

Annual Governance Statement (AGS) 2018/19

Scope of Responsibility

Eden District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, 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. The Council has 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 alongside 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 guidance to Delivering Good Governance in Local Government Framework (2016). In producing this AGS, this guidance has been considered.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It also comprises 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 current Council Plan sets out four priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

These priorities help to shape the policies and allocation of resources towards a strategic vision for the District. The system of internal control is a significant part of the overall framework to ensure those priorities are delivered 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 risks to the achievement of the Council's policies, priorities, aims and objectives. It also evaluates 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 2019, 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. The next iteration of the Council Plan (2019/23) is being developed to ensure it continues to reflect the Council's priorities;
- 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. The new management structure which came into place from February 2019 is reflected in the Constitution;
- A political 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 as 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. During 2018/19, both the Accounts and Governance Committee and the Scrutiny committees have been subject to external review. Recommendations from these reviews will be implemented during 2019/20;
- The Council recognises a need for continued investment in technology, innovation and organisational development. The Council will pull together a number of transformation projects within the One Eden Programme, to ensure these are coordinated and working towards the same organisational goals;

- The Council recognises the need to respond to regulatory changes that significantly impact on governance arrangements. The Council has made steps to ensure compliance with the requirements of General Data Protection Regulations; and
- The Council recognises the benefits that alternative delivery models can bring and has established a wholly owned company and out-sourced a number of services including waste collection, recycling and leisure services. The governance arrangements for the company have improved following acknowledgement of issues raised in prior years by external audit. There is a dedicated contracts team that provides support corporately on procurement and contract management.

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, the work of the Scrutiny and Accounts and Governance Committees 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 2018/19, consistent with the prevailing Council Plan. Council also reviews and approves amendments to the Constitution.

The Executive

The Executive have received regular monitoring reports on revenue and capital budgets and performance.

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). The Committee approved the Internal Audit Plan for 2018/19, considered all audit reports and receives the annual report assessing the effectiveness of the system of internal audit. The Committee has monitored implementation of the recommendations of internal and external audit. During the year, the Committee also underwent an external review of effectiveness; this supported the function of the Committee and has raised some opportunities for future improvements.

The AGS has been reviewed by the Accounts and Governance Committee alongside the supporting evidence which is set out in a public report. The Committee has also considered all Standards and constitutional review matters.

Scrutiny Co-ordinating Board

The Committee has reviewed the Risk Register in full and approved the annual update of the Risk Management Strategy. It has scrutinised the Partnership Database, received regular reports on budget monitoring and Treasury Management.

Leader

The Leader has approved the annual update of Business Continuity and Emergency Plans and signs the AGS.

Senior Management

Corporate Management Team (CMT) includes all Assistant Directors with Heads of Service also attending; the Directors, Chief Executive as Head of Paid Service, Monitoring Officer and Chief Finance Officer meet as the Senior Leadership Team (SLT) with representatives attending CMT. The Monitoring Officer and Chief Finance Officer are part of CMT and SLT. The Monitoring Officer and Chief Finance Officer have performed governance checks on all committee reports. 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. Senior management review the AGS to ensure that the governance arrangements set out therein are operating as stated.

Chief Financial Officer and Monitoring Officer

The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2015). The CFO reviews the AGS and the Local Code as part of Corporate Management Team. The Council also has a Monitoring Officer to ensure the Council acts within its legal powers and statutory framework. Under the revised management structure, which came into place from February 2019, the CFO and Monitoring Officer sit at the Assistant Director level but are members of SLT and review all committee reports through the governance checks process.

Internal Audit

An effective Internal Audit Service (IAS) is a fundamental element of the overall system of internal control. During the year, CIPFA performed an external review of the in-house element of the IAS and judged that it was generally compliant with Public Sector Internal Audit Standards. This was reported in detail to the Accounts and Governance Committee in February 2019.

The work of internal audit is set out in an annual plan. The 2018/19 plan was agreed by the Accounts and Governance Committee in February 2018. 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. An overall opinion of 'reasonable assurance' was issued and reported to the Accounts and Governance Committee during June 2019.

The Council's internal audit arrangements comply with the CIPFA Statement on 'The Role of the Head of Internal Audit (2010)'. Under the new management structure, from February 2019, the Head of Internal Audit (HoIA) is the Assistant Director Finance; TIAA (external provider of internal audit services) and the Senior Auditor have direct access to the Chief Executive and the Accounts and Governance Committee should they feel that there is any conflict of interests of reporting through the HoIA.

External Audit

The external audit of the Council is provided by Grant Thornton LLP for the main accounts (including group accounts) and value for money opinions. Assurance over the Housing Benefit Subsidy claim is provided by Mazars 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.

Regular meetings take place with Officers to cover progress on the external audit plan and other key audit related issues. The external auditor also regularly attends Accounts and Governance Committee to update them on progress and to provide topical sector updates. The Council ensures it provides timely support, information and responses to External Auditors and fully considers their findings and recommendations.

The Audit Findings Report for 2017/18 recognised the progress made on governance issues around the Heart of Cumbria Limited, the Council's wholly owned company. A number of further recommendations were made around the company and these were addressed in an update report to the Executive in February 2019 (see also below and the Action Plan).

Progress since 2017/18

The 2017/18 annual review produced 3 recommendations. These are considered to have been mostly addressed in the year. One of the recommendations related to the governance arrangements for the Heart of Cumbria Limited. A detailed report was presented to the Executive in February 2019, which set out the progress against the recommendations contained in the audit findings report from 2017/18. The actions taken are judged to have substantially addressed the risks raised around the company. The other recommendations related to a refresh of the asset strategy, which has been completed, and a review of effectiveness of the Accounts and Governance Committee, which was performed by CIPFA during the year.

Confidential Reporting Code Matters

There have been no breaches of the Code during the period and no cases in year have raised significant governance issues.

Significant Governance Issues

The annual review should identify any internal control weaknesses that materially reduce the Council's ability to deliver against its financial and policy framework. A small number of enhancements to existing arrangements were identified as part of the 2018/19 review of effectiveness, these have been included within the AGS Action Plan and their implementation will be monitored throughout 2019/20. In addition, a weakness in procedures for contract monitoring has been recognised which will have a significant financial impact for 2019/20. This has also been included in the action plan.

Conclusion

It is judged that the governance arrangements provide adequate assurance over the operation of the authority and that the arrangements are generally fit for purpose, subject to the improvements set out in the action plan. The Council is committed to monitoring the arrangements in place and will continue to do so throughout 2019/20.

Virginia Taylor

Councillor Virginia Taylor
Leader of the Council

Rose Rouse

Rose Rouse
Chief Executive

Authorised for publication by Accounts and Governance Committee, 25 July 2019.

Annual Governance Statement Action Plan

Reference	Issue to address	Responsible	Due by	Progress
Existing items				
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>This was reported as partially implemented at the last reporting date. Since then, the company has obtained 7 properties which are fully let. Financial and risk management information are reported regularly through board and several updates have been provided to Council committees, the most recent being to Executive 5 February 2019. It is judged that the majority of issues raised have been addressed. The management of conflict is still under review but will be taken forward pending the outcome of local council elections. The measures put in place to prevent any conflict have operated successfully during the year.</p> <p>Implemented with some further review of managing conflict of interests.</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 2018/19 process	<p>This was superseded by an external review of the effectiveness of the Accounts and Governance Committee by CIPFA, which reported to AGC in February 2019. This provides assurance as to effectiveness of the committee for 2018/19. This item is considered implemented but a new item is added to follow up on the CIPFA recommendations, see below.</p> <p>Implemented.</p>
Local Code Principle 5, Developing the Entity's Capacity	The Local Code refers to the asset strategy up to 2014/17; this should be refreshed.	Deputy Director Technical Services	31/3/2019 to feed into 2018/19 process	<p>The asset strategy has been updated.</p> <p>Implemented.</p>
New items				
Local Code Principle 7, Assurance and Effective Accountability	Accounts and Governance Committee received a report from CIPFA on the effectiveness of the Committee. A number of improvement opportunities were raised.	Chair of AGC, Chief Finance Officer, Monitoring Officer	31/3/2020	<p>The details of the recommendations can be found on AGC agenda for February 2019 with a response at the April AGC. Implementation of the agreed actions will be monitored through 2019/20.</p> <p>Not yet due.</p>
Local Code Principle 2. Engaging with individual citizens and service users effectively.	The Local Code includes reference to a consultation policy and programme. This was not updated for 2018/19. Consideration should be given the value this adds and how it sits with other new arrangements around communications.	Senior Leadership Team	31/9/2019	<p>SLT/CMT to consider where the consultation programme sits in terms of the governance framework.</p> <p>Not yet due.</p>

Reference	Issue to address	Responsible	Due by	Progress
Local Code Principle 6, Maintaining robust control.	As part of reviewing the AGS, Accounts and Governance Committee 18 th April asked for the membership of statutory officers on SLT to be reviewed.	Senior Leadership Team	31/5/2019	At SLT on 25 th April the Chief Executive confirmed that the monitoring officer and S151 officer are full members of SLT. The AGS has been amended to reflect this. Implemented
Local Code Principle 6, Maintaining robust control.	The Council has a significant number of services contracted out. Notice has been received that a contract will expire during 2019/20 which the Council had wanted to extend. The strict terms of the contract require written confirmation for it to be extended. This was not provided by the Council to the Contractor. Two previous extensions had been commenced without written confirmation. The contractor has now exercised their right to not extend for a further period in the absence of written confirmation. This could have a significant financial impact in 2019/20. Processes for management and oversight of contracts need to be reviewed and improved.	Senior Leadership Team	31/9/2019	An audit of existing contracts is required to ensure that terms and conditions are being adhered to and to gain assurance that controls are in place to monitor compliance with those terms and conditions. Not yet due