

Annual Governance Statement (AGS) 2017-2018

Scope of Responsibility

Eden 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, incorporating the system of internal control. This includes arrangements for the management of risk. During 2017-2018, the Council established a Local Code of Governance which details these arrangements and is structured around the 7 Principles of Good Governance, as set out below. The AGS focuses on the effectiveness of these arrangements and so should be considered along-side the Local Code of Governance.

A copy of the [Local Code of Governance](#) is available on the Council's website.

The Accounts and Audit (England) Regulations 2015 require every Council to agree and publish an Annual Governance Statement. CIPFA (Chartered Institute of Public Finance and Accountancy) have produced an 'Application Note to Delivering Good Governance in Local Government: A Framework'. In producing this AGS, the application note has been considered.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with, and 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 and 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 all risk of failure to achieve policies, priorities, aims and objectives, and can therefore only provide reasonable and not absolute assurance, of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, priorities, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2018, and up to the date of approval of this Statement.

The Principles of Good Governance

The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

- **Principle 1** – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **Principle 2** – Ensuring openness and comprehensive stakeholder engagement.
- **Principle 3** – Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **Principle 4** – Determining the interventions necessary to optimise the achievement of the intended outcomes.
- **Principle 5** – Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **Principle 6** – Managing risks and performance through robust internal control and strong public financial management.
- **Principle 7** - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Governance Framework

The Council's Governance Framework is set out in detail in its Local Code of Corporate Governance. This is aligned to the 7 Principles of Good Governance set out above. Although there are many detailed provisions of the Local Code, the key elements of the framework may be summarised as follows:

- A Council Plan that includes explicit outcomes. This is derived through stakeholder engagement and sets out the Council's aspirations. It drives strategic decision making, financial planning and detailed service planning.
- A comprehensive and regularly reviewed Constitution setting out how the Council operates. Officers and Members ensure that the protocols in the constitution and other relevant statutes, regulations and guidance are both followed and lead to transparent, ethical and legal decision making. This ensures effective accountability and strong financial management.
- A structure including Accounts and Governance Committee and Scrutiny committees which are independent of the Executive. These monitor delivery against both financial and Council plan targets as well compliance with the Council's high ethical and behavioural expectations. Accounts and Governance Committee monitors internal control corporately, including the arrangements to manage risk. All committees are supported by qualified professional officers to provide timely, relevant information which is open and transparent. The role of the committee structures is further set out in the review of effectiveness below.
- The Council recognises a need for continued investment in technology, innovation and organisational development. This is reflected in investment in digital customer service technology and the ongoing review of the staff appraisal process.

- The Council recognises the need to respond to regulatory changes that significantly impact on governance arrangements. The Council has made significant progress to ensure compliance with requirements of the incoming General Data Protection Regulations.

These show at a strategic level, that the Council’s key governance arrangements are consistent with the 7 core principles. For further details, please refer to the Local Code of Corporate Governance.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Chief Officers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Key roles in maintaining and reviewing the effectiveness is performed by:

The Council	The Council has responsibility for the Budgetary and Policy Framework. A balanced budget was set for 2017-2018 consistent with the prevailing Council Plan. Council also reviews and approves amendments to the Constitution.
The Executive	The Executive receive regular monitoring reports on revenue and capital monitoring and performance. They review the AGS annually.
Accounts and Governance Committee	The Committee acts as an audit committee, in line with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013). Activity of the committee includes approving the proposed Internal Audit Plan, considering all audit reports, receiving the annual report on the previous year assessing the effectiveness of the system of internal audit. The Committee monitors implementation of the recommendations of internal and external audit. The AGS is reviewed by the Accounts and Governance Committee alongside the supporting evidence which is set out in a public report. The Committee is also responsible for all Standards matters.
Scrutiny Co-ordinating Board	The Committee reviews the Risk Register in full, on an annual basis, and approves the annual update of the Risk Management Strategy. It also scrutinises the Partnership Database once a year.
Leader	Approves annual update of Business Continuity. Approves annual update of the Emergency Plan.
Management Team	Management Team includes all Chief Officers. The Monitoring Officer and Chief Finance Officer are part of management. This supports the effective exercise of their duties as key statutory officers of the Council, particularly with reference to financial control and operating within legal powers. Twice a year the Team review the AGS to ensure that the governance arrangements set out therein are operating as stated.

Key roles in maintaining and reviewing the effectiveness is performed by:

Chief Financial Officer	<p>The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). The CFO reviews the AGS and the Local Code as part of Management Team.</p>
Internal Audit	<p>The work of the Internal Audit Service (IAS) is in compliance with the Public Sector Internal Audit Standards (PSIAS), except that the Director of Finance holds the role of Head of Internal Audit. Appropriate controls are built into the Accounts and Audit Rules to ensure this arrangement does not compromise the independence of internal audit.</p> <p>The work of the IAS is set out in an annual plan which is agreed by the Accounts and Governance Committee. Management Team and the external auditor are consulted on the plan prior to submission to the Accounts and Governance Committee. Each year, all the Fundamental Systems are audited. The IAS submits an opinion statement to the Accounts and Governance Committee on the overall adequacy and effectiveness of the Council's internal control environment: this forms part of the annual internal audit report. All audit reports are taken in public to the Accounts and Governance Committee.</p> <p>The Council's internal audit arrangements comply with the CIPFA Statement on 'The Role of the Head of Internal Audit (2010)'. Having a robust internal audit is an important contributor to meeting Principle 6.</p> <p>At Accounts and Governance Committee on 28 June 2018, the Director of Finance (Head of Internal Audit) confirmed that internal audit work during 2017-2018 provided adequate assurance that effective controls were in place.</p>
External Audit	<p>The external audit of the Council is provided by Grant Thornton LLP. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the external auditor strengthens its governance arrangements. Regular meetings take place to cover:</p> <ul style="list-style-type: none">• Attendance at Eden Management Team meetings for briefings on key audit related issues• Accounting matters (before and after final accounts audit)• The external auditor annually asks the Management Team and the Accounts and Governance Committee for assurances on key audit risks <p>The Council ensures it provides timely support, information and responses to External Auditors and fully considers their findings and recommendations. The 2016-2017 audit findings report raised one control issue around the confidential reporting code and a number of other issues, particularly around the Heart of Cumbria Limited, which were highlighted in the 2016-2017 AGS (see below and the Action Plan). No new control issues have been raised for 2017-2018.</p>

Control

We have been advised on any issues identified by the various contributors to the review of the effectiveness of the governance framework, as set out above.

Progress since 2016-2017

External Audit raised a number of significant governance issues in 2016-2017. Details on progress are set out in the action plan to this AGS. Overall, good progress has been made against the governance issues raised in the prior year. There are some areas where further work is required and these will be monitored through subsequent reporting of progress against the action plan.

Heart of Cumbria Limited

During 2016-2017, the Council set up a Company; Heart of Cumbria Limited. In 2017-2018 the Council approved governance procedures in conjunction with the Company's Board of Directors. The Company has pursued the purchase of affordable housing in the District from a developer and at the meeting of Council on 15 February 2018, a full business case and finance package was considered and agreed to progress this. This was following appropriate due diligence. The Company will report to Council on its performance following its Annual General Meeting. There is still some further work to develop and embed the necessary governance framework, progress will be monitored through future reporting of the AGS action plan.

Confidential Reporting Code Matters

During 2016-2017 External Audit raised control issues around compliance with procedures of the Confidential Reporting Code. The Code was reviewed by Accounts and Governance Committee on 21 September 2017; there have been no breaches of the revised code during the period and none of the cases in year raised significant governance issues.

Significant Governance Issues

A small number of enhancements to existing arrangements were identified as part of the 2017-2018 review of effectiveness, these have been included within the AGS action plan and their implementation will be monitored throughout 2018-2019. No new significant issues have been identified.

Conclusion

It is judged that the governance arrangements provide sufficient assurance over the operation of the authority and that the arrangements are fit for purpose. The Council is committed to monitoring the arrangements in place and will continue to do so throughout 2018-2019.

Signed:

Councillor Kevin Beaty
Leader of the Council

Rose Rouse
Chief Executive

Annual Governance Statement Action Plan, 26 July 2018

Reference	Issue to address	Responsible	Due by	Progress
Prior Year Audit Findings Report, Heart of Cumbria	<p>The prior year audit findings report raised a number of issues around Heart of Cumbria. In summary these related to:</p> <p>The level of information provided and accountability of the Company to Members.</p> <p>Putting in place the governance processes to ensure the company could operate effectively, including business planning and risk and performance management.</p> <p>Addressing risks already identified including Right to Buy legislation, managing conflict of interests, ensuring business planning is supported by relevant expertise.</p>	Management Team/Hoc Board	31/3/2018	<p>Governance arrangements were approved by Council on 7 September 2018, report CE11/17.</p> <p>Report CE7/18 was taken to Council on 15 February 2018 setting out a detailed business case for the acquisition of affordable houses. The business case was supported by external tax and financial advisors and drew on EDC local housing marketing expertise.</p> <p>Further research has indicated that “cost floor” provisions in the Right to Buy regulations could mitigate the level of any discounts applicable, should RTB regulations ever apply to the Company’s houses.</p> <p>Council on 19 April 2018 approved amendments to the constitution (G35/18) to address potential conflicts where Councillors also represent outside and arm’s length bodies.</p> <p>Risk register, proposed KPIs, cash flow forecasts, budgets and options around operational management at the company Board meetings during 2018-2019.</p> <p>There is still a need to embed these processes into the operation of the company and to agree how the company will report performance to the Council.</p> <p>Partially implemented</p>
Prior Year Audit Findings Report, Confidential Reporting Code	Compliance with procedures of the Confidential Reporting Code.	Management Team	31/3/2018	<p>The Code was reviewed by Accounts and Governance Committee on 21 September 2017; there have been no breaches of the revised Code during the period.</p> <p>Implemented</p>
Local Code Principle 7, Assurance and Effective Accountability	Consider implementing an annual review/self assessment of the Accounts and Governance Committee; this would be useful evidence to support the overall annual review of effectiveness.	Director of Finance / Assistant Director Financial Services	31/3/2019 to feed into 2018-2019 process	Not yet due
Local Code Principle 5, Developing the Entity’s Capacity	The Local Code refers to the the asset strategy up to 2014-2017; this should be refreshed.	Deputy Director Technical Services	31/3/2019 to feed into 2018-2019 process	Not yet due