

Chichester District Council

Draft Report of Corporate Governance and Audit Committee to Full Council

Background

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources.

In March 2017 the Corporate Governance & Audit Committee considered the Strategic and Organisational risk registers to ensure the adequacy of the Council's actions to control and manage risks.

During 2016/2017 the three highest risks identified in the Corporate Risk Register were:

- **Business Continuity:** That a business continuity incident occurs and the organisation fails to respond effectively and continue to deliver services.
- **Cyber Attack Across Entire Estate:** Failure to have necessary processes and procedures in place to prevent a Cyber Attack.
- **Non Achievement of Recycling Target of 50% by 2020:** Failure to achieve a Recycling Target of 50% by 2020 could mean the Council will incur significant fines.

The five year financial model was used to help set out the action required to reduce the impact of any government funding gap on service delivery, building on savings and increased income already achieved of £8.6m from 2010-2011 to 2015-2016 after taking early action as the 2008 financial crisis started to emerge. Since May 2013, revenue savings of £2.2m have been achieved, and additional income of £1.4m has been generated. As new deficit reduction plan was approved in the autumn of 2016 to address the £3.8m funding gap anticipated over the next 5 years. The Council also signed up to the Government's four year funding settlement to give greater certainty of funding in trying to balance the Council's budget over the medium term.

Annual Governance Statement

The Annual Governance Statement as attached at appendix 1 has been prepared in accordance with the CIPFA / SOLACE guidance on "Delivering Good Governance in Local Government". The Statement is attached in Appendix 1 and clearly sets out the 7 fundamental principles of good governance (A to G) as identified below:

- A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B Ensuring openness and comprehensive stakeholder engagement.

- C Defining the outcomes in terms of; sustainable economic, social and environmental benefits.
- D Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E Developing the entity's capability of its leadership and the individuals within it.
- F Managing risks and performance through robust internal control and strong public financial management.
- G Implementing good practices in transparency reporting, and audit to deliver effective accountability

Other Potential Risk Issues

The drafting of the Annual Governance Statement has highlighted some risks that have either come to light or which are ongoing and receiving attention from those charged with governance. These can have common themes and can overlap with other areas of risk that have been identified. They are being monitored to track whether there are any changes in their risk score. The risks identified as being new or emerging are listed below:

- **Health & Safety:** Health & Safety carried out during 2016/2017 H&S challenges with each Head of Service (HoS) which will give a generic view of the level of compliance within teams. Action plans were put together identifying areas for improvement. The challenges resulted in an action plan for each HoS where areas of weakness were identified.
- **Breach of Data Protection Act:** Failure to keep all personal data secure leading to a breach of the data protection act resulting in fines and reputational risk. To mitigate this targeted training for key officers whose role requires them to process personnel or sensitive data is to be provided by an external provider in 2017 – 2018 to refresh individuals' knowledge and increase awareness.

Other than those areas set out above, which are themselves subject of further on-going review, members of the Committee are assured that key systems are in place within the council. This is supported by the internal audit service, which has the responsibility to review independently and report to Committee.

Tricia Tull
Chairman of Corporate Governance & Audit Committee

Chichester District Council

Draft - Annual Governance Statement 2016-2017

1. Scope of responsibility

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

In discharging this overall responsibility, Chichester District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Chichester District Council approved and adopted a Local Code of Corporate Governance (March 2017), this is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA), and Society of Local Authority Chief Executives (SOLACE) framework for Delivering Good Governance in Local Government: Framework (2016) The Annual Governance Statement (AGS) sets out how the Council complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 which requires every Council to agree and publish an Annual Governance Statement. The statutory requirements across the United Kingdom for local authorities is to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on this review with its Statement of Accounts.

2. The Purpose of the Governance Assurance Framework

The governance framework comprises of the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It also enables the authority to monitor the achievements 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 designed to manage risk to a reasonable level; it cannot eliminate risk completely and therefore provides reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to identify and prioritise the risks, to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and impact should they be realised and to manage them efficiently, effectively and economically.

3. The Principles of Good Governance

The CIPFA/SOLACE framework was reviewed in 2015 to ensure that it remained "fit for purpose" and a revised edition was published in 2016.

The new Delivering Good Governance in Local Government Framework applies to the Annual Governance Statement prepared for the year ended 31 March 2017 and up to the date of the approval of the Annual Report and Statement of Accounts for the financial year 2016-17. The framework sets out seven core principles (A to G) of good governance, these are listed below:

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

The culture of the organisation is founded upon good organisational performance, external recognition, staff morale and good employee attitude to internal controls. The Workforce Development Plan 2015-2018 sets the Council's vision for providing good quality relevant services to the community, while the Constitution incorporates a Members and Employees' Code of Conduct and a protocol on Members/staff relations. This has been updated and was adopted by the Council following the Joint Employee Consultative Panel which met in April 2015; this will cover the period 2015–2018. Member's misconduct allegations are considered by an assessment sub- committee under the umbrella of the Standards Committee which also investigates allegations of misconduct by Parish Councillors. The Council's monitoring officer will review the case together with an independent person and a decision will be made as to whether there is a case to answer. If a decision is made that there is a case to answer it would be referred to a hearing subcommittee.

There is a complaints procedure in place for the council to receive and investigate any complaints made against its Members or staff, as well as a Register of Interests to ensure that any conflict of interests are open and transparent.

Results of complaints investigated together with the report on all complaints dealt with by the Local Government Ombudsman are reported annually to the Corporate Governance and Audit Committee.

- The Council takes fraud and corruption and maladministration very seriously. The culture of the council sets the foundation for the prevention of fraud and corruption by creating an environment that is based upon openness and honesty in all council activities, and has the following policies in place, which aim to prevent or deal with such occurrences.
- The Anti-Fraud and Corruption Policy last updated in August 2017.
- The Whistleblowing Policy last updated in January 2016. There were no Whistleblowing cases in 2016-17.
- HR Policies regarding discipline of staff – During 2016-17 there were 7 dismissals.

The Council's Anti-Fraud and Corruption Policy is reviewed and any amendments are subject to the approval of the Corporate Governance and Audit Committee, this was last updated in August 2017. The Corporate Counter Fraud Officer was appointed on the 30th November 2015, and has established himself within the Internal Audit Team.

Investigations are undertaken where fraud is suspected in relation to Council Tax Reduction, Single Person Discount and Non Domestic Rates. He has successfully brought prosecutions relating to fly tipping plus other areas under his remit. He has identified potential savings to the Council of £349,714 for the 12 month period ending March 2017.

The council has a Corporate Complaints Procedure, forms and guidance which are available on the council's website. (Results of complaints investigated together with the report on all complaints dealt with by the Local Government Ombudsman are reported annually to the Corporate Governance and Audit Committee).

The council ensures that external providers act with integrity and compliance with ethical standards as they have to comply with an Anti Bribery statement and the ethical statement policy that is contained in the relevant contract or invitation to tender.

B Ensuring openness and comprehensive stakeholder engagement

The Council's committee meetings are held in public and are recorded; these recordings are suspended when the item goes into part 2. The press and public are only excluded when the report is presented as a Part 2 item in accordance with the applicable paragraph(s) within Part 1 of Schedule 12A to the Local Government Act 1972. In addition audio recordings are also held on the Council's website.

The Council's vision and strategy is included in the Corporate Plan see <http://www.chichester.gov.uk/corporateplan>. The annual performance report on the Council's Corporate Plan is reviewed by the Overview and Scrutiny Committee mid-year and then the Annual Report of the Corporate Plan goes to Cabinet and Council for approval. The Statement of Accounts, expenditure over £500 and the Senior Staff Pay Policy is available on the Council's website.

On-line consultation methods continue to be used, webhost software enables surveys to be designed, produced and analysed electronically. These surveys are accessed via the Council's website.

On-line polls have continued to be used, which allows members of the public to provide their views on a range of topics in which the Council is involved.

Community Forums – Regular meetings with Parish Councils have continued at Forum level over the year. These meetings are held quarterly and provide a mechanism to engage with the Parishes and to communicate and review information collectively.

The Council continues with its work on youth engagement. Community wardens main areas of activity are encouraging and increasing community involvement, dealing with environmental issues (e.g. graffiti, litter, abandoned cars, dog fouling etc.) within the area by working with appropriate agencies including the police, police community support officers (PCSOs) and local communities to reduce crime, anti-social behaviour and fear of crime in the area, including providing intelligence and evidence to the police and acting as a professional witness.

C Defining the outcomes in terms of sustainable Economic, Social and Environmental benefits

Although the Sustainable Community Strategy for Chichester District 2009-2026 is no longer a statutory document, the Council continues to be informed by the priorities identified in it. The document was refreshed during 2016. These priorities are developed further through the corporate plan that sets out the Council's contribution to this

partnership document. The Council measures its key priorities by a range of performance indicators which are set out within the Corporate Plan and monitored through Covalent, the council's performance monitoring software. Reports on the progress of these performance indicators are available on the council's internet site. In addition the Sustainable Community Strategy sets the vision for working in partnerships with other local and national organisations supported by the Local Strategic Partnership (LSP) – Chichester in Partnership, including the publication of a consultation exercise undertaken with partners and stakeholders on behalf of the Local Strategic Partnership.

Cabinet agreed the key financial principles of the 5 year financial strategy, which included continuing to review the council's costs in order to find further savings. A Task and Finish Group meets to discuss the budget, and reviews what is happening in the year and any impact for the new financial year.

The Council publishes its Annual Financial Accounts in accordance with the CIPFA guidelines and International Financial Reporting Standards. As uncertainty continues to surround the current economic and financial climate and in particular public sector spending plans, it is clear that central funding cuts of local councils will continue. The Council is therefore committed to delivering its own services more effectively, in the light of these planned reductions.

Following the decision for the shared service agenda with; Arun DC and Horsham DC not going ahead it was necessary for the services identified to be subject to a further review in order to find savings going forward, which has resulted in service reviews being undertaken and changes in the way that services are delivered.

The Council continues to track national events, quantifying local impact and taking early action to manage the impact. The objective is to put the Council in the best possible position to deal with the financial and other c it faces whilst still protecting the most vulnerable members of the community. It is important that the issues and the scale of the financial position are understood and the council is committed to finding solutions and options. A five year Financial Strategy and Plan was taken to Cabinet and Council in December 2015 which detailed the challenges facing the council to provide services that meet community needs with a significantly reduced overall level of resource. The Council approved a deficit reduction programme and key financial principles in the Financial Strategy offer guidelines for making financial decisions over the next few years, and will assist the Council in achieving balanced budgets.

The Local Plan was adopted in July 2015, (this is at present being reviewed in accordance with the Council's commitment to a 5 year review) and provides greater certainty about growth and development within the plan area. The Council is also developing a Masterplan for the Southern Gateway area of Chichester as part of the emerging vision for Chichester City Centre. The Council recently undertook a consultation on the draft Masterplan.

The council has a housing strategy in place which covers the period 2013-2018. The strategy sets out the housing priorities for the district. The strategy reflects the council's corporate priorities and also complements the economic strategy and the local plan. The strategy will show how the council will use their resources to best meet the housing needs of local people within the district. Some the key achievements during 2016/2017 are as follows:

- 579 households were accommodated via the Council's Housing register.

- The multi-agency steering group for the Syrian Voluntary Person Relocation Scheme, chaired by the CDC, housed and supported two Syrian families within the district.
- The Council's Landlord Accreditation Scheme was a continuing success with 58 properties being accredited during the year bringing the total number to 389.
- The Environmental Team participated in a joint project with West Sussex County Council to assist people to remain in their homes and speed up hospital discharges.
- The Council has extensively promoted community land trusts as a means of delivering affordable homes in rural areas and has received a grant of £1.39m from government to support community led housing.
- Continued progress was made during the year in meeting our affordable housing targets with 149 affordable homes delivered (96 for rent and 53 for sale).
- Over £1.07 of investment was secured by our registered provider partners from the Housing and Communities Agency.
- £352k was received in commuted sums in lieu of affordable housing on site.

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

The Council has responsibility to review the effectiveness of its governance framework. The review of the effectiveness is undertaken by the work of the Corporate Management Team (which is SLT and Heads of Service) who have responsibility for the development and maintenance of the governance environment. The Principal Auditor's annual report and comments made by the external auditor also adds to the effectiveness of the governance framework at the council. The process that has been applied in maintaining and reviewing the system of governance includes the following elements:-

The Council adopted a constitution to ensure it is efficient, transparent, and accountable to local people. Some of these processes are required by law; others are based on decisions made by the council. It is the responsibility of the Council's Monitoring Officer who reviews the constitution as and when required to ensure that it continues to operate effectively.

The Council is made up of 48 Council Members four of these Members take up the roles of Leader and Deputy Leader of the council, Chairman and Deputy Chairman. The Leader and Deputy Leader plus five Cabinet Members are appointed with specific areas of responsibility. (From the 10th June 2017 this changed to six). A review has been undertaken by the Local Government Boundary commission to reduce the number of Councillors from 48 to 36. The review has now completed the 40 day period for parliamentary scrutiny and so it will come into force at the next CDC election in 2019.

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

A comprehensive induction and training programme exists for officers and Members. The training programme incorporates dealing with and understanding new and current legislation, understanding member's role as a ward member and developing their personal skills. Training programmes for staff, are incorporated into staff appraisals and development programmes.

A workforce development scheme has been introduced to support talented individuals in their career progression and to encourage the employment and development of apprentices. These initiatives are designed to encourage retention of staff and to address succession planning. From the 1st April 2017 the council will also contribute to the Government Apprenticeship Levy and will seek to utilise this resource to support the workforce development schemes and development of its staff.

Member's attendance at meetings is recorded on the modern gov system. In the event of continual non-attendance the matter would be passed to the leader of the political group concerned for action to be taken. Performance issues relating to staff are dealt with by the Manager / Head of Service. An officer's employee specification includes competencies, and is currently included in their annual appraisal.

The Council's Constitution clearly defines the roles and responsibilities of the Chief Executive, Chief and Senior Officers, Members and Committees and outlines procedural standards, scheme of delegation and protocol on Member/Officer relations. A further review of the Constitution has taken place and was taken to the Cabinet and full Council. The Leader, Cabinet Members and the Committee Chairmen and deputies receive verbal briefings from the Senior Officers on a regular basis and all Members receive pre-council briefings and participate in workshops particularly for the Local Plan. Members receive monthly bulletins through the Council's intranet site, to keep them informed of any new developments.

From the 1st May 2016 the Council appointed the post of Legal & Democratic Services Manager who took over the role of the council's monitoring officer from the Principal Solicitor. The post is responsible for legal compliance; Conduct and Compliance and working with departments to advice on legal issues across the Council.

The Head of Finance & Governance is the assigned Section 151 Officer; overall financial responsibilities for this role are detailed within the Constitution.

The Partnership Guidance to assist staff when setting up a partnership was updated in 2015 to strengthen the risk management element of partnerships. Partnership training has been undertaken with Members as part of the induction programme in 2015, guidance has also been published on the intranet for officers. There are currently 10 strategic level partnerships that the council is involved with.

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

All cabinet reports are authorised by the relevant Executive Director and reviewed by the Chief Executive, Head of Finance and Governance/Section 151 Officer and the Monitoring Officer, before they are presented to the Cabinet. The Monitoring Officer and Section 151 Officer will also attend Cabinet if required, to answer any specific questions, raised by Members.

The Council's risk register is reviewed regularly and presented to the Strategic Risk Group bi-annually. The group comprises of the Senior Leadership Team (SLT), 3 Members from Cabinet and 3 Members from the Corporate Governance and Audit Committee. Job descriptions of Senior Officers reflect their "Risk Management Responsibilities" and Internal Audit's Annual Audit Plan is drawn up using a risk-based approach, commenting

on risk management in the area under review in their report. On a bi-annual basis the Council's Risk Registers including any new and emerging risks are presented to the Corporate Governance and Audit Committee. During 2016-17 the three highest risks identified in the Corporate Risk Register were:-

- Business Continuity
- Cyber Risk Attack Across Entire (CRR 9) ICT Estate (CRR 97)
- Non Achievement of Recycling Target of 50% by 2020 (CRR 88)

Major projects incorporate a full risk assessment prior to action being taken. As the project progresses a risk assessment is included in the Project Initiation Document (PID) report to committee and during the project risks are reviewed with the cabinet member concerned and updated as necessary.

The Health & Safety Manager has continued to work with services to ensure that there is an adequate business continuity plan in place. A decision was made to cease using Shadow Planner and to replace it with a system called Resilience Direct. This is a storage solution and can be used to store key documents should the Council's system go down. Service functions are categorised as critical (systems up and running in 3 days) and non-critical (over 3 days). The Health & Safety Manager will continue to test the robustness of the plans. The Health & Safety Manager together with the Council's insurer, Zurich Municipal, is intending to review the existing business impact analysis during the financial year 2016-17. He has also undertaken Health & Safety Challenges with Service Managers to see that their service is adequately protected in the case of an incident.

The Council operates a shared service with Arun for the provision of its Emergency Planning service. The Emergency Planning Officer will be based between Arun and Chichester with two members of the Housing and Environment Service assisting.

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

The Council's Overview & Scrutiny Committee has the power to make reports and recommendations to the Council's Executive on issues which affect the area. The Committee can require Members and Officers to attend meetings and for partner authorities to provide information. The Committee also reviews and scrutinises decisions and may call in a decision made by the council's Executive which has not yet been implemented. The Council also takes part in county wide joint scrutiny reviews on issues affecting the wider area and has a representative on the West Sussex County Council Health and Social Care Select Committee to allow the authority to contribute to health related reviews.

In addition to the responsibilities outlined within the statement, the Corporate Governance and Audit Committee also had responsibilities for:

- Control and monitoring arrangements for risk.
- Review and determination of the Internal Audit priorities based on the governance issues and the risks assessments made.
- Review progress / effectiveness and probity of corporate governance within the authority.

- Report to full Council on significant issues or any concerns raised.
- Review and make recommendations to Cabinet and the Council on the council's financial regulations and contract standing orders.
- Consider reports from the Head of Finance & Governance on the Council's financial control system, the council's insurance policies and self-insurance arrangements.
- Monitor the operation of the Members Allowance scheme; approve annually the final accounts of the council and as required to monitor the efficiency of the council's services.

The Corporate Governance & Audit Committee meets five times during the year to consider regular reports from Internal Audit on system reviews, reports from the Head of Finance & Governance and Accountancy Services Manager in addition to Annual Audit and inspection letters from (EY) the nominated External Auditor.

The Standards Committee is made up of seven members of the Council; there are two Sub Committees (Assessment Sub-Committee and Hearing Sub-Committee) made up of three Members of the Standards Committee, in addition an independent person attends in an advisory capacity. Where the complaint is against a Parish Councillor the independent person or the Parish representative must not have had close association with the accused.

The overall responsibility of Internal Audit is to continually review the adequacy of the council's internal controls and report where necessary, any recommendations to management. Internal Audit reviews are designed to assess the effectiveness of the internal controls on which the council relies for managing risk. A report is prepared annually by Internal Audit on the effectiveness of the section and the opinion of the Head of Internal Audit is contained within the Annual Audit report. Internal Audit produces a three year plan which includes the resources of the section and the number of audits to be undertaken during each year. The annual audit plan is approved by the Corporate Governance & Audit Committee and progress against this plan is reported 5 times during the year.

From 2017 – 2019 CDC will publish on the website and submit to government data relating to the gender pay gap in order to comply with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

4. Effectiveness of Governance Arrangements

The Council's governance framework included decision-making processes that are set out in the Council's Constitution; this is continually being reviewed together with the rules.

Procedures are in place for maintaining and reviewing the effectiveness of the Council's governance arrangements throughout the year, these include the following:

- **Elected Members** – Make decisions in accordance with the Constitution and on the aims and objectives of the Council.
- **Overview and Scrutiny Committee** – Has the ability to scrutinise decisions made and maintains an overview of Council activities.
- **Standards Committee** – Meet to consider any complaints against Councillors and to review policies and procedures for maintaining high ethical standards.
- **Internal Audit Section** - Has a three year audit plan which is flexible and enables internal audit to respond to changing risks and priorities of the organization.

- **Corporate Governance & Audit Committee** – Discuss the findings of audit reports and any other issues that relate to governance.
- **Corporate Management Team** – Review and update governance arrangements, identify and review new and emerging risks and reviews existing risks.
- **Strategic Risk Group** – Regularly reviews, updates and reports on the Risk Registers.
- **Internal Audit Annual Report & Opinion** – This will be presented to the Corporate Governance & Audit Committee on the 28th September 2017 in conjunction with this document which contains an assurance statement regarding internal control.
- **Legal & Democratic Services Manager (Monitoring Officer)** - Ensures that the Council's operations are carried out lawfully.

5. Significant Governance Issues

One issue arose during 2016/2017 which related to Car Park income reconciliation which subsequently caused delays in the closing of the accounts.

6. Risks Identified

The risks that the Council identified during 2016-17 are detailed below:

Risk	Mitigating Action	Responsibility	Target date
Business Continuity	Business Continuity (BC) - document storage solution is held off site which enables staff to access key documents in the event of loss of IT services and systems. External review of the business impact assessment has been undertaken in the year to ensure that the high priorities areas are known plus lessons learned following a strategic BC test exercise by CMT.	Chief Executive Director / Service Manager	The Health & Safety Manager will continue to test the robustness of the plans with CMT.
Cyber Risk Attack across Entire Estate	Procedures and Policies are in place to deal with the risk. Controls in place include email filtering, and Anti-Virus software.	SLT / Head of Business Improvement	Situation On-going
Non-Achievement of Recycling Target of 50% by 2020	The council is working with all other districts within West Sussex on a uniform approach to achieve the 2020 target. There is partnership working through the inter-authority waste group to consider how to reduce residual waste and increase recycling. With Brexit negotiation taking place there is uncertainty surrounding EU Targets.	SLT / Head of Service – Contract Services	1 st January 2020

The process of preparing the Annual Governance Statement has in itself added value to the Corporate Governance and Internal Control framework of the Council.

7. Certification

It is therefore our opinion that Corporate Governance, along with supporting controls and procedures, remains very strong within the Council.

T. Dignam
Leader of the Council

D. Shepherd
Chief Executive