system, other decisions will be taken by Full Council or delegated to an appropriate Committee or to officers. There are no longer 'key decisions' contained in a Forward Plan or any decisions made by individual (Cabinet) Members. Reports presented to Committees and Full Council are reviewed on a risk / professional basis by Legal Services and Finance before being presented and appropriate Officers attend Committees in order to answer specific queries raised by Members.

The Council aims to ensure that clear channels of communication are established with all areas of the community and other stakeholders, ensuring accountability and encouraging open communication. The Council believes that the change in governance structure will improve the openness and transparency of the Council and its decision making and will also be looking at measures to engage better with the public. From 2020, the Covid crisis has meant that the Council has made much wider use of social media to inform and update residents.

The Council's publication 'Arun Times' is distributed to all residents (currently twice-yearly) and is available on the Council's website. The website contains key published information and over the last few years has been rewritten to make it clearer and easier to use for as many people as possible – to support that goal, new accessibility tools have been added to assist certain user groups and to ensure it meets the Web Content Accessibility Guidelines (WCAG) 2.1 AA standard for websites. The Council's 5-year ICT Service Strategy has been supplemented by a new Digital Strategy 2019-2025 agreed in December 2019 and the Council will be looking at the best ways to provide more digital opportunities to make dealing with us easier, to improve customer service and increase efficiency.

Full Council and Committee meetings are held in public, with the press and public only excluded when a report is presented as an 'exempt' item in accordance with Part 1 of Schedule 12A to the Local Government Act 1972. Meeting agenda and public supporting documents are published at least five clear days in advance of meetings and made available at Council offices and on the website. Members of the public are also allowed to speak and ask questions at Full Council and Committee meetings, under the Rules of Procedure contained in the Constitution.

The ModernGov meeting management system was implemented for use by the Council in 2019 and assists in the administration and provision of Council papers for Members, staff and the public. This will be developed further to link into the ongoing governance arrangements for the Council.

The Council has adopted a Filming and Photographic Policy for key Council meetings, to meet transparency requirements contained in the Local Audit & Accountability Act 2014. Full Council and Committee meetings are live-streamed and recorded to allow public viewing.

Various Council activities have, over many years, brought together a wide range of local organisations in all sectors of the Community and there is ongoing engagement with the voluntary and community sector. The Council believes that by engaging with local people and other stakeholders this ensures robust accountability.

Members continue to be engaged with Sussex Police regarding concerns over policing, crime and anti-social behaviour in the District and the Chair of the Housing & Wellbeing Committee is the Council's representative on the Sussex Police & Crime Panel. They also consider the provision of health services and wellbeing throughout the District.

The new priority themes contained in the Council's Vision 2022-2026 have been drawn up with the involvement of a wide range of consultees including staff, Members and the general public.

The Council engages in public consultation exercises to inform the decision-making process, with several undertaken recently in relation to current and future developments e.g. plans to enhance Littlehampton seafront, future of Pier Road and Resident Engagement Strategy.

Arun gathers views from its residents in several ways, which helps to inform the priorities adopted by the Council and to identify the views of residents on proposals for new or changed services, projects and initiatives being considered by the Council. Customer satisfaction is included in the Council's Corporate Plan indicators and is informed by an annual Residents' Survey with results reported to CMT and Members.

The Council also has agreed and published a Petitions Scheme, allowing the public to raise issues of concern with a formal response procedure to be followed by the Council. Details of the use of the scheme and petitions received are published on the Council's website.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council aims to deliver high quality services that provide value for money and best fit the needs and priorities of the local community.

In 2021/22 the Council developed and agreed its Vision 2022-2026 which contains four new themes:-

- Improving the wellbeing of Arun
- Delivering the right homes in the right places
- Supporting our environment to support us
- Fulfilling Arun's economic potential

Linked to these are key performance indicators / outcomes. In addition, the Council has agreed a set of revised Corporate Plan indicators from April 2022 to support achievement of these themes. Progress against these is reported to Members and published by the Council.

Within these themes, the Council will deliver services and progress initiatives for improvement and change to make things better for:-

- our residents and everyone who visits this area
- our businesses
- those people who need the Council to step up and help them when it counts.

Year on year, the Council has faced additional pressure to achieve cost savings without impacting the delivery of important front-line services. The Council's medium term financial strategy anticipates further funding reductions. While The Council currently has sufficient reserves to ensure financial resilience, balances are anticipated to reduce significantly in the medium term and the 2023/24 Budget required a transfer from the Funding Resilience Reserve. The Council will continue to consider ways to increase income and / or reduce costs to minimise the anticipated budget deficit in future years. This commenced with a resource based (Zero Based Budgeting) budgeting exercise in 2022/23 to inform the 2023/24 Budget and will be reviewed during that financial year.

Value for money continues to be a key factor, with the Council looking to reduce costs and improve efficiency, with progress also being made on specific initiatives e.g. by specialist officers in respect of:-

- the identification of empty homes and returning them to permanent use, with the Council benefiting financially from New Homes Bonus provisions and the area from additional housing stock
- the Council's Property Investment Strategy, allowing the re-investment of a proportion of funds from land and property sales by the Council.

Significant work will be required to reduce the budget deficit over the coming years. The Budget agreed in March 2023 contains a £3m Transformation Budget which will be applied in 2023/24 and future years to develop a programme including cost reductions and increased income achievement.

The Council also continues to consider the impact on residents of the Welfare Reform Act 2012 and of central government changes to the social housing regime and relevant strategies and policies have been reviewed and updated. Funds have also been allocated by the Council to better address homelessness issues, which includes building / acquiring additional properties in order to provide quality accommodation for emergency cases, with a view to reducing bed and breakfast accommodation costs.

The Council is committed to working with others to bring about real change for the benefit of the community. It already has several joint working arrangements in place and will further explore opportunities for partnerships and shared services, where this can be demonstrated to provide the best value. Periodic joint management team meetings are held to discuss issues with other West Sussex local authorities and the Council's Chief Executive meets regularly with other CEOs on the West Sussex County

Chief Executives Forum and West Sussex Chief Executives & Leaders meet periodically via the West Sussex Leaders Board. Members of the Senior Management Team hold regular meetings with key business / third sector partners such as the University of Chichester, Butlins, Rolls Royce, Aldingbourne Trust, Age UK, etc. There are also regular liaison meetings with the three Town Councils (Arundel, Bognor Regis and Littlehampton) which involve the Chief Executive, the Leader and a senior officer from Arun District Council and officers and Members from the Town Councils.

The Council continues to work with, and provide support to, Town and Parish Councils wishing to develop a Neighbourhood Development Plan and maintains a register of 'assets of community value' (introduced as part of the Localism Act 2011).

The Council's overarching priorities are used to drive other key strategies for consultation, agreement and publication. The most significant of these are:-

- Arun Economic Development Strategy 2020-2025 (approved in 2019)
- Local Plan 2011-2031 - following a lengthy review, consultation and examination process, the final Local Plan was adopted by Full Council in July 2018

However, although a review of the Local Plan was agreed by Full Council as part of its altered priorities and some work has been performed on updates to the evidence base the Council has taken the decision to pause the review until details of the Government's new plan making system are agreed

- Customer Services Strategy 2021-26
- Housing & Homelessness Strategy (to be revised in 2023)
- Leisure & Cultural Strategy 2013-2028 (recommendations for the future were agreed, following public consultation in 2012/13):-
 - the leisure contract transferred to Freedom Leisure from April 2016
 - construction of the 'Littlehampton Wave' was completed, with the new swimming pool and leisure centre opening in late March 2019
 - further enhancements to the Arun Leisure Centre are progressing
 - rising inflation, increased utility costs and workforce shortages will again be a challenge in 2023/24
- Bognor Regis regeneration:-
 - the improvement of Place St Maur was completed in 2022 with a large part of the funding for the project obtained from the Local Enterprise Partnership
 - options for the 'Sunken Gardens' have also progressed and following public consultation works are due to complete in mid-2023
 - the Council continues to liaise with local partners on improvements (e.g. the University of Chichester's new Tech Park) and to attract new businesses / investment (e.g. the Rolls-Royce technology & logistics centre)
- Enterprise Bognor Regis – planning permission was secured in 2019 by the landowners of the Saltbox site to provide approximately 30,520 square metres of new mixed-use employment floor-space and between 500 and 1000 new private sector jobs and development is progressing
- External funding was secured to deliver the Littlehampton town centre public realm improvements with initial phases completed and work progressing in 2023

- in March 2021 it was agreed that a working party be set up to look at preferences and priorities for bidding against the Levelling Up Fund that had recently been announced by the Government, for further projects in Littlehampton and Bognor Regis. The resulting bid by the Council was successful and £19.4M will be provided to progress projects for improvements to the Alexandra Theatre in Bognor Regis and the Littlehampton seafront and riverside
 - the Littlehampton improvements have been subject to public consultation and, subject to a planning application and appointment of contractors, construction will commence in late 2023
 - subject to a planning application, the Alexandra Theatre works will commence in late-2023
- the Council has also been successful in a bid for funding to contribute to providing six Changing Places Toilets in the District
- the Council has worked collaboratively with other local councils to progress the delivery of the Gigabit West Sussex project and led by WSCC (in liaison with the Department for Digital, Culture, Media and Sport) to install superfast gigabit fibre broadband to public buildings in the District
- progress of the Arun Growth Deal 2018-2023 – clearly identifying the Arun ‘economic growth offer’ and contributing to the overall West Sussex Growth Plan developed by WSCC. **The Council will review the Growth Deal with WSCC in 2023**
- the Council is now a member of the Greater Brighton Economic Board
- Capital Strategy 2023/24 to 2026/27 – this is an annual document required under CIPFA’s revised Prudential Code and includes a rolling 3-year proposed capital investment programme approved by the Council.

The Council has produced and sustained the Arun Developer & Partner Charter Plus and, in line with the Public Services (Social Value) Act 2012, encourages companies and partners to subscribe to this, to facilitate co-operative working, local employment, training opportunities, procurement and development within the District. The Local Enterprise & Apprenticeship Platform (LEAP) project, which commenced in 2015, offers grants to ‘start-up’ and small business in the Arun District. In addition to this, funding was obtained in 2018/19 for ‘Journey To Work’ and retail training projects in order to assist both those without employment and independent retailers, with further funding now extending this through 2023/24. The Council has worked closely with local Job Centres to hold Jobs and Cost of Living Fairs which have been well attended and resulted in a number of employment opportunities being taken up. The One to One Retail support service continues to be well received and has recently secured funding from the UKSPF budget for further work. The Council has also received funds from the Economic Recovery Fund, held by WSCC, to assist in town centre economic recovery projects.

Through the Covid period and into 2022/23, the Council has been instrumental in the delivery to eligible local businesses of over £50M of mandatory and discretionary grants allocated by the Government and this funding also allowed several further initiatives to provide wider business support in the District. It also assessed and distributed Test & Trace Self-Isolation Payments to eligible residents and Government funding has also been received and used for other designated measures in support of

the community (e.g. Arun Covid Community Champions project, Protect & Vaccinate Grant).

The Council has also recognised the impact on the community resulting from the cost of living crisis. In November 2022 the Council allocated £180k to fund initiatives aimed to help support Arun residents through the crisis. The Council has also distributed almost £9M of Government funding in support of national schemes to assist residents with their increased fuel bills, through Council Tax Energy Rebate payments and to qualifying applicants through the Energy Bills Support Scheme (EBSS) Alternative Fund and Alternative Fuel Payments.

The Council has a key role in several local partnerships, working for the benefit of residents and the community to improve the local quality of life, including:-

- Safer Arun Partnership (the statutory community safety partnership)
 - current Council anti-social behaviour initiatives include a Public Spaces Protection Order (PSPO) covering the consumption of alcohol in designated areas within the District and litter and dog fouling enforcement
- Arun Wellbeing Programme / Arun Local Community Network
 - in 2021/22 the Arun Wellbeing and Health Partnership was replaced by the Arun Local Community Network (~~a specific partnership group to tackle health inequalities~~) in preparation for the introduction of the Integrated Care System
 - the Arun Wellbeing service received partnership funding for five years from April 2022 and has a dedicated website offering practical advice and events to assist in the improvement of the health of residents and to reduce health inequalities

It also participates in national and county-wide partnership initiatives, including:-

- Coast To Capital Local Enterprise Partnership
- West Sussex Fuel Poverty Partnership
- Coastal West Sussex Partnership
- Rural West Sussex Partnership
- Coastal West Sussex & Greater Brighton Strategic Planning Board
- Greater Brighton Economic Board
- WSCC Joint Climate Change Board
- Arun Local Community Network.

The Council is clear about its responsibilities for services, whether provided directly or through partners / other third parties. We will work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do. There will need to be significant infrastructure improvements in the District to support the predicted increase in housing numbers and the Council will continue to liaise with appropriate strategic partners and developers as to the required improvements. Since 2020, in accordance with amended regulations, the Council has approved and published its annual Infrastructure Funding Statement and has also updated its Arun Infrastructure Investment Plan for 2022-25 (prioritising the use of Community Infrastructure Levy funds received).

We have a clear commitment to ensure services deliver the most appropriate combination of quality, value and choice to all residents. As part of this process, the Council has let several of its major contracts in recent years (e.g. Combined Cleansing Services, Greenspace Management, Leisure Management) and continues to provide the best level of service, while achieving both cost savings and also encouraging partner investment in improvements. With the Covid crisis in 2020-22, and now the significant increase in energy prices, the Council has worked through its staff and partners to minimise the impact on the delivery of key services.

Arun (and other Districts in the County) continues to liaise with WSCC in respect of potential changes in its support for waste and recycling initiatives and in a reduction in grant funding for charitable and support organisations. These changes will have a significant impact on the Council, both financially (loss of recycling credits, increased homelessness costs, etc.) and through additional burdens placed upon it. Although the successful food waste collection service trial was initially extended in 2022, the Council made the decision to withdraw from this due to the discontinuation of funding from WSCC. The weekly residual waste collection service will remain in place until such time that the Government mandates food waste collections to all households.

The Council actively considers environmental issues in its policies / decisions and supports / promotes environmental initiatives for itself and its residents, including carbon management and energy efficiency schemes through its Energy Efficiency & Fuel Poverty Strategy (updated in 2020).

The Council's strategic priorities include an increased focus on environment and climate change issues and the Council formally declared a 'climate emergency' in January 2020. The Council has now appointed a Climate Change & Sustainability Manager to progress its aim for the Council to be carbon-neutral by 2030 and has contracted to obtain its electricity supply from renewable sources. At its meeting of September 2020, in response to a Motion from Members, the Council recognised that although much good ecological work is ongoing, further action is required and it agreed to review and update the bio-diversity policies within the Local Plan. The Council has also agreed and reviewed its:-

- Carbon Neutral Strategy
- Climate Action & Biodiversity Work Plan 2023-24
- Greenspace Tree Planting Strategy 2021-2031.

Preparatory work is also progressing on the Bersted Country Park project, with public consultation due in 2023.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council publishes its Annual Financial Accounts in accordance with the CIPFA Local Authority Code of Practice and DLUHC reporting requirements. The annual Budget is approved by Full Council and regularly monitored and reported on. In the event of significant variation, requiring additional expenditure, a Supplementary Estimate may be raised for Full Council approval.

CIPFA has issued a new Financial Management Code which came into effect from April 2020, with compliance required by 2021/22. This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. An assessment against the Code has been undertaken (and updated in 2022) to confirm that the Council is compliant and follows best practice.

The Council has a range of performance indicators, used to measure progress against its key priorities in the annual Corporate Plan. The effectiveness of these indicators is considered annually. In support of the new Council Vision for 2022-2026, vision indicators and outcomes and revised Corporate Plan indicators have been agreed and these are monitored and performance reported to Members.

The Council regularly surveys users of its services and this process has been enhanced, with residents' surveys including customer satisfaction questions undertaken to assess key elements of the delivery of its new priorities. Results are published and the information provided is used as a resource which informs the Corporate Plan process and future policy decisions. Service and value for money reviews may also be undertaken (both via internal audits and Member Working Groups) and the Council's external auditors provide a value for money conclusion as part of their annual review of the Council's accounts.

Performance indicators are in place and regularly monitored, with periodic reports provided to the Corporate Management Team and relevant service committees (and published as agenda items on the Council's website).

Via the embedded monitoring and reporting processes that the Council has in place, performance, audit, risk and finance information is used to identify areas of concern and for appropriate interventions to be planned and implemented to optimise the achievement of outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council's Chief Executive (Head of Paid Service) is responsible and accountable to the authority for all aspects of operational management. His objectives are set, and his performance monitored, by a panel of senior Members from the controlling group and the Leader of the main opposition group. However, the current Chief Executive has left the Council at the end of May 2023 and arrangements for fulfilling the role and for the recruitment / appointment of an interim or permanent replacement will be considered by the new Council following the May 2023 Elections.

The Group Head of Finance is the designated Section 151 Officer. (In February 2023, a new permanent S151 Officer was appointed, following a period when the role had been filled on an interim basis). The Council's Constitution contains specific details of the overall financial responsibilities of the role and an update of the Council's Financial Regulations was recently performed and the resulting changes included in the Constitution.

The Monitoring Officer (Group Head of Law & Governance) has overall responsibility for legal compliance and works closely with Officers and Members to advise on legal issues which affect the Council. (In April 2022, a new permanent Monitoring Officer was appointed, following a period when the role had been filled on an interim basis). Under the Localism Act 2011, local authorities were granted the 'general power of competence', allowing greater freedom to work in partnership and to develop more innovative ways of providing services.

As reported in previous AGS documents, the Council worked with staff and Members on its 2020 Vision programme in order to ensure that the Council's current agreed outcomes can be delivered and to identify the need for change to best position the Council for the future challenges facing the public sector and has agreed its Vision 2022-2026 covering the next 5 years.

However, it was always anticipated that there will be further funding reductions and additional burdens placed upon local government in the immediate future. The Council has considered these as far as possible when preparing its Financial Prospects Report (including its Medium-Term Financial Strategy), used to inform its annual budget changes and further annual cost savings will be required in the short to medium term to maintain the Council's financial stability. The Council will continue with its commitment to seek ways to provide quality frontline services with the funds available while also seeking additional income sources and appropriate potential income generating opportunities.

As already noted, the Council required a transfer from reserves for its Budget for 2023/24 (which was agreed by Full Council in February 2023) and the predicted finances for future years has been reflected in the Financial Prospects 2022/23-2026/27 report presented to Members. In view of the anticipated future funding deficit and the changes in the way the Council has been operating (since the Covid pandemic when most staff worked from home), efficiency and cost saving initiatives are being investigated, together with consideration of additional income streams.

The Council is progressing work to consider its future operating model alongside the resource and budgetary requirements in order to progress the Council Vision 2022-26. This work is branded as 'One Arun' and has involved staff and Members, with external expertise, considering culture change, values and the operating model within the Council. This includes consideration of the effective use of corporate properties to ensure that the Council's offices and facilities are fit for the future provision of services to the public, while also incorporating 'cultural' changes such as an increase in home working by staff and the provision of more services / information via digital channels.

Human Resources procedures are in place to facilitate the recruitment and retention of capable staff. There is an induction and training programme for all staff, as well as apprenticeship opportunities. All staff are required to participate in a continuous performance review process and an IT system specifically designed to assist with the recording of performance objectives and training and development needs was implemented in 2021.

Arun Councillors are elected on a 4-year term with the most recent elections held in May 2019. Elected Members to the Council have a Member Induction programme, which has been reviewed and updated in advance of the 2023 District Council elections, and this includes specific training for Members in respect of the main quasi-judicial Committees. Members also have ongoing training that incorporates understanding the aims and objectives of the Council, understanding and dealing with current / new legislation and developing their personal skills. They also receive training from the Monitoring Officer on the Council's Member Code of Conduct, which is reported to the Standards Committee.

F. Managing risks and performance through robust internal controls and strong public financial management

The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The Council has reviewed and agreed an updated Risk Management Framework in 2022, which includes the Council's risk appetite statement and reflects the roles and responsibilities of Members and all levels of staff in the risk management process. Internal and external audit work will consider and report upon risk management in the area under review.

In 2022, the Chief Executive commissioned a review of the Council's risk appetite, strategy and reporting to ensure that it remains fit for purpose. The Council's Corporate Risk Register (CRR) has been reviewed and refreshed and is regularly reviewed by CMT. The Council recognises that it faces significant financial challenges in the coming years, together with the uncertainty surrounding major reforms proposed / being progressed by central government. Reports are presented to the Audit & Governance Committee, which is also involved in reviewing the current CRR document and which is published on the Council's website. In addition, all Service areas are required to prepare and maintain Operational Risk Registers.

Proposals for all major IT and business transformation projects incorporate a consideration of risk in the documentation provided for approval by ICT. The Council has undertaken a substantial amount of work to review its data security policies, processes and staff training in order to meet the requirements of the General Data Protection Regulation (GDPR) / Data Protection Act 2018 and to minimise the risk / impact of cyber-attacks affecting the Council's IT network and systems. In 2018, the Council took part in the Local Government Association's (LGA) 'cybersecurity stocktake' exercise and, as a result, has received consultant assistance in assessing and documenting its cybersecurity risks and in identifying measures to improve its security, resulting in an improved assessment rating. However, cybersecurity events affecting other authorities and the increased risk of external attacks with the current global political and economic situation means the Council must remain vigilant and continue to review its security arrangements and consideration of cyber risks and security is a standing CMT item.

The Council's policy for managing financial risk is considered on a regular basis. Financial Regulations (including procurement policies), contained in the Constitution, are reviewed by the Section 151 Officer and changes adopted by Full Council.

The Audit & Governance Committee receives regular reports on the Council's Treasury Management function and the Council complies with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

As reported in previous years, the Council is progressing a programme to provide additional rented residential accommodation. The Housing Revenue Account (HRA) is ring-fenced (and separated from the Council's General Fund) and a HRA Business Plan has been agreed for the period 2017-2047, which is reviewed annually by external consultants, including:-

- the planned additions of a further 230 properties between 2020/21 and 2031/32, in order to replace the properties it is expected will be lost through Right To Buy regulations and to provide a net gain in the affordable housing stock over the period (this will be reviewed in line with the Business Plan)
- investment in the Council's sheltered home schemes over the period to ensure they remain fit for purpose.

In January 2023 a revised HRA budget for the year was agreed by Full Council, for 2022/23 but there remains significant pressure on the HRA balance, which is predicted to remain below the £2m recommended balance set by the Council for a number of years. In order to address the issues, measures are being developed to improve efficiency and financial sustainability in the Housing service and the HRA Business Plan has been reviewed and updated to reflect this. Furthermore, the HRA will be reviewed with CIPFA during 2023/24 with a view to improving its financial position.

The Council fully meets the legal requirements for insurance and claims are managed in accordance with the Ministry of Justice protocols. All of the claims are monitored by the Finance & Risk Manager and the results are reviewed.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016).

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

With the implementation of the committee system of governance from May 2021 there is no longer a separate scrutiny committee / function, as it is held that the system 'self-scrutinises'. The Constitution does however contain provision for 'Referral and Recovery Procedures' allowing Members to require a decision be considered and taken by Full Council rather than by a committee.

The Audit & Governance Committee is embedded as part of the Council's overall governance framework. Its terms of reference incorporate the core functions, as

identified in the appropriate CIPFA guidance. The Committee is responsible for issues relating to the Council's system of internal control, risk management, financial reporting and counter-fraud, as well overseeing the arrangements for, and providing a forum for reporting and discussion of issues raised by, both internal and external audit.

From April 2022, the Council joined the Southern Internal Audit Partnership (SIAP) for the provision of internal audit services to the Council (replacing the former in-house arrangement). The new arrangement provides greater resilience in respect of resource than previously and access to specialist audit skills when required. The Internal Audit Charter, annual plan and progress reports are provided to the Audit & Governance Committee as before and the arrangements will continue to have regard to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019).

Internal Audit also carries out key financial audits of the Council's major systems as part of the International Standards on Auditing, in conjunction with the external auditors. The Audit & Governance Committee receive all the external assurance reports and makes recommendations to Full Council where appropriate.

The Council chose to opt-in to the sector led body approach for external auditor appointments (with a procurement exercise undertaken by the Government-appointed body Public Sector Audit Appointments Ltd.). As a result of this, the Council's current external auditors (Ernst & Young LLP) have been appointed to perform the audit of the Council's accounts for a 5-year period (covering the accounts from 2018/19 to 2022/23). In 2021, the Council again opted-in to the sector led body approach for procurement of external audit services (from 2023/24) and PSAA Ltd. has advised that E&Y have been appointed as the Council's auditors for a further 5 year period.

The Council operates a Publication Scheme, as required by the Freedom of Information Act 2000, and publishes information to meet current local government data transparency requirements. Planning matters are also covered in the published annual Authority Monitoring Report, as required by the Localism Act 2011.

Details of payments made under the Members' Allowances Scheme are published on the Council's website. The current scheme (based upon the recommendations of the Independent Remuneration Panel's 8th review) was adopted by Full Council in July 2019. A further interim review of the scheme was progressed in 2020 to support the decision of the Council to move to a committee structure from May 2021 and consider the change of allowances from Cabinet members to committee chairs and vice-chairs.

Review Of Effectiveness

The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review is informed by the work of the managers who have responsibility for the development and maintenance of the governance process, the internal audit annual report and by comments made by the external auditor and other appropriate review agencies / inspectorates.

Information to provide assurance to support the content of the Annual Governance Statement is available across the Council in various sources. In preparing the AGS for the Corporate Management Team, consideration has included:-

- CIPFA guidelines in respect of the production of an Annual Governance Statement (the best practice suggestions identified by CIPFA in their review of the framework included the suggestion that a diagrammatic representation of the systems, processes and documents that contribute to the Council's governance be drawn together on a single sheet. Based on the example provided, this has been prepared and is attached as Appendix 2 at the end of this document)
- CIPFA's 2016 guidelines in respect of the new CIPFA/SOLACE Delivering Good Governance in Local Government: Framework
- review / update of the Council's local Code of Corporate Governance for **2023/24**
- an annual assessment of compliance with the local Code (and effectiveness of governance arrangements)
- annual assurance statements from Corporate Management Team members, including input from their service Group Heads
- Service area Operational Risk Registers
- the Council's **Corporate** Risk Register, including updates for significant and emerging risks, common themes, etc. identified in the Service area ORR's
- assessment of other relevant sources of information that provide assurance
- the Internal Audit Annual Report & Opinion **2022/23** (to be presented to the Audit & Governance Committee on **25th July 2023** in conjunction with this document), which contains an assurance statement regarding internal control.
From April 2022, the Council joined the Southern Internal Audit Partnership (SIAP) for the provision of its internal audit service and this report will be presented by the SIAP manager
- consideration of the Council's IT governance arrangements, to ensure they continue to be adequate to meet the authority's objectives
- the findings and comments of external audit raised in their annual Audit Results Report.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Council to consider the robustness of the governance arrangements in place, affecting all areas of the organisation, and helps to identify those areas where improvement is required.

The Annual Governance Statement has been reviewed by the Corporate Management Team and the Audit & Governance Committee. The process of preparing the Annual Governance Statement has in itself added value to the corporate governance and internal control framework of the Council.

Governance Issues

While the governance arrangements in place continue to be regarded as fit for purpose in accordance with the current framework, a small number of specific risks have been

identified which have been discussed with appropriate management and actions to mitigate them agreed.

The annual compliance review identified several issues requiring actions for improvement (some of which had not yet been completed from previous years) and these are identified in the action plan shown on the following pages. These will be considered and monitored by the Corporate Management Team, with action plans, timescales and a responsible Officer agreed. Progress to address these issues will also be reported to the Audit & Governance Committee.

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
--------------	-----------------------------	----------------------------	--------------------

Issues identified in past Annual Governance Statements:-

<p>As at July 2021, the Council's external auditors advised that national resourcing issues meant that they would not be able to complete all their audits by 30 September and scheduled audit work for the Council in November 2021. This was not completed until early in 2022 and this meant the audited Accounts were not presented to the Audit & Governance Committee until February 2022.</p> <p>As at March 2022 Ernst & Young advised that the resourcing issues continued and that their audit work was again delayed. The 2021/22 Accounts were presented to the Committee in February 2023, but some work remained to be completed.</p> <p>E&Y has advised that work on the 22/23 Accounts will again be delayed and is anticipated this will take place in late-2023 meaning the audited Accounts will not be presented to Committee until at least February 2024.</p>	<p>The issue was reported to the Chief Executive and Chair / Vice-Chair of the Audit & Governance Committee and raised with Ernst & Young when presenting reports to the Committee.</p> <p>The Group Head of Finance will continue to liaise with the external auditors to ensure that the audited Accounts are presented to the Committee at the earliest opportunity and an appropriate explanatory note will again be posted with the draft Accounts.</p>	<p>Group Head of Finance</p>	<p>Feb 2024</p>
<p>In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members.</p>	<p>The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council has worked with the Regulator through regular monthly updates and periodic telephone conversations.</p> <p>The Council has continued to work closely with the RSH and as suggested by the Regulator, the Council commissioned a compliance health check and the results be provided to the</p>	<p>Director of Services</p>	<p>July 2023</p>

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
	Regulator - it is anticipated that the issues have been resolved and the Regulator will release the Council from the Regulatory Notice in 2023.		
The Council's Equality, Diversity & Inclusion Policy was reviewed in 2022 and its adoption approved at the Policy & Finance Committee on 6 September 2022. However, an action plan to progress the work required at the Council is still outstanding.	Mandatory E&D training was provided to all staff in early 2022 and will be carried out every two years. Elected Members will also be briefed as part of their induction following the May 2023 Elections. Human Resources are reviewing how elements of the work required can be taken forward alongside the Council's culture change programme.	Group Head of Organisational Excellence	Ongoing
New issues identified in from the governance review for the preparation of the 2022/23 Annual Governance Statement:-			
The external auditors presented their Annual Results Report on the audit of the Council's Annual Accounts for 2021/22 at the Audit & Governance Committee in February 2023. While they advised that an unqualified opinion was expected, some audit work remained to be completed. As at the end of the financial year, this meant that the Council's Accounts and the Letter of Representation required had not been signed-off.	An appropriate notice advising of the situation has been posted alongside the Accounts on the Council's website. The Group Head of Finance will liaise with the Council's external auditors to ensure that the outstanding audit work is completed and the Accounts and Letter of Representation are signed-off at the earliest opportunity.	Group Head of Finance	ASAP

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>The Council's CEO tendered his resignation and left the Council at the end of May 2023.</p> <p>The resignation coincided with the pre-election period for the District elections and this will delay decisions on the arrangements for filling the post either temporarily or permanently and the recruitment of a new CEO.</p>	<p>The new Council is now in place and has agreed that the 2 Directors will perform the duties of the Chief Executive on an interim basis in the short term.</p> <p>Full Council will consider and agree the processes for recruiting a replacement CEO either on an interim or permanent basis. Senior Member involvement will be required in the recruiting and selection process.</p>	Full Council	ASAP
<p>The Council's internal auditors (Southern Internal Audit Partnership) have issued limited assurance reports for 2 audits relating to lack of compliance with Contract Standing Orders. These relate to the use of agency workers and general procurement practices.</p>	CMT have reviewed the reports and take appropriate actions in the findings, as agreed with SIAP.	CMT	Ongoing
<p>The annual review of governance and drafting of the Annual Governance Statement has been undertaken by the same member of staff for a number of years. The staff member will be leaving the Council in 2023 and the role will no longer exist internally.</p> <p>There will therefore be a need to identify who and how the governance review and drafting of the AGS will be handled in the future.</p>	<p>SIAP have commenced a review of the existing process for the preparation of the AGS.</p> <p>Once their report is received any recommendation for the process in the future will be considered and an appropriate resource / process identified.</p>	Group Head of Finance	Mid-2023
<p>The Council has limited resource going forwards to undertake counter-fraud activity. The only specific fraud resource is Fraud Investigation & Enforcement Officer covering Housing.</p> <p>There will be a need to identify how more general fraud matters, including maintenance of policies and the administration / conduct of the Council's involvement in the mandatory National Fraud Initiative (NFI) will be handled in the future.</p>	<p>A SIAP review of the Council's Fraud Framework is due to commence shortly. This will consider the governance arrangements to prevent, detect and investigate fraud and irregularities.</p> <p>Once their report is received any recommendation for the process in the future will be considered and an appropriate resource / process identified.</p>	Group Head of Finance / CMT	Mid-2023

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
At the Annual Full Council meeting of 31 May 2023 (following the May elections) political control of the Council changed. Going forwards, it is likely that the Council's current vision / priorities, budget, etc. will subject to review.	Council management and officers will liaise with the new political leadership in order to agree and progress current / new priorities for the Council.	Corporate Management Team	Ongoing

Issues identified in the 2021/22 Annual Governance Statement that have now been resolved:-

The Council made the decision to move to a 'committee' structure from May 2021. This has involved agreement as to the governance structure and processes to be implemented and significant revision to the Council's Constitution and decision-making processes. However, there remains a concern that this change could delay important Council decisions which can no longer be taken by individual (Cabinet) Members.	<p>The future governance arrangements for the Council have been considered in line with their decision. Structure and associated changes to the Constitution have been progressed in liaison with Members and agreed by Full Council prior to the new structure coming into force following the Annual Council meeting in May 2021.</p> <p>Decisions will be taken by Full Council or delegated to committees or officers. Officers will be required to plan effectively to ensure that items are presented for decisions in line with the new committee structure / calendar.</p> <p>As at April 2022, the Constitution has been reviewed by the Interim Group Head of Law & Governance in light of the experiences of operating the committee system since May 2021. Potential changes have been considered by the Constitution Working Party and recommendations passed to Full Council. Future consideration is also being given to the number of service committees required and the frequency of committee and Full Council meetings which will be subject to further review in 2022.</p>	Interim Group Head of Law & Governance / Corporate Management Team	July 2022 / Ongoing
From March 2020 the nation became affected by the global Covid crisis. This had a significant impact on the finances and the ability of the Council and its key delivery	The Council was generally successful in maintaining its service provision and minimising the impact to residents despite most of its staff working away from Council offices.	Corporate Management Team	Ongoing

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>partners to maintain key services through the various periods / levels of restrictions.</p> <p>Residents and businesses have faced significant hardships for an extended period, with the capacity of the health service, support organisations and national infrastructure being stretched.</p>	<p>The Council monitored central Government support initiatives and guidance and engaged with its key partners to best provide essential services. Through 2020-22 considerable sums of Government funding was distributed to support local businesses and provided support and guidance to local residents.</p> <p>As at early 2022, the Government roadmap towards relaxation of restrictions, including re-opening businesses, has progressed nationally and most restrictions have now been removed. However, in 2022 there is an ongoing impact on the national economy of Covid and other factors (e.g. increasing fuel prices). The Council will therefore continue to consider its future finances and ways of working to best deliver services to residents.</p>		

Certification

It is our opinion that Corporate Governance, along with supporting controls and procedures, remained strong for the Council through 2021/22 despite the considerable pressures on the Council, staff and partners. Where governance risks have been identified, mitigating actions have been advised by appropriate Officers (as documented above).

Signed:-

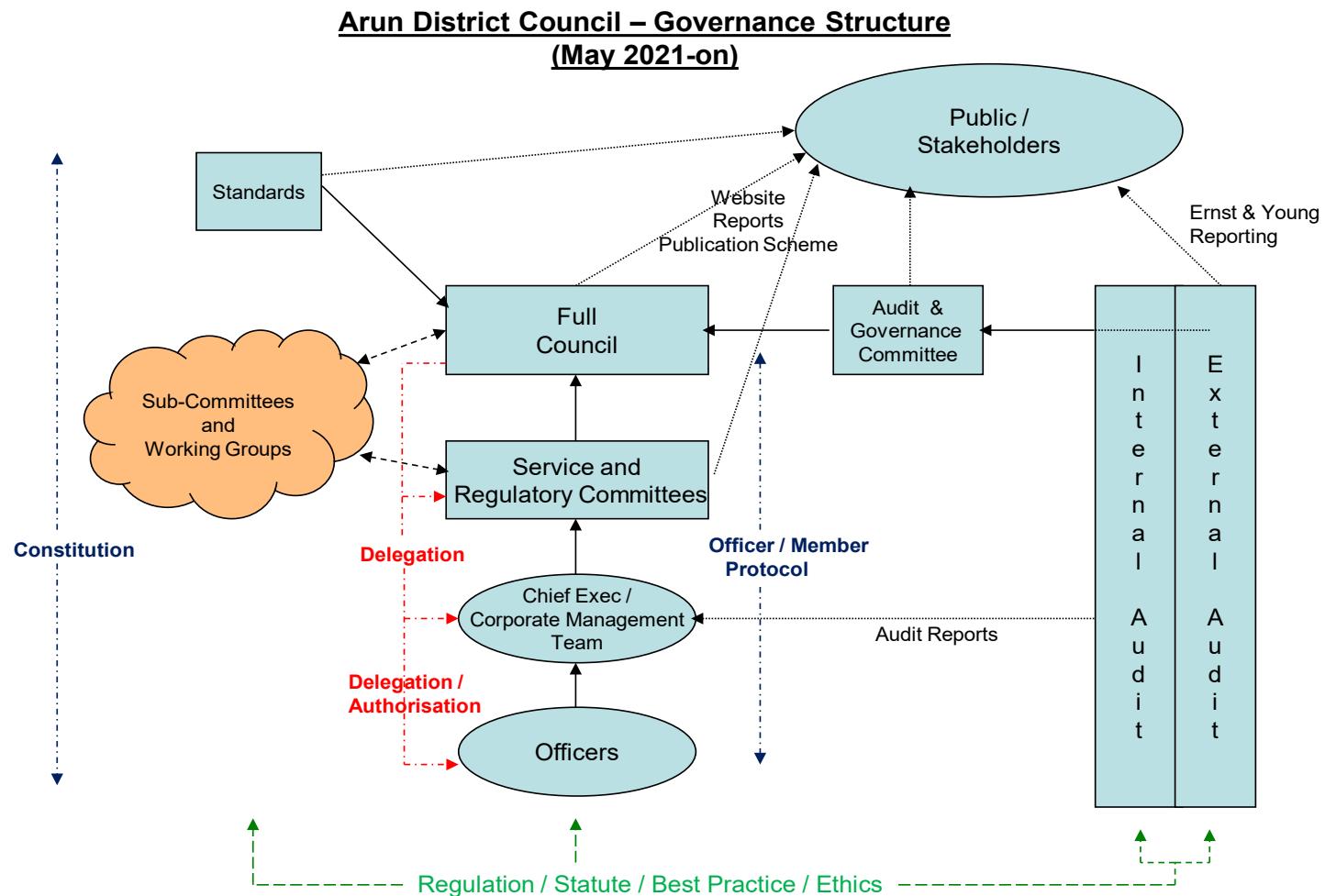


Councillor Matt Stanley
Leader of Council

Philippa Dart
Joint Interim Chief Executives

on behalf of the Members and Senior Officers of the Council

Dated:- xx July 2023





Corporate Governance Framework

Principles, Statutory Obligations and Organisational Objectives

