



# Annual Governance Statement

2018/19

## 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 1<sup>st</sup> April 2015, replace the equivalent Regulations 4(2) and 4(3) from the Accounts and Audit (England) Regulations 2011).*

This document is the Council’s Annual Governance Statement (AGS), relating to the internal control environment in place covering the 2018/19 financial year and the period to 31<sup>st</sup> May, during which the Council’s Annual Accounts are prepared. (Under the changed Regulations, the Accounts are approved by the Council by the end of July, following review by the appointed external auditors).

## 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 updated in 2017 as part of the Council's wider Constitution review. 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 new Equality & Diversity Policy adopted in 2014 (to be reviewed in 2019/20). The Council's Children, Young People and Adults At Risk – Safeguarding Policy, including considerations arising out of the Care Act 2014, was agreed by Members in 2015 (and reviewed in 2017).

As required by central Government, the Council published its first gender pay gap figures in 2018 and this will now be repeated annually. Staff and Unison were consulted on the results and the Corporate Management Team (CMT) has agreed to progress an action plan to improve the Council's position.

Both staff and Members are appraised of the standards of behaviour expected of them. The Council has incorporated in its Constitution a Members' Code of Conduct and a Protocol on Member / Officer Relations and also has an Employee Code of Conduct (which is currently under review, for reissue in 2019).

With the enactment of the Localism Act 2011, the Standards Board for England was abolished. In 2012, a new local Member Code of Conduct was agreed in response to the changes required from the Act which is consistent with the seven 'Nolan' principles of standards in public life and this was revised and approved by Full Council in November 2017. Conduct of Members is monitored by a local Standards Committee (whose membership includes independent representatives), which also investigates any allegations of misconduct by Members, and responsibilities have been reviewed to align them with the new local Code.

The Council continues to operate to a 'Cabinet model', under the provisions of the Local Government Act 2000. The Council's Constitution provides clear guidance on the roles and responsibilities of the Leader, Cabinet portfolio holders, Chief Executive and Senior Officers. 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. (A diagrammatic representation of how the various stakeholders in the governance process interact is included as Appendix 1 to this document).

At the District Elections held in May 2019, the Council moved to No Overall Control (with Liberal Democrats as the largest party), having previously been under Conservative control. This may mean that current Council priorities, strategies and initiatives are subject to review and change.

The Constitution also contains details of the authority's scheme of delegation and Article 12 identifies the roles and responsibilities of Senior Officers of the Council, with specific responsibilities also incorporated into individual job descriptions. The Leader, the Cabinet and the Committee Chairmen and their deputies receive briefings from Senior Officers on a regular basis, including financial, legal and technical advice.

Review of the Council's Constitution continued in 2018/19 and included agreement of revised terms of reference for the Cabinet / Committees and updates to the Officer Scheme of Delegation. Review and update of the remaining sections will be completed in 2019.

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 (updated to include the 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 Corporate Complaints procedure is in place 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 are reported on an annual basis to the Overview Select Committee, including any that have been referred to the [Local Government and Social Care Ombudsman](#).

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 have agreed an action plan with the Regulator which will be monitored on a monthly basis with the target of being compliant by November 2019. This will cover 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. As part of the ongoing Housing Department restructure, appropriate job roles will be confirmed / created to ensure future compliance and departmental policies and staff training are also being reviewed.

## **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. The Constitution also sets out what are defined as 'key decisions'. These are made by the executive body, being the Leader and Cabinet, with the overall policy and budgetary framework approved by Full Council. Any decisions the executive wishes to take outside of this framework must be referred to the Full Council. Key decisions to be taken over the ensuing months are set out in the Council's Forward Plan, which is published on the Council's website. Reports presented to Cabinet, Committees and Full Council are generally 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'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 has been significantly re-developed to best serve the needs of the public. A new 5-year ICT Service Strategy was approved by Cabinet in January 2019 which includes elements of digital delivery. CMT have had initial discussions on how to move our digital agenda forward at Strategic Planning Meetings. Further discussions on our digital approach are planned to lead into our 2020/21 budget preparation and the savings / efficiency plan.

Full Council, Cabinet 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. The two Member Working Groups also meet in public under the current scrutiny arrangements. 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 Cabinet meetings, under the Rules of Procedure contained in the Constitution.

The ModernGov meeting management system is in the process of being implemented for use by the new Council in 2019 and will assist in the administration and provision of Council papers for Members, staff and the public.

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. In 2018, the Council commenced webcasting of all Development Control Committee meetings (with recordings accessible via the Council's website) and Members will consider whether other key meetings merit the costs of live web streaming via the internet in 2020.

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 with regard to concerns over policing, crime and anti-social behaviour in the District. Further to a meeting on policing priorities with the Sussex Police & Crime Commissioner in January 2018, members of the Overview Select Committee (OSC) received a presentation from the new West Sussex Police Divisional Commander in September on the Sussex Police Transformation Strategy 2018-22. In addition, the Cabinet Member for Community

Wellbeing attends meetings of the Sussex Police & Crime Panel and regularly briefs the OSC.

The Council's priorities and plans contained in 'Your Council 2013-2017' (and now extended for the period 2018-2022) were 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, with a number undertaken recently in relation to current and future developments e.g. (Planning) Statement of Community Involvement, Community Infrastructure Levy draft charging schedule, Hothamton (Pavilion) Park and future Council Tax Reduction Scheme (CTRS) proposals.

Arun gathers views from its residents in a number of 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. Key 'customer satisfaction' indicators are also included in the Council's Corporate Plan and survey information is published on the Council's website. The survey mechanisms in use continue to evolve and it is intended that more future consultation will be undertaken via the internet.

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 2016, it was agreed to extend use of the existing three themes where the Council had identified that it could make the greatest difference to residents:-

- Your Council Services - delivering you the best we can afford
- Supporting you if you need help
- Your future.

In 2018/19, revised Corporate Plan and Service Delivery Plan indicators to support achievement of these themes was approved for the period 2018-2022.

Within these three 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. Further government

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funding reductions are anticipated, but the progress of the 2020 Vision initiative and careful financial management have meant the Council is still currently able to present a balanced Budget.

Value for money continues to be a key factor, with the Council looking to reduce costs and improve efficiency, with significant 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 detection of housing fraud, with a number of Council properties being recovered. This benefits the Council in lowering payments for emergency accommodation and restores the properties for allocation to residents in the greatest need
- the agreement of a Property Investment Strategy, allowing the re-investment of a proportion of funds from land and property sales by the Council. This will enable the Council to consider capital investment in order to create a long-term revenue stream at higher rates of return than traditional investments. (In 2018/19, the sale or redevelopment of several Council-owned sites has progressed or is under consideration).

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 (although additional funds were also provided for this in 2018/19).

The Council is committed to working with others to bring about real change for the benefit of the community. It already has a number of 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 Chichester District Council, West Sussex County Council and the University of Chichester. The Council's Chief Executive meets regularly with other CEO's on the West Sussex County Chief Executives Forum and West Sussex Chief Executives & Leaders meet periodically via the West Sussex Leaders Board. 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's CEO also has regular meetings with key business / third sector partners such as Butlins, Rolls Royce, Aldingbourne Trust, Age UK, etc.

The Council continues to work with, and provide support to, Town and Parish Councils wishing to develop a Neighbourhood Development Plan and also 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:-

- 'Open For Business' - An Economic Strategy for Arun 2009-2026 (this has been reviewed and a refreshed Economic Development Strategy is due in 2019)
- Local Plan 2011-2031 (following a lengthy review and examination process, the Planning Inspectorate advised of a number of 'Main Modifications' to the draft document. These were consulted on and the updated Local Plan and policies agreed by the Inspector. The final Local Plan was adopted by Full Council in July 2018)
- Customer Access Strategy (to be reviewed and updated in 2019)
- Leisure & Cultural Strategy 2013-2028 (recommendations for the future were agreed, following public consultation in 2012/13, and are currently being progressed):-
  - the leisure contract transferred to Freedom Leisure from April 2016
  - construction of the 'Littlehampton Wave' has been completed, with the new swimming pool and leisure centre opening in late March 2019
  - improvements have been made to the Arun Leisure Centre, with further enhancements planned
  - improvements to the Arundel streetscape are being progressed in conjunction with Arundel Town Council
- Bognor Regis regeneration:-
  - further to earlier public consultation on the proposals for the future of the key Regis Centre and Hothampton sites, options for the regeneration of these areas were identified. In early 2017, Full Council decided which of these options were preferred. Investigation with specialist advisors, key partners, etc. as to how these may be progressed is under way. The Hothampton Pavilion Park proposal has been approved, with consultants working on potential design options for consultation, prior to a planning application being submitted
  - other agreed projects (e.g. the Bognor Regis 'public realm' transformation and Seafront Strategy) continue to be progressed and a funding bid has been made to the High Streets Fund for further improvements to be made to the town centre
  - the Council also continues to liaise with local partners on improvements (e.g. the University of Chichester's technology park) and to attract new businesses / investment (e.g. the Rolls-Royce logistics centre)
- Enterprise Bognor Regis development, which is being progressed in conjunction with the Local Plan and a Bognor Regis Business Improvement District (BID) which has been implemented within the town centre
- Littlehampton public realm regeneration proposals have been agreed and it has recently been announced that the Council has been successful in obtaining grant funding from the Coastal Communities Fund to progress this

- progress of an Arun Growth Deal – to clearly identify the Arun ‘economic growth offer’ and to contribute to the overall West Sussex Growth Plan being developed by WSCC
- Capital Strategy 2019/20 to 2021/22 – this is a new 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 has been obtained in 2018/19 for ‘Journey To Work’ and retail training projects in order to assist both those without employment and independent retailers.

The Council has a key role in a number of 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 designated areas within the District and an extension of the successful litter and dog fouling enforcement trial
- Arun Wellbeing & Health Partnership
  - Arun Wellbeing has a dedicated website and offers practical advice and events on health and diet to assist in the improvement of the health of residents and to reduce health inequalities within the area
  - it also offers home energy visits and advice

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

- Coast To Capital Local Enterprise Partnership
- Wellbeing Programme
- Think Family Programme
- 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.

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. Now that the Local Plan has been agreed, 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.

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 a number 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.

Arun (and other Districts in the County) are liaising 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. If progressed, these changes could have a significant impact on the Council, both financially (loss of recycling credits, increased homelessness costs, etc.) and through additional burdens placed upon it.

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 (which is due for review and update in 2019).

#### **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 guidelines. 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.

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 2017/18, officers and Members considered the performance indicators for inclusion in a revised Corporate Plan to cover the period 2018-2022, linked to the 3 existing Priority themes which the Council has already agreed will continue to be used for this period.

The Council regularly surveys users of its services and this process has been enhanced, with annual customer satisfaction surveys 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, Overview Select Committee and Cabinet (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 also the Leader of the main opposition group.

In 2016/17, the Council implemented a management restructure as part of the 2020 Vision programme in order to achieve cost savings. As part of this there was a reduction of 2 Director posts in 2017. Heads of Service posts have also been removed, with service areas now reporting to Group Heads and realigned under the remaining Directors.

The Group Head of Corporate Support is the designated Section 151 Officer. 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 Council Advice & Monitoring) has overall responsibility for legal compliance, and she and her staff work closely with Officers and Members to advise on legal issues which affect the Council. 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 has 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. In May 2018, the Chief Executive provided Members with a final update on the programme, with the achievement of confirmed annual savings of over £3M.

It is anticipated that there will be further significant funding reductions and additional burdens placed upon local government in the immediate future. There is also ongoing uncertainty regarding the progress / impact of other central government proposals (e.g. business rate retention) and with the current political turmoil surrounding the Brexit process. The Council has considered these as far as possible when preparing its Medium Term Financial Strategy (MTFS), used to inform its annual budget changes and it is anticipated that further annual cost savings will be required to maintain the Council's financial stability.

In the current financial climate, the Council will continue to seek ways to provide quality frontline services with the funds available. CMT has agreed to revisit the initial 2020 Vision proposals to see if it is now appropriate to progress projects that were considered to be a lower priority at the outset and will also give further consideration to the shared services agenda for future efficiencies.

Consideration continues to be given to 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 incorporating 'cultural' changes such as an increase in home working by staff.

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, including increasing use of e-learning facilities. All staff are subject to an annual corporate appraisal scheme, which will be used to identify personal training and development requirements and for them to be incorporated into a corporate training programme. Following the management restructure, the Council has agreed funding to provide continuing professional and personal development for the members of the new Senior Management Team and continues to offer management development training opportunities for other new and prospective managers (this is to be enhanced in 2019 to provide opportunities for managers to reach their potential and to improve succession planning within the Council).

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 2019 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, dealing with new legislation, understanding current 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 an agreed and published Risk Management Strategy (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. The Council has a Governance & Risk Group of Officers, who regularly consider current issues and the sources of assurance to support the Annual Governance Statement.

The Council's Strategic Risk Register (SRR) is periodically reviewed by the Governance & Risk Group and 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 was also involved in revising

the current SRR document and which is published on the Council's website. In addition, all Service areas are required to prepare and maintain Operational Risk Registers, which are reviewed by the Governance & Risk Group.

Proposals for all major IT and business transformation projects incorporate a full risk assessment in the report to the Arun Improvement Programme Board and consideration of risk is also included in the Project Initiation Documents (PIDs) for the projects they approve. 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.

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 (both of which were revised in 2017).

As reported in previous years, the Council commenced a council house building and development programme to provide additional rented residential accommodation (with the first properties completed in 2017). Although the HRA is ring-fenced (and separate from the Council's General Fund), its future financing has been significantly adversely impacted by the government's 2015 Budget change to reduce social rents by 1% for each year until 2019/20 and also by the ongoing uncertainty regarding the financial impact of various requirements / proposals from the Housing & Planning Act 2016 and the "Fixing our broken housing market" White Paper in 2017. A new Housing Revenue Account (HRA) Business Plan for the period 2017-2027 has now been agreed by the Council and reviewed / updated in 2018/19, which includes:-

- the planned acquisition of 275 homes over the 10-year period, 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
- investment in the Council's sheltered home schemes over the period to ensure they remain fit for purpose.

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 Insurance Officer 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**

The work of the executive body and decisions made is monitored by the Council's scrutiny function. This is fulfilled by the Overview Select Committee. In certain circumstances detailed in the Constitution, a Cabinet decision may be subject to 'call-in' for specific scrutiny which is carried out by the members of the Overview Select Committee.

There are also two Member Working Groups, which provide additional challenge and scrutiny to the executive:-

- Housing & Customer Service
- Environment & Leisure.

The work of these groups may be commissioned by, and report to, Full Council, the Cabinet or an Individual Cabinet Member (ICM), as well as the Overview Select Committee. Members have also participated in joint scrutiny activities with other local Councils and these will be continued across the County area.

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.

The Council has a well-established Internal Audit section, which undertakes regular reviews as part of an agreed rolling programme of audits, to provide assurance on the adequacy and effectiveness of the systems of internal control operating within the Council (including compliance with policies, procedures, legal rules and regulations). The Annual Audit Plan is prepared, and audit work performed, on a risk-based approach and this is approved by the Audit & Governance Committee. Action Plans are raised in each audit, which detail the recommendations which have been agreed with management. Findings and follow-up reports are periodically presented to the Audit & Governance Committee. The Council's internal audit arrangements 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, on behalf of the external auditors. The Audit & Governance Committee receive all of the external assurance reports and provide Minutes / reports to Full Council.

The Council has chosen 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).

The Council operates a Publication Scheme, as required by the Freedom of Information Act 2000, and also 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 was adopted by Full Council in October 2013. The recommendations of the Independent Remuneration Panel's 8<sup>th</sup> review, which was delayed until the outcome of the Council's Vision work was known, were presented to the members of the Audit & Governance Committee in February 2019. However, the Committee requested that the Panel undertook further work on a small number of proposals and a special meeting of the Committee will now take place in June with recommendations on the revised scheme being presented for approval by Full Council in July 2019.

In June 2018, the Planning Advisory Service undertook a peer review of the Council's planning service. Results were reported to Cabinet and the Group Head of Planning is progressing an action plan to implement the recommended improvements.

### **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 Chief Internal Auditor's annual report and also 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 Governance & Risk Group, 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 2019/20
- an annual assessment of compliance with the local Code (and effectiveness of governance arrangements) performed by Internal Audit



- annual assurance statements from Corporate Management Team members, including input from their service Group Heads
- Service area Operational Risk Registers
- the Council's Strategic 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 2018/19 (to be presented to the Audit & Governance Committee on 30<sup>th</sup> July 2019 in conjunction with this document), which contains an assurance statement regarding internal control
- 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 Governance and Risk Group 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 a number of 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 include one long-term issue raised by the Audit Commission in their Annual Governance Report for 2011/12. These will be considered and monitored by the Governance & Risk Group, 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:-**

Issue	Mitigating Action(s)	Responsible Officer	Target Date
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**Issues identified in from the review of compliance with the local Code of Corporate Governance:-**

<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 &amp; 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 have agreed an action plan with the Regulator which will be monitored on a monthly basis with the target of being compliant by November 2019. This will cover a range of H&amp;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. As part of the ongoing Housing Department restructure, appropriate job roles will be confirmed / created to ensure future compliance and departmental policies and staff training are also being reviewed.</p>	<p>Director of Services</p>	<p>Nov 2019</p>
<p>The Council's published Customer Access Strategy covered the period 2013-2017 and was developed before the Council's 2020 Vision initiative and restructure. Some items referenced have now either been progressed or are no longer relevant (e.g. the Lagan system, the 'golden' customer record, etc.)</p>	<p>The Housing &amp; Customer Services Working Group was advised in 2018 that the strategy was to be reviewed and that a report would be presented to them – this is due in September 2019.</p>	<p>Group Head of Neighbourhood Services</p>	<p>Sept 2019</p>
<p>A number of the Council's other strategies / policies either require review and update or to be developed and progressed (e.g. Equality &amp; Diversity Policy, Economic Development Strategy, Digital Strategy)</p>	<p>Development or update of these key strategies and policies will be progressed through 2019/20.</p>	<p>CMT / Group Heads</p>	<p>Mar 2020</p>

**Issues identified in past Annual Governance Statements:-**

<p>Partnership working and other innovative practices have been advised as increasingly important for the future, particularly as central government funding is likely to further decrease. Although the Council's major partnerships are known and</p>	<p>An internal audit of partnerships, against best practice guidance (e.g. from CIPFA), was completed and reported to the Corporate Management Team and Audit &amp; Governance Committee in 2015. A plan of action was agreed at</p>	<p>Group Head of Policy</p>	<p>Nov 2019</p>
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**Governance Risks Identified:-**

Issue	Mitigating Action(s)	Responsible Officer	Target Date
<p>progressed, there is no formal register of partnerships that enables the wider identification of outcomes, value for money or contribution to Council objectives, to ensure that such arrangements are of benefit.</p>	<p>this time, but progress has been delayed by the need to give consideration to possible alternative service delivery arrangements as part of the wider Vision 2020 work and also by the responsibility and operational changes resulting from the Council's management restructure.</p> <p>The priority of the new Group Head of Policy is the conduct of the various elections required each year. A report on the proposed way forward for recommended review into the identification and governance of partnerships was provided to the Audit &amp; Governance Committee in February 2019 and a further update has been requested for its November 2019 meeting.</p>		
<p>The Council has undertaken a management and operational restructure in 2016-18 and the Council's operational risk registers (ORR) require review and update.</p> <p>The review will need to ensure that the ORRs are both up-to-date and also cover the whole of the revised structure of the Council.</p>	<p>The Council implemented new performance management software in 2018, which includes a risk management module.</p> <p>The format for operational risk registers for use in the new system still needs to be agreed to allow them to be reviewed and updated. Direction will also be required from corporate management as to how the ORRs should be structured and maintained in order to cover the whole of the Council's revised structure.</p>	<p>Insurance &amp; Risk Officer / Governance &amp; Risk Group</p>	<p>Nov 2019</p>
<p><b>Issues raised by the Audit Commission in respect of the 2011/12 annual statements:-</b></p>			
<p>Further to comments raised in 2010/11, the Council's draft Disaster Recovery Plan (for the provision of IT services) requires completion and a regular programme of testing established, to ensure key systems and data can be recovered or restored in an efficient manner.</p> <p>In recent years, Zurich Risk Engineering (ZRE) the risk</p>	<p>As has been advised previously, the Council's IT recovery arrangements have been subject to considerable change in recent years, including the implementation of the Storage Area Network (SAN) at the Civic Centre and a back-up SAN at the WSCC site in Chichester, to which regular automated off-site back-ups are being transmitted. However, the completion of appropriate documentation</p>	<p>Group Head of Neighbourhood Services / ICT &amp; Service Improvement Manager</p>	<p>Dec 2019</p>

**Governance Risks Identified:-**

Issue	Mitigating Action(s)	Responsible Officer	Target Date
<p>consultancy arm of the Council's (former) insurers has been assisting the Council in a review of its Corporate Business Continuity Plan (BCP) and the IT Disaster Recovery Plan was to be linked to this exercise.</p>	<p>remains outstanding.</p> <p>The ICT &amp; Service Improvement Manager considered resilience in the ICT Service Strategy 2019-2023 adopted by Members and will progress the documentation issue in 2019</p> <p>The ZRE-assisted work in a draft Corporate BCP and workshops were held in 2016/17 to assist service areas in completing an updated Business Impact Assessment (BIA) for each area, which would identify recovery requirements and service priorities. These must be agreed and aligned with the ability to provide appropriate IT services in the event of a disaster.</p> <p>This work stalled during the Council's restructure and is now being progressed with the assistance of ZRE to reflect the new structure and organisational needs.</p>		

**Issues identified in the 2017/18 Annual Governance Statement that have now been resolved:-**

<p>The review of possible future service delivery mechanisms under the Council's Vision 2020 work includes consideration of service reduction, shared service with other authorities and outsourcing.</p> <p>Major change will inevitably impact the Council's corporate governance arrangements and control environment.</p>	<p>The potential for shared support services was considered by the Council in 2016 but the decision was taken not to progress with these.</p> <p>In 2017/18, the Council completed its restructure of senior management and operational structures / responsibilities are now largely complete. 'Vision' changes have now been integrated into the Council's corporate governance and control environment.</p> <p>The Chief Executive briefed Full Council on the final outcome and savings of the 2020 Vision Programme at its meeting of 2 May 2018.</p>	<p>Chief Executive / Chief Internal Auditor</p>	<p>Complete May 2018</p>
<p>Local Plan 2011-2031 – as reported previously, the Council's draft Plan examination was suspended for 12-18 months on</p>	<p>Following the various Hearings, etc. the Council provided responses to the Inspector and progressed the Main</p>	<p>Director of Place</p>	<p>July 2018</p>

**Governance Risks Identified:-**

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>the recommendation of the Planning Inspectorate following 'examination in public' in June 2015.</p> <p>Consideration was given to the Inspector's conclusions contained in his report and the draft Local Plan and evidence base updated to include increased housing numbers.</p> <p>The 'examination in public' resumed with hearings held in September 2017.</p>	<p>Modifications required to the draft Local Plan / evidence base.</p> <p>These modifications were consulted on, a revised submission was approved by the Planning Inspector.</p> <p>The final Arun Local Plan 2011-2031 was adopted by Full Council at its meeting of 18 July 2018.</p>		

**Certification**

It is our opinion that Corporate Governance, along with supporting controls and procedures, remains strong for the Council. Where governance risks have been identified, mitigating actions have been advised by appropriate Officers (as documented above).

Signed:-

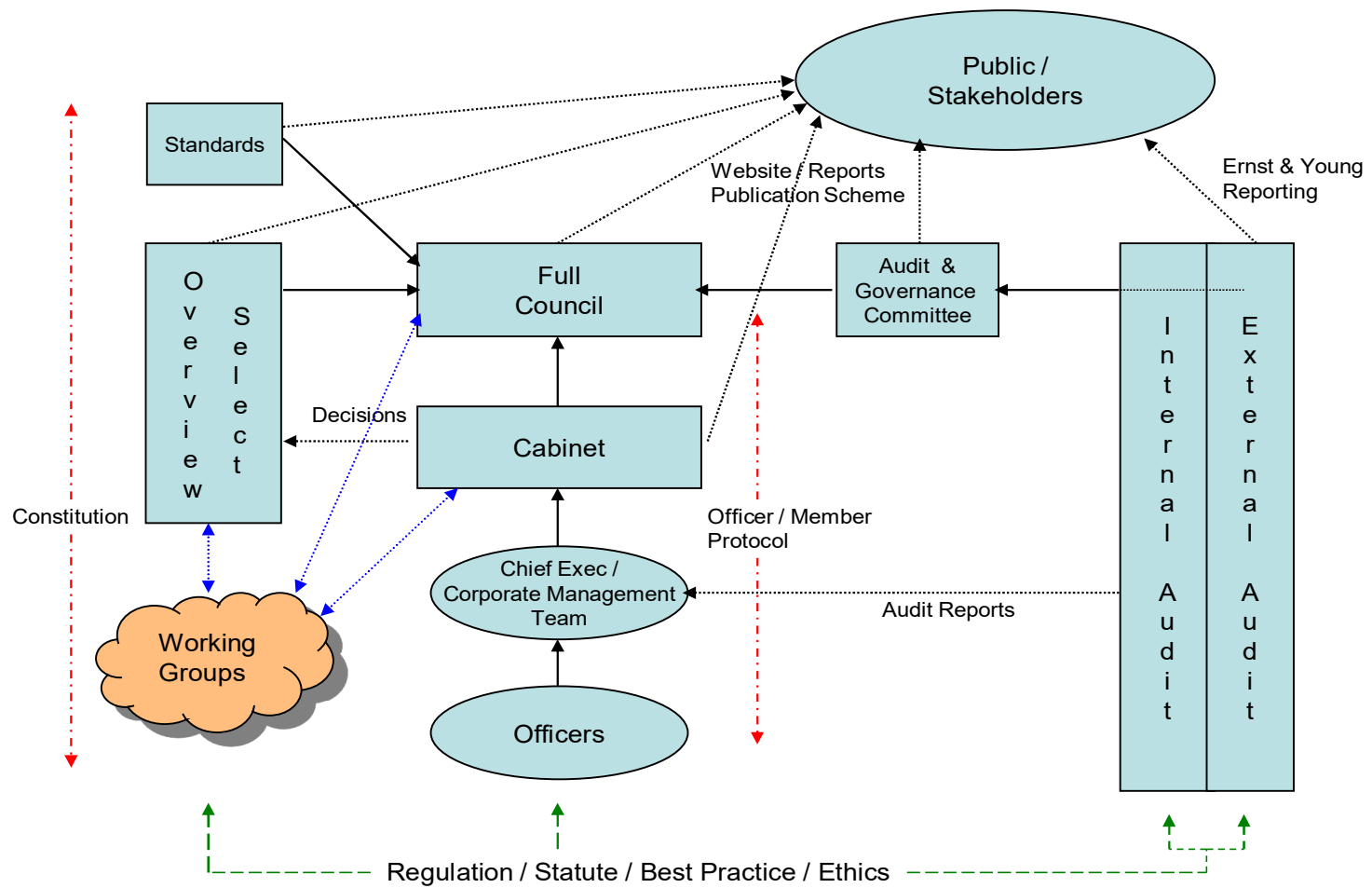
Councillor Dr James Walsh  
Leader of Council

Nigel Lynn  
Chief Executive

on behalf of the Members and Senior Officers of the Council

Dated:-

**Arun District Council – Governance Structure**





# Corporate Governance Framework

## Principles, Statutory Obligations and Organisational Objectives

