

Audit and Standards Committee

Date and Time - **Wednesday 26 July 2023 – 6:30pm**

Venue - **Council Chamber, Town Hall, Bexhill-on-Sea**

Councillors appointed to the Committee:

B.J. Drayson (Chair), J. Barnes (MBE) (Vice-Chair), A.E. Biggs, Mrs V. Cook (ex-officio), P.J. Gray, A.P. Hayward, S.B. McGurk, C. Pearce and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer

AGENDA

1. MINUTES

To authorise the Chair to sign the Minutes of the meeting of the Audit and Standards Committee held on 19 June 2023 as a correct record of the proceedings.

2. APOLOGIES FOR ABSENCE

3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chair decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

4. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

PART A - STANDARDS REPORTS

5. INDEPENDENT PERSON (STANDARDS) - PROPOSED EXTENSION TO TERM OF OFFICE (Pages 3 - 4)

PART B - AUDIT REPORTS

6. AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT (Pages 5 - 10)

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For all enquiries – please contact louise.hollingsworth@rother.gov.uk (Tel: 01424 787815)

Rother District Council putting residents at the heart of everything we do.

7. **REPORT OF THE EXTERNAL AUDITORS GRANT THORNTON - EXTERNAL AUDIT PLAN 2022/23** (Pages 11 - 38)
8. **LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT (AGS)** (Pages 39 - 98)
9. **TREASURY MANAGEMENT UPDATE REPORT** (Pages 99 - 108)
10. **AUDIT AND STANDARDS COMMITTEE SELF-ASSESSMENT MARCH 2023** (Pages 109 - 124)
11. **WORK PROGRAMME** (Pages 125 - 126)

Lorna Ford
Interim Chief Executive

Agenda Despatch Date: 18 July 2023

Rother District Council

Report to:	Audit and Standards Committee
Date:	26 July 2023
Title:	Independent Person (Standards) – Proposed Extension to Term of Office
Report of:	Lorna Ford, Monitoring Officer
Purpose of Report:	To consider the proposal to extend the current Term of Office for Independent Person (Standards) Rose Durban by a further term of four years to December 2027, the maximum permissible.
Officer	
Recommendation(s):	Recommendation to COUNCIL: That the Term of Office for Independent Person (Standards) Rose Durban be extended by a further term of four years until December 2027.

Introduction

1. The Localism Act 2011, Chapter 7, Section 28 places a duty on the Council to appoint one or more Independent Persons (IPs) for the following purposes:
 - To give the Council views on any allegations it has decided to investigate, before a decision is reached;
 - At the discretion of the Council, give the Council views on any allegations it has decided to investigate, before a decision is reached
 - At the discretion of a Member, Co-opted Member or Member of a Town or Parish Council, to give the Member views on any allegations relating to the behaviour of that Member. [s28(7)]
2. The IPs also have a statutory role under the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 concerning disciplinary procedures that involve one of the three statutory Local Government post-holders; these posts being the Head of Paid Service, Section 151 Officer and Monitoring Officer. A decision to make a binding recommendation on disciplinary action against a statutory post-holder will be taken transparently by full Council, who must consider any advice, views or recommendations from an independent panel, of at least two persons, comprising the IPs appointed under section 28(7) of the Localism Act 2011.

Considerations

3. The Council currently has two IPs, Bob Brown and Rose Durban and the Council has previously agreed that the term of office for IPs be set at four years, renewable once, to a maximum of eight years. Rose Durban was appointed in December 2019, and consequently, her initial term of office will expire in December 2023. (Mr Brown was appointed in July 2021 and is due to expire in July 2025).

4. To avoid unnecessary administrative time and costs in recruiting, advice has confirmed that if all parties are agreeable to an extension to the existing term of office, there is no need to carry out a fresh recruitment exercise.
5. Rose Durban has made a significant contribution to the complaint handling processes and her input into the standards regime at Rother has been invaluable.
6. The Monitoring Officer would very much like to extend the current term of office for Rose Durban for a further period of four years, the maximum period permitted; Rose Durban has indicated her willingness to continue in the role beyond December 2023 for a further four-year period. It is understood by all, that following this extension, there would be no further opportunity for Rose Durban to apply again to be an IP, having served the maximum eight year period.
7. Whilst the initial appointment of IPs must be agreed by Full Council, it is considered in the interests of openness and transparency that Full Council be requested to approve the extension to Rose Durban's term of office. This recommendation will be considered at the Full Council meeting on 18 September 2023, in good time before the expiry of Rose Durban's current term of office.

Conclusion

8. The Audit and Standards Committee are requested to recommend to Council that the Term of Office for Rose Durban be extended for a further period of four years, expiring in December 2027.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Risk Management	No	Exempt from publication	No

Interim Chief Executive:	Lorna Ford, Interim Chief Executive and Monitoring Officer
Report Contact Officer:	Lisa Cooper, Democratic Services Manager and Deputy Monitoring Officer
e-mail address:	lisa.cooper@rother.gov.uk
Appendices:	None.
Relevant Previous Minutes:	AS19/31 – Audit and Standards Recommendation C19/61 – Full Council December 2019
Background Papers:	None.
Reference Documents:	None.

Rother District Council**Report to:** Audit and Standards Committee**Date:** 26 July 2023**Title:** Audit and Standards Committee Annual Report**Report of:** Chair of Audit and Standards Committee**Purpose of Report:** This report sets out an outline of the role, purpose and background of the Audit and Standards Committee, as well as a summary of the audit-related work undertaken throughout both the 2022/23 financial year.**Officer****Recommendation(s):** **Recommendation to COUNCIL:** That:

- 1) the report be noted;
- 2) the work of the Audit and Standards Committee be affirmed; and
- 3) consideration be given to any concerns raised within the report.

Introduction

1. The role of the Audit and Standards Committee is to provide oversight and monitor the governance, risk management and internal control arrangements of the Council, to provide independent assurance that these are effective and efficient. This is achieved through items received by the Committee in relation but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting.
2. The Terms of Reference (Appendix 1) outline the purpose of the Committee in more detail and are currently being reviewed in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice.
3. The Committee was originally convened in September 2006 as the Audit Committee. It was established to allow a more robust discussion of;
 - The work of both internal and external audit
 - The wider regulatory and control framework
 - The final accounts
4. In May 2017, the Committee was joined with the Council's Standards Committee and became known as the Audit and Standards Committee. The Membership has changed significantly following the recent elections in May, but for the financial year in question (2022/23) was as follows;
 - Councillor Drayson (Chair)
 - Councillor Thomas (Vice Chair)
 - Councillor J. Barnes
 - Councillor Mrs M.L. Barnes

- Councillor Courtel*
- Councillor Harmer (ex-officio)*
- Councillor Mrs Kirby-Green
- Councillor Langlands*
- Councillor Madeley*

*Ceased to be elected Members in May 2023

5. The new Committee Members are as follows and include four Members both new to the Committee and the Council;

- Councillor Drayson (Chair)
- Councillor J. Barnes (Vice Chair)
- Councillor Biggs*
- Councillor Cook (ex-officio)
- Councillor Gray
- Councillor Hayward*
- Councillor McGurk*
- Councillor Pearce*
- Councillor Thomas

*Newly elected Members 2023

6. The Committee follows current best practice and includes 'Independent Person' representatives for both Audit and Standards matters.

Audit – Mr P Farmer

Standards - Mr R Brown and Mrs R Durban

In addition, for Standards matters, two representatives from the Rother Association of Local Councils attend the relevant meetings.

Work of the Committee 2022/23

7. The Committee met six times during the 2022/23 financial year, and considered the following items of business throughout the year:

Internal Audit

- Progress report on Internal Audit Activity (quarterly).
- Follow-up on Internal Audit Recommendations (six-monthly)
- Annual report and opinion 2021/22 and review of the effectiveness of Internal

External Audit

- Grant Thornton 2020/21 audit opinion
- Grant Thornton 2021/22 audit opinion

Accounts / Finance

- Treasury management updates (quarterly)

- Draft Statement of Accounts 2020/21
- Draft Statement of Accounts 2021/22

Risk Management

- Corporate Risk Register (six-monthly)

Governance

- Property Investment Strategy (PIS) update
- Anti-fraud and corruption framework
- Housing Company governance arrangements
- Constitution updates

Self-assessment

8. It is recognised best practice for an Audit Committee to undertake an annual self-assessment of its effectiveness. This had not previously been undertaken for this Committee. A session was facilitated by the Interim Chief Finance Officer during April 2023 to allow the Committee Members to discuss and complete the first draft of the assessment template and supporting action plan.
9. This was discussed and agreed by the Committee at its meeting in June and the improvements will now form part of the action plan for delivery over the remainder of the year.

Conclusion

10. The Committee continued to meet its obligation to provide oversight of the Council's governance procedures, corporate risk and internal/external audits. This report informs the Council of the work the Audit and Standards Committee in relation to audit-related work undertook during the 2022/23 financial year.
11. It is noted that a separate report from the Audit and Standards Committee on its work in relation to ethical standards matters was considered by the Committee at its June meeting and will be received by Full Council in July.
12. The Committee are comfortable with the governance arrangements in place and can confirm to full Council that they are operating effectively.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Interim Chief Executive:	Lorna Ford
Report Contact Officer:	Councillor Drayson
e-mail address:	cllr.brian.draysen@rother.gov.uk
Appendices:	A – Audit and Standards Committee Terms of Reference
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit Committees - practical guidance for local authorities and police (2018)”

Audit Functions

3.2 Functions and Delegations

Statement of Purpose

When carrying out the Audit functions and delegations, the purpose of the Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

3.3 Audit Activity

- (1) To consider the Audit Manager's annual audit report and opinion, and a summary of internal audit activity.
- (2) To approve the internal audit strategy, plan and monitor performance.
- (3) To consider summaries of internal audit reports setting out the main audit findings and level assurance given to each area reviewed.
- (4) To consider reports from internal audit on agreed recommendations not implemented and consider their impact on the overall control environment.
- (5) To ensure there is an effective working relationship between external audit and internal audit.
- (6) To consider the External Auditor's annual planning letter and comment on the scope and depth of external audit work and ensure it gives value for money.
- (7) To consider the External Auditor's annual governance report regarding issues affecting the control environment and governance reporting.
- (8) To consider the Council's audit risk assessment response to the External Auditor.
- (9) To consider specific reports as agreed with the External Auditor.
- (10) To consider the governance arrangements for the management and monitoring of the Council's significant partnerships and wholly or partly owned council commercial entities.
- (11) To consider and recommend to Council the appointment of one Audit independent person.

3.4 Regulatory Framework

- (1) To maintain an overview of the procurement procedure rules, financial procedure rules and codes of conduct and behaviour (other than the Code of Conduct for Members).
- (2) To review any issue referred to it by the Chief Executive, or any council body.
- (3) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (4) To monitor council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy and the Council's complaints process.
- (5) To oversee the production of the Council's Annual Governance Statement and to recommend its adoption.
- (6) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- (7) To consider the Council's compliance with its own and other published standards and controls.
- (8) To ensure effective scrutiny of the treasury management strategy and policies.
- (9) To monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.
- (10) To consider and recommend to Council and proposed changes to the Constitution.

3.5 Accounts

- (1) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. To agree the signing of the accounts following the review.
- (2) Approving the Authority's statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be). (The Accounts and Audit Regulations).
- (3) To consider the External Auditor's annual audit report on issues arising from the audit of the accounts.

Rother District Council audit plan

Year ending 31 March 2023

July 2023
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.



Local Government funding continues to be stretched with increasing cost pressures due to the cost-of-living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Local issue

The Council's revenue budget for 2022/23 has been balanced, using £3.3m of earmarked reserves. The 2023/24 budget further commits some £2m of reserves to supporting the budget.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Chief Finance Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We have followed up on management's progress against prior year audit recommendations - refer to page 13. We will follow up the improvement recommendations raised in the 2021-22 Auditor's Annual Report later in the year and report progress against agreed actions in our 2022-23 Auditor's Annual Report.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rother District Council ('the Council') for those charged with governance.

Respective responsibilities

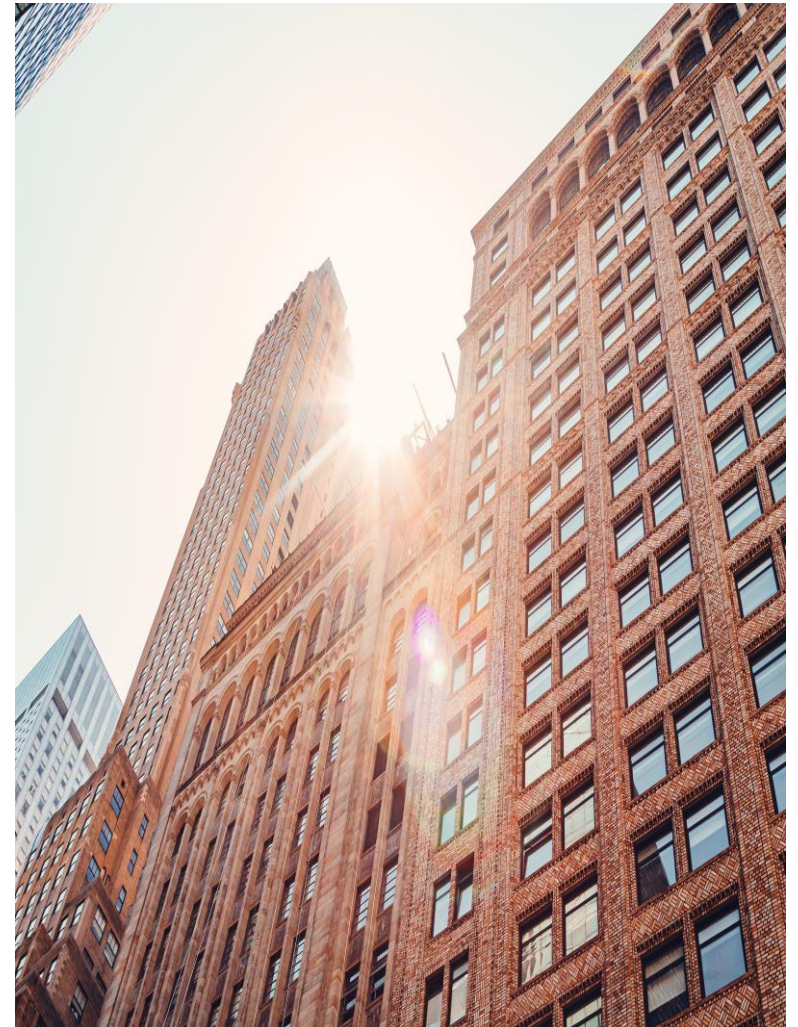
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Standards Committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Page 16
- Management override of controls
 - Valuation of the net pension fund liability
 - Valuation of operational land and buildings

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.19m for the Council, which equates to 2% of your prior year (2021/22) gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £60k.

Value for Money arrangements

We have identified a significant risk in respect of financial sustainability. We will keep our risk assessment under review until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit took place in April 2023 and our final visit will take place during October to December 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £62,909 for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals;• analyse the journals listing and determine the criteria for selecting high risk unusual journals;• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and Investment Properties	<p>The Council revalue its land and buildings on a rolling, five-yearly basis and investment properties are revalued annually.</p> <p>The valuation represents a significant estimate due to the value and the sensitivity of this estimate to changes in key assumptions. We therefore identified this as a significant risk requiring special audit consideration. We will focus our risk assessment to the valuation of land and buildings and investment properties with large and/or unusual changes to their valuation approach. To identify such assets we will make direct inquiries with the valuer to understand the source data that underpins the valuations; corroborate the source and reasonableness of the external data relied upon; and evaluate the completeness and accuracy of source data provided directly from the Council. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work;• evaluate the competence, capabilities and objectivity of the valuation expert;• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;• challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations;• test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value and fair value (for investment properties) at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the net pension fund liability	<p>The pension fund net liability on balance sheet represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to its value and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.</p> <p>We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council’s pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for the Council.</p>
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior 2 years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. 	Significant risk rebutted.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Council's financial statements, which resulted in 7 recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations and 5 are still to be addressed. The progress to date has to be assessed in the context of the timing of the 2021/22 audit; audit findings were reported to the Council in March 2023.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Transactions (sundry income) in the general ledger with no descriptions</p> <p>It was noted multiple journal entries in the general ledger's listing specifically sundry income that had no descriptions. Management advised; the system did not allow users to include descriptions for this type of transactions. The system only automatically posted descriptions that are not clear and have no meaning.</p> <p>We recommended that journals regardless of the amount or number of lines, should be posted with clear descriptions as this provides quick overview of what transactions are being posted for. This is designed to spot errors that can be useful in management's review process of journals before being posted. Management should consider putting a description function for all types of journals and to understand why the system is not allowing descriptions to be recorded for this type of journal.</p>	<p>Management is still investigating how they can overcome the system limitation. Therefore, this recommendation has not yet been addressed.</p>

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Assessment

- ✓ Action completed
- X Not yet addressed

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Lack of capital project monitoring tool or template</p> <p>Based on our valuation testing, it was noted that there were two areas of land held within the fixed asset register that were either to be developed, sold or transferred in the future. One related to land in Mount View Street acquired in 2021/22 for which a portion was to be sold to an NHS body while the remainder was planned to be developed for commercial use. The other land in Black friars is planned to be transferred to the Council's housing company set up for local housing purposes.</p> <p>While we were able to see Cabinet minutes demonstrating the decision of the committee for the planned use of these assets, there was no documented dialogue and instructions provided to the valuer to ensure the valuation basis was correct. This should include a tracker to show different stages of the decisions held for these assets.</p> <p>Management confirmed that the intended use of these assets specifically the land in Black friars has not been steady depending on the best use at a point in time and will also depend on the viability study undertaken by the housing company. It is therefore crucial that decisions on stages of the plan of the asset is maintained which should also outline the outcome of decisions, actions to be taken and timescale.</p> <p>We recommended that management's valuation team is well aware about the decisions for these assets, but it is important that the concrete plan for the assets are demonstrated not just on the final stages of approval but also in the form of a tracker showing the decisions made, planned and/or alternative actions, and timescale on when will these be achieved. From the auditing perspective, this also provides an understanding on the use of the asset as it affects the assessment on the valuation method that should be applied.</p>	<p>Management has begun the progress of developing a project summary document for use of all capital project. In addition, management's capital project monitoring spreadsheet has been improved to show the expenditure across the project life. The recommendations are still being implemented.</p>
X	<p>Incomplete supporting evidence for the FTE disclosure</p> <p>Management confirmed that all FTE quarterly reports in 2021/22 were submitted to National Statistics however we did not see evidence of FTE report submission for the quarter ended June 2021.</p> <p>We recommend that all FTE report submissions be kept to evidence and support completeness of FTE being disclosed to the financial statements and is therefore important to be kept on file.</p>	<p>As part of our work in the FTE disclosure we will review the FTE quarterly reports to confirm the recommendation has been actioned.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Understated provisions due to out of date supporting documentation NNDR Provision: Figures for the threat report were not updated for year under audit. The Council accounted for the NNDR provision on the basis of last year threat report figures for 2017 list. This resulted in provisions understated by £42k.</p> <p>We recommended as part of the financial reporting process; management should ensure that up-to-date reports are being used in estimating their general provisions.</p>	<p>Management have entered an agreement with the VOA to obtain better access to the Appeals data and they have sent the latest data to Analyse Local. Additionally, management has taken up a subscription of the Collection Fund Suite Modules with access to their consultants for additional expertise.</p> <p>The recommendations are being implemented and as part of our work on provisions we will confirm whether the action is complete.</p>
X	<p>Reconciliation of assets by a unique identifier between the fixed asset register, financial system and valuation report As part of our valuation testing, it was noted that there were no distinct identifier for assets per the valuation report and per the fixed asset register and to the corresponding ownership documents.</p> <p>We recommend management include an identifier or references to each item on the fixed asset register and folders maintained for each individual asset where corresponding evidence can be kept in order. This will make the review process easier and ensures supporting evidence can be pulled out easily. As discussed with management this is being addressed for 2022/23.</p>	<p>The reconciliation exercise is ongoing. As part of our work on the land and building valuations, we will confirm if all aspects of our recommendations have been actioned.</p>
✓	<p>Inconsistent recording of election staff costs in the financial system We noted that elections staff costs were inconsistently recorded in different codes. Some of which were posted using basic salary account code while others were posted in employee benefit expense codes.</p> <p>We recommend that separate code be used for other employee remuneration to easily track expenditures of different nature. This would also help the Council when analyzing fluctuations on account level basis.</p>	<p>Management have set up a dedicated account code for elections officers' payments. We have reviewed the account and are satisfied that this issue has been resolved.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.19m, which equates to 2% of your total gross expenditure for the prior year.	We determine planning materiality in order to: <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as any error might have added significance for the accounts as a whole. We have set a materiality of £500,000.
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	Other communications relating to materiality we will report to the Audit and Standards Committee We also report to you any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.	We report to you any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60k. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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	Amount (£)	Qualitative factors considered
Materiality for the Rother District Council financial statements	1,190,000	We have determined financial statement materiality based on a proportion of the total gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.19m which equates to 2% of your prior year total gross expenditure for the period.
Materiality for specific transactions, balances or disclosures - cash and cash equivalents reconciling items	500,000	We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as any error might have added significance for the accounts as a whole. We have set a materiality of £500,000.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 23.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Unit4 Business World Agresso	Financial reporting including Revenue, Expenditure and Payroll	<ul style="list-style-type: none">ITGC assessment (design and implementation) of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Financial Sustainability

The 2023/24 budget and updated MTFP commits £2m of reserves to support the budget and further usage of reserves are forecast over the period of the MTFP that will see usable reserves fall below £5m (the minimum level recommended by the Chief Finance Officer) between 24/25 and 27/28.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation



Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation



The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation



These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



Audit logistics and team



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Parren Wells, Key Audit Partner

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorization of reports. Attendance of Audit and Standards Committee meetings supported by Manager as required.

Hameem Gulraiz, Audit Manager

Responsible for overall audit management over the course of the year, support and review of work performed by audit In-charge and junior team members.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2018, PSAA awarded a contract of audit for Rother District Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and assess the design and implementation of ITGCs that address the risks arising from the use of IT.
Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf.

Audit fees

	Planned fee 2021/22	Actual Fee 2021/22	Proposed fee 2022/23
Council Audit	£65,934	£TBC	£62,909
Total audit fees (excluding VAT)	£65,934	£TBC	£62,909

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Assumptions

Setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£44,559
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540 and journals testing	£5,100
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Total proposed audit fees 2022/23 (excluding VAT)	£62,909

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All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy claim	22,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low value in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.	•	•	
Details of safeguards applied to threats to independence			
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

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Rother District Council

Report to: Audit and Standards Committee

Date: 26 July 2023

Title: Local Code of Corporate Governance and Annual Governance Statement (AGS)

Report of: Deputy Chief Executive (Interim)

Purpose of Report: To consider and agree the Local Code of Corporate Governance, and the Annual Governance Statement (AGS), including reviewing the main governance issues affecting the Council during 2022/23.

Officer

Recommendation(s): It be **RESOLVED**: That:

- 1) the Local Code of Corporate Governance and improvement actions be approved;
- 2) the Annual Governance Statement be approved; and
- 3) the Statement be signed by the Leader of the Council and the Chief Executive.

Introduction

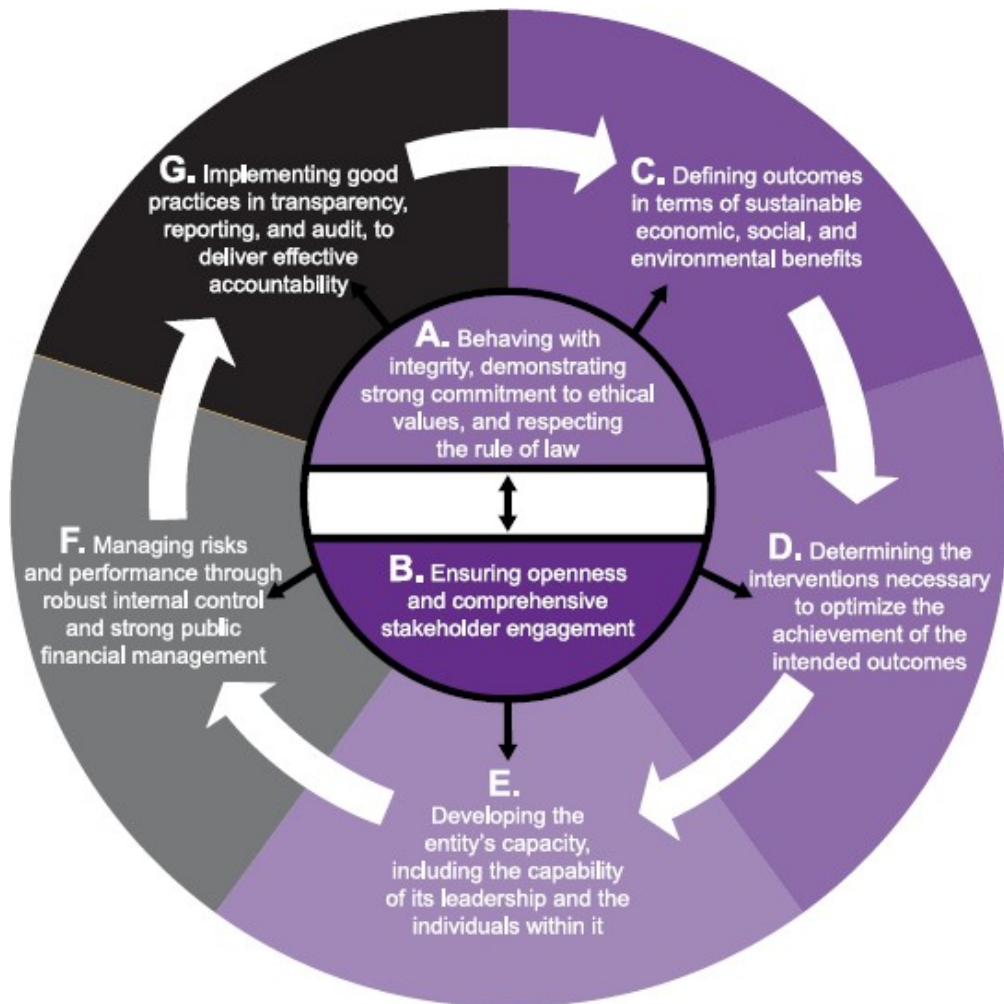
1. Governance comprises of the systems, processes, cultures and values by which local government bodies are directed and controlled. Through these four elements, they are held accountable by and engage with their communities.
2. Good governance ensures that an organisation is doing the right things, in the right way, for the right people, and in a timely, open and accountable manner. There is a strong correlation between effective governance and effective service delivery, so in order to deliver the Council's ambitions strong governance arrangements are essential.
3. The Corporate Governance framework is made up of the systems and processes, culture and values by which an organisation is directed and controlled. For local authorities this includes how a Council relates to the community it serves.
4. The Local Code of Corporate Governance is a public statement of the ways in which the Council will achieve good corporate governance. This is based on the development of the '*Delivering Good Governance in Local Government: Framework*' (2016) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and focuses on the seven core principles and sub- principles of good governance.
5. The Annual Governance Statement (AGS) is prepared following a review of

all the evidence available to the Council in seeking compliance with its Local Code.

6. Attached to this report are two documents for consideration by the Audit and Standards Committee (A&SC). These are;
 - The Local Code of Corporate Governance (Appendix A)
 - The Annual Governance Statement (AGS) (Appendix B)
7. Although the Council has previously adopted the Local Code of Corporate Governance, the full compliance assessment as contained within Appendix A has never been undertaken. It is therefore recommended that the Committee acknowledge the assessment and recommended improvement actions contained within it to further support, strengthen and develop the governance framework, local accountability and transparency.

The Local Code of Corporate Governance

8. The Local Code of Corporate Governance (the Local Code) is a public statement of how the Council seeks to achieve good corporate governance. It is best practice for each authority to adopt a Local Code of Corporate Governance, which demonstrates how the Council will achieve good governance.
9. The 2016/17 financial year saw the introduction of the Local Code and was based on the development of the new '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework'). The Local Code is included as part of this report for comment and consideration.
10. The main principle underpinning the emergence of the Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach.
11. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision-making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
12. The Framework follows the seven core principles and sub-principles of good governance, as identified by CIPFA/SOLACE, as shown overleaf with principles A and B permeating the implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity should be committed to improving governance on a continuing basis through a process of evaluation and review. The updated Local Code can be found within Appendix A.



13. There are some key requirements that need to be met to demonstrate compliance with the core principles and these are listed along with 'evidences' and source documents. These evidences must be reviewed regularly to ensure that they are up to date and remain sufficiently current. Any gaps in compliance are identified and form an action plan, which then needs to be monitored throughout the year.

Annual Governance Statement (AGS)

14. Also attached is the draft AGS for 2022/23 (Appendix B) which should be read and considered in conjunction with Appendix A (the Local Code). This statement provides assurances as to the in-year operation of the risk and governance arrangements adopted by the Council. It is prepared after reviewing all the evidences available to the A&SC, the Council's Senior Leadership Team, Corporate Management Team, Audit Manager, external audit and the statutory officers of the Council.
15. The AGS sets out how the Council ensures 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, effectively and efficiently in the delivery of its services.
16. It is recommended that the Council acknowledge the Local Code of Corporate Governance assessment as contained within Appendix A, which supports this AGS. The Local Code is compliant with the recommendations of the

17. In line with CIPFA best practice, the review process has been expanded to include asking managers to consider and comment on any significant issues which have been caused as a result of the ongoing recovery from the COVID-19 pandemic, or if the impact has identified any areas of weakness in governance.
18. The AGS is signed by the Leader of the Council and the Chief Executive. The A&SC are asked to consider and approve the draft report as attached.

Review of Effectiveness

19. The Council is committed to a sound system of Governance that reflects:
 - openness, accountability and integrity
 - compliance with laws, policies and regulations
 - the identification and monitoring of all strategic and operational risks
20. The key document for the Council is the [Corporate Plan](#). The risks to its achievement are outlined in the comprehensive risk registers maintained by the Authority.
21. The review of the Governance arrangements is undertaken through several mechanisms, including the report from the Audit Manager and the Heads of Service/Director annual assurance statements as well as the various inspection regimes undertaken by the External Auditors, which feed into and support the overall review.

Conclusion

22. The arrangements set out within the updated Local Code of Corporate Governance and the AGS will allow the Council to move forward with its corporate planning processes and remain confident that it can address the issues of governance and risk.
23. Adoption of the Local Code will demonstrate the Council's compliance with best practice.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Lorna Ford
Report Contact Officer:	Duncan Ellis
e-mail address:	Duncan.Ellis@rother.gov.uk
Appendices:	A – Local Code of Corporate Governance B - Annual Governance Statement
Relevant Previous Minutes:	N/A
Background Papers:	N/A

Reference Documents:	N/A
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Rother District Council Local Code of Corporate Governance 2022/23

Rother district covers some 200 square miles and is a predominantly rural district. The population of Rother has increased by 2.8%, from just under 90,600 in 2011 to around 93,100 in 2021. This compares to a 7.5% South East average and 6.6% nationally, with residents dispersed across the rural area, but with nearly half living in Bexhill-on-Sea. Although not a wealthy area relative to other more affluent parts of the South East, Rother is an attractive and safe place to live. It benefits from a blend of some of the most beautiful countryside and coastline in South East England and contains the historic market towns of Battle and Rye, the Victorian/Edwardian seaside town (and administrative centre) of Bexhill and many picturesque villages.

However, despite the district having several very positive attributes we also have some big challenges; increasing affordable housing supply and reducing reliance on temporary accommodation, responding to environmental change, supporting economic growth and decent jobs, tackling deprivation and ensuring the Council is fit to deliver the best possible services within current budget constraints.

Our Corporate Plan sets out our vision for the Council and its work over the period 2020 to 2027, a copy of which can be found [here](#). It reflects the essential needs and aspirations of our customers and communities and how we feel the Council can best use its resources to deliver services and outcomes that make a positive difference for everyone who lives in, works in or visits Rother. The Corporate Plan is a strategic document and details the Council's vision for the next seven years, putting residents at the heart of all we do, and providing the framework and context for the Council's service provision, project interventions and resource allocation (financial and staffing). The Plan identifies six key themes as follows:

- Increasing the supply of affordable homes across the district.
- Prosperity and economic development.
- Delivering more effective services.
- Empowering our people and strengthening our processes and resources.
- Protecting the natural environment and tackling climate change.
- Financial sustainability.

As a Local Authority, we are entrusted with public funds and aim to spend these wisely to improve outcomes in our district. Our Local Code of Corporate Governance is the framework of policies, procedures, behaviours and values which determine how we work to achieve our priorities, and is based upon the seven core principles of the International Framework: Good Governance in the Public Sector which are as follows:

- Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.

- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entities capacity, including the capacity of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Good governance supports the Council through:

- Enabling the Council to achieve its objectives in an open and accountable way.
- Ensuring decisions are sound and lawful, upholding the Council's reputation and minimising the risk of financial loss.
- Ensuring decisions take into account local people's needs and priorities.
- Giving the public confidence in the work we do.
- Each year, the Council reviews its governance arrangements through the Annual Governance Statement, ensuring these arrangements are adequate and operating effectively. Where reviews identify any gaps in corporate governance, or areas for improvement, recommendations for improvements are made.

Rother District Council – Local Code of Corporate Governance (the Local Code)

Principle	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	Ensuring openness and comprehensive stakeholder engagement.	Defining outcomes in terms of sustainable economic, social and environmental benefits.	Determining the interventions necessary to optimise the achievement of intended outcomes.	Developing the entity's capacity, including the capability of its leadership and the individuals within it.	Managing risks and performance through robust internal control and strong public financial management.	Implementing good practices in transparency, reporting and audit, to deliver effective accountability.
What we aim to achieve	We are accountable for the money entrusted to us. We can show decisions we take are appropriate and there are strong processes in place to encourage and enforce compliance with the Council's values and the law.	Local Government is accountable to its public. We use clear channels of communication to engage with our residents and stakeholders, understanding their needs. We manage expectations and model Service delivery to respond to demand.	We form clear, long term priorities in line with our long term ambitions. We balance the competing demands and priorities we face and allocate resources accordingly.	We have robust decision making processes to ensure defined outcomes can be achieved given the varying demands we face. We monitor our performance and delivery on an ongoing basis to ensure intended outcomes are achieved.	We work to develop our talent to maximize the potential of the resources we hold. We remain at the forefront of national developments to support our commitment to retaining viability.	We have robust management information procedures to ensure that outcomes are accurately reported and monitored. We welcome challenge to the way we operate, and actively learn in order to improve the way we deliver.	We pro-actively make information available to give Stakeholders confidence in our decision making. We have strong systems of oversight, including audit and scrutiny, to maintain accountability for our delivery.
The key tools we use to support our compliance	<p>Codes of Conduct Constitution Financial Procedure Rules</p> <p>Procurement Procedure Rules Procurement Strategy Staff/Member induction/training</p> <p>Complaints System and Procedure Appraisal and development systems</p> <p>Anti-Fraud and Corruption Strategy Fraud Response Plan Anti-Bribery Policy Anti-Money Laundering Policy Whistleblowing Policy Register of Interests/Gifts</p>	<p>Publication of minutes and decision notices Complaints System and Procedure Consultation Exercises Quarterly performance reports FOI scheme Council website Corporate Plan Committee timetables Constitution Performance Management Framework Statutory provisions Member Bulletin Staff updates Intranet Customer Charter</p>	<p>Corporate Plan Annual Service Planning Budget and Capital Programme Medium Term Financial Strategy Risk Management Policy & Framework/Business Continuity Plans Programme Management approaches Equality Assessments Equality Objectives Monitoring of Key Performance Indicators (KPIs) Committee reports Housing Policy Environment Strategy Local Plan</p>	<p>Committee work Programmes/ timetables Consultation exercises Risk Assessments/ Framework Procurement Strategy Medium Term Financial Strategy Monitoring of Key Performance Indicators (KPIs) Budget framework Committee reports Annual Governance Statement</p>	<p>Service Reviews Scheme of Delegation Monitoring of Key Performance Indicators (KPIs) Peer Reviews Appraisal and development systems Flexible Working Policy Absence Management Policy Employee Code of Conduct Diversity & Equality Policy Job descriptions Benchmarking exercises New staff induction checklist</p>	<p>Risk Management Framework/Business Continuity Plans Service Plans Overview & Scrutiny Audit & Standards Committee Internal/external audit Budget Management procedures Treasury Management Strategy Investment Strategy Capital Strategy Debt Management Policy Health and Safety Policies Monitoring of Key Performance Indicators (KPIs) Data Protection Officer Privacy Policy Data Risk Assessments Corporate Risk Register Service Risk Registers</p>	<p>Internal/external audit External inspection of internal audit Corporate Governance Frameworks Customer Service Standards Annual Governance Statement Pay Policy Statement Transparency agenda Council website Financial Statements Overview & Scrutiny Committee Quarterly performance reports Local Code of Corporate Governance Audit protocols Medium Term Financial Strategy</p>

Principles of Good Governance

Behaviours and actions that can demonstrate this

How we put this in practice

Source Documents

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

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.

The Council has approved Codes of Conduct which are included within induction packs supported by a sign off procedure. All officers are part of the Council's Monitoring of Key Performance Indicators (KPIs) and expected to perform in line with designated competencies appropriate to their role and job description. The authority's leadership style is underpinned by the Constitution, Policies, Protocols and Codes of Conduct. The Council has introduced and encourages public speaking at Planning Committees, and this is supported through provision of committee reports and decisions on our website, where we actively manage content to ensure easy access to information.

Constitution, Articles in Members Bulletin, Head of Paid Service update emails, Managers Forum, Corporate briefings held during the year to update staff about key issues and items, Appraisal and Development Scheme, Member/Officer Codes of Conduct, Member/Officer Protocol, Whistleblowing policy, Anti-Fraud and Corruption Strategy Fraud Response Plan Anti-Bribery and Anti-Money Laundering Policies, Freedom of Information (statement and publication scheme), Planning Protocol, Audit and Standards Committee, Officer Register of Gifts and Hospitality, Member / Officer Registers of Interests, Annual Governance Statement, Local Code of Corporate Governance.

	<p>Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</p>	<p>The Corporate Plan sets out our clear vision for the district, and our ambition. This is further supported by Council's Monitoring of Key Performance Indicators (KPIs). At the start of April 2023, the Audit and Standards Committee undertook a self-assessment to help identify future improvements. One area highlighted was the need for an Annual Report to Full Council to be produced to update on the Committee's work each year. ACTION</p>	<p>Corporate Plan, Monitoring of Key Performance Indicators (KPIs), Councillor Code of Conduct Member/Officer Codes of Conduct, Member/Officer Protocol, Whistleblowing Policy, Anti-Fraud and Corruption Strategy Fraud Response Plan Anti-Bribery and Anti-Money Laundering Policies, Member / Officer Register of Gifts and Hospitality, Monitoring of Key Performance Indicators (KPIs), Complaints procedure Corporate Plan,</p>
	<p>Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</p>	<p>Our decision-making processes are embedded into the Council's Constitution, which is periodically reviewed and endorsed by Councillors. Members are required to make any 'Declarations of Interest' where appropriate. The Council's values are currently being reviewed and will be updated as part of the review and updating of the Corporate Plan following the elections in May 2023 to remind staff of the values and behaviours we expect from staff.</p>	<p>Constitution, Member/Officer Codes of Conduct, Whistleblowing policy, Anti-Fraud and Corruption Strategy Fraud Response Plan Anti-Bribery and Anti-Money Laundering Policies, Planning Protocol, Member/Officer Register of Gifts and Hospitality, Member/Officer Registers of Interests, Financial Procedure Rules, Procurement Procedure Rules, Diversity and Equality guidance, Member / Officer Induction and Training Audit and Standards Committee terms of reference.</p>

	<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<p>The Council has a number of documents which reinforce its commitment to best practice, including its Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money Laundering Policies, Registers of Interests and Gifts and Hospitality and Complaints policies. These are all subject to periodic review. New staff are required to review the Council's key policies as part of the induction process and to sign to confirm this has been completed.</p>	<p>Member/Officer Codes of Conduct, Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Money Laundering Policies, Planning Protocol, Member / Officer Register of Gifts and Hospitality, Member / Officer Registers of Interests, Financial Procedure Rules, Procurement Procedure Rules, Equalities guidance, Member / Officer Induction and Training, Audit and Standards Committee terms of reference, Constitution.</p>
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	<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p>	<p>The Nolan principles are embedded into the Codes of Conduct. Internal Audit provides assurance that policies built on ethical standards are being complied with. On-going monitoring of the application and effectiveness of the local standard regime is undertaken. From 2023 the Audit and Standards Committee will report to Council annually on ethical standards matters. A report is scheduled for the June meeting from the Monitoring Officer for onward submission to Council.</p>	<p>Staff and Member Briefings, Corporate Plan, Internal & External Audit Reports</p>
	<p>Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p>	<p>New Members and staff are provided inductions, which emphasises areas such as Codes of Conduct and appropriate behaviours. Ongoing training is then provided, for example through Member training sessions.</p>	<p>Internal Audit Reports, Appraisal system, Constitution, Staff & Member training and development</p>

	<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p>	<p>In addition to policies identified above, the Constitution includes specific rules and procedures with respect to procurement; financial governance, and Members sitting in a regulatory capacity. These are reviewed and updated on a regular basis.</p>	<p>Constitution, Member/Officer Codes of Conduct, Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money Laundering Policies, Procurement Strategy.</p>
	<p>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</p>	<p>As part of Council procurement exercises, service providers are required to provide statements confirming compliance with ethical standards and, for example, anti-money laundering statements. The Procurement Strategy also supports this.</p>	<p>Council's Website, Constitution, Anti-money Laundering Policy, Procurement Strategy, Individual Partnership / Service Level Agreements.</p>
	<p>Ensuring Members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations.</p>	<p>The Constitution is regularly updated to include new specific laws and regulations. Staff are required to hold relevant professional qualifications and comply with the law and codes of conduct. The Council has an appointed Monitoring Officer responsible for the maintenance of the Constitution and for guiding Members on the information contained therein. The Council has appropriate legal advice both on the specific requirements of legislation and the general responsibilities placed on local authorities by public law. Induction training for new staff includes review of the Council's policies, which include provisions from legislation.</p>	<p>Constitution, Committee Report Template requiring input from Monitoring Officer and S151 Officer (information quality for decision taking) / positive sign off, Legal advice to Licensing and Planning Committees, Statutory Provisions, Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money Laundering Policies, Data Policy, GDPR guidance and training, IT Policy.</p>

	<p>Creating the conditions to ensure that the statutory officers, other key post holders and Members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p>	<p>Staff are provided with key legal changes where relevant in addition to the Council holding a number of subscriptions to services to ensure staff are provided with appropriate professional support. Members making regulatory decisions are provided with training ensure they are sufficiently aware of the legal requirements of their role. Licensing and Planning Committee Members must undertake mandatory training before they are allowed to make decisions.</p> <p>Areas for focus are highlighted as part of the appraisal process and provided as part of the corporate training plan.</p>	<p>Constitution, Monitoring Officer Provisions / Protocol, Report Template requiring input from Monitoring Officer and S151 Officer (information quality for decision taking) / positive sign off, Availability of legal advice to Licensing and Planning Committees.</p> <p>Appraisal framework</p> <p>Job descriptions, Committee Terms of Reference.</p>
	<p>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p>	<p>There are clear, defined decision-making processes within the Council to ensure that all appropriate options are considered prior to any decisions being made.</p>	<p>Monitoring Officer Provisions / Protocol, Report Template, Financial and Procurement Procedure rules, Complaints Procedures, Investigations, Records of Delegated Authority decisions, Planning protocol.</p>
	<p>Dealing with breaches of legal and regulatory provisions effectively.</p>	<p>The Monitoring Officer and Section 151 Officer are informed of all key decisions to be made and any such occurrences are reported as required.</p>	<p>Monitoring Officer Provisions / Protocol, Records of Delegated Authority decisions, Constitution, Standing Orders.</p>
	<p>Ensuring corruption and misuse of power are dealt with effectively.</p>	<p>The Council has a well-established Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money</p>	<p>Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money Laundering Policies,</p>

		<p>Laundering Policies, Whistleblowing Policy, access to which is available on the Intranet.</p>	<p>Whistleblowing Policy, Constitution.</p>
<p>Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p>	<p>The Council has a clear vision, demonstrated through its Corporate Plan. The website provides a large amount of information to the public, including a section dedicated to the requirements of the Transparency Code. The Council has an FOI policy in place.</p> <p>All committee reports are prepared using pre-agreed templates. If a Cabinet meeting must consider anything under Part 2 (private) business the press/public will be excluded for that item but the reasons for this need to be justified in line with legislation and is often based on commercial sensitivity. The intention to hold a Cabinet meeting in private also has to be advertised in accordance with regulations and the public given notice to object.</p>	<p>Constitution, Monitoring of Key Performance Indicators (KPIs), Customer Satisfaction Surveys, Councillor Call to Action, Council Tax online information, Council's Website including consultations page, FOI policy.</p> <p>Meeting minutes, Statutory Provisions, Council's Website, Forums and Partnerships, Direct communication with Parish & Town Councils</p>

Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.

The committee schedule is prepared in advance of the year and is then subject to negotiation with key officers to ensure timely decisions can be made. All committee reports are subject to pre-approval procedures, including pre-meetings with key Members and consultation with portfolio holders to ensure relevant matters have been taken into account. Reports are based on agreed templates and must record key considerations and decisions. The Council livestreams all formal meetings now to aid transparency. The recordings are kept on the website for 6 months before being archived to YouTube. The Council website has a section called "Ask the Leader!" where the Leader of the Council will answer question posted online. The Council also has a public question time scheme which allows the public to put questions to the appropriate Member of Cabinet or Committee Chair at Full Council meetings. Anyone who works or lives in the Rother District can submit one written question to Full Council attended by all the elected Councillors. Ombudsman complaints are reported and monitored regularly by the Audit and Standards Committee.

Committee timetable,
Council's Website,
Constitution,
Report template,
Meeting minutes,
Input from Monitoring Officer/S151
Officer.

	<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.</p>	<p>The Council adapts its consultation procedures according to the relevant decision being made with the public on planning decisions. Decisions are considered on a case-by-case basis and in line with legal requirements.</p>	<p>Planning protocols, Legal requirements, Consultation section on website, Direct communication with Parish & Town Councils, Local Development Framework.</p>
	<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>	<p>Engagement practices are adapted to the environment rather than operating to a pre-defined strategy. Where appropriate, particularly where major change occurs that is likely to have a significant impact on the public, communication plans are developed to tailor engagement and to plan for responding to particular circumstances. While the Council has a communications Forward Plan in place it does not have an overarching Communications Strategy to support our engagement initiatives. ACTION</p>	<p>Communications Forward Plan 2023, Consultation workshops, Local Development Framework consultation, Council's website.</p>
	<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p>	<p>This is an inherent part of the Council's operation. Partnerships are developed to support service delivery and link to activities within the Corporate Plan and Service Plans. Partnerships are subject to periodic review to ensure they remain effective and deliver Council outcomes. There is no formal Partnership Framework or guidance in place for officers to support this process or to help assess the benefits of partnerships so consideration should be given to developing one. ACTION</p>	<p>Committee reports.</p>

	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none">• trust• a shared commitment to change• a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit.</p>	<p>Partnerships include a Service Level Agreement (SLA) where appropriate. Each Partnership will normally have a defined agreement (SLA etc), which will detail the nature of the working relationship and how it operates, including any governance arrangements. Managers are accountable for ensuring the successful operation and monitoring of partnerships. There are no SLAs in place for the Procurement Hub, Legal Services or Environmental Services so these should be progressed and finalised as soon as practicable. ACTION</p>	<p>Service Plans Self-Assessment Assurance Statements.</p>
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	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p>	<p>The Council has a clear Communications Forward Plan 2023 that is communicated and discussed every month with the Corporate Management Team (CMT) and this includes consultation events.</p>	<p>Communications Forward Plan 2023, Website - consultations page.</p>
	<p>Ensuring that communication methods are effective and that Members and officers are clear about their roles with regard to community engagement.</p>	<p>Communications come through various forms. Communication Plans are developed for more significant changes that will have an impact on the public. Members receive a monthly bulletin informing them of key events ongoing in the Council of which they need to be aware. Key messages to staff are delivered through All Staff Briefings, a monthly update from the Head of Paid Service and other information placed on the intranet.</p>	<p>Communications Forward Plan 2023, Members Bulletin, Staff updates, Website, Head of Paid Service briefings Intranet.</p>
	<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<p>As above, engagement comes through a variety of forms and is covered by the Council's Communications Forward Plan 2023. Specific decisions will be subject to consultation – for example, the Local Plan Process has various forms of communication and engagement to ensure the public and wider stakeholders are fully consulted.</p>	<p>Communications Forward Plan 2023, Planning Local Plan Review process/protocols, Website consultations page.</p>

<p>Implementing effective feedback mechanisms in order to demonstrate their views have been taken into account.</p>	<p>The Council welcomes customers to raise concerns any aspect of service provision. complaints are recorded on a corporate database. The outcomes from consultation activities are published on the Council website. There are no procedures in place to capture and share positive feedback and compliments and this should be considered alongside the complaints process. The Council does not have a Customer and Digital Strategy so this should be developed to further support the Council's overall governance and transparency arrangements. and to help direct and prioritise our resources to digitally enable Council services. ACTION</p>	<p>Communications Forward Plan 2023, Customer Complaints process how Website consultation pages.</p>
<p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p>	<p>This seeks to primarily address how the council can deal with competing demands in a community. The primary competing demand for the Council is the decreasing level of resources versus demands and expectations from customers for a high level of service.</p>	<p>Communications Forward Plan 2023. Diversity & Equality guidance. Equality Impact Assessments (EQIA's).</p>

	<p>Taking account of the interests of future generations of tax payers and service users.</p>	<p>This is considered on a case-by-case basis and balancing the various needs within the Council.</p>	<p>Committee reports, Budget setting process, Equality Impact Assessments (EQIA's).</p>
<p><i>Defining outcomes in terms of sustainable economic, social, and environmental benefits</i> The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</p>	<p>The Council's Corporate Plan clearly identifies the organisation's vision and purpose. It also identifies specific objectives and is reported upon regularly throughout the year as part of the Council's Monitoring of Key Performance Indicators (KPIs). The Service Planning process is directly linked to the Corporate Plan and sets out specific activities to achieve outcomes in the Plan. Each activity is linked to defined Corporate Plan objectives which then cascades into individual performance and Service Plan objectives.</p>	<p>Corporate Plan, Service Plans, Performance and Risk monitoring, Appraisal framework.</p>

	<p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</p>	<p>The Corporate Plan, quarterly Performance reports and Service Plans identify specified performance measures to evaluate how the organisation will deliver its priorities and benefit its local environment and this is reported on regularly throughout the year.</p>	<p>Corporate Plan, Delivery Plan, Service Plans, Performance and Risk monitoring, quarterly performance reports</p>
	<p>Delivering defined outcomes on a sustainable basis within the resources that will be available.</p>	<p>The Service Plans feed into the budget setting process which identifies the level of cost and resources required to deliver the activity. There are frequent updates to committees in terms of budget monitoring and also performance against the targets and objectives contained within the Corporate Plan to demonstrate how the Council is delivering against its objectives.</p>	<p>Corporate Plan, Delivery Plan, Service Plans, Performance and Risk monitoring, Budget monitoring protocols and reports, Committee reports, Medium Term Financial Strategy.</p>

<p>Identifying and managing risks to the achievement of outcomes.</p>	<p>The Council has an agreed Risk Management Framework, and has embedded reporting of risk to Audit and Standards Committee and the Senior Leadership Team (SLT)</p> <p>alongside its performance and financial reporting to ensure these are reviewed on an ongoing basis. Individual Service Plans and key decisions are subject to risk assessment at the time to ensure that issues have been raised and mitigation plans developed.</p>	<p>Risk Management Framework, SLT/CMT/ Committee reports and minutes, Performance and risk monitoring, Risk registers for major projects</p>
<p>Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.</p>	<p>The Corporate Plan and Service Plans define established performance measures to monitor how services are provided and the outcomes achieved. Service Planning helps to determine how resources should be allocated to defined activities, as well as the core 'business as usual' service delivery. The Communications Forward Plan 2023 help to set expectations to service users on their potential user experience.</p>	<p>Corporate Plan, Delivery Plan, Service Plans, Performance and Risk monitoring, Communications Forward Plan 2023, Budget process, Medium Term Financial Strategy.</p>

	<p>Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</p>	<p>The Council takes into account a wide range of factors when considering the impact of policies and plans when making decisions about service delivery. For example, the Council's standard report template requires managers to complete an assessment which considers the wider implications of any policy or plan, such as environmental considerations.</p>	<p>Medium Term Financial Strategy, Budget framework, Capital Strategy, Diversity and Equality guidance, Committee report templates.</p>
	<p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</p>	<p>All decision making should be linked to the Council's longer-term Corporate Plan and Medium Term Financial Strategy. The Service Planning process helps to support this in that all activities should be identified in the Service Plan and any additional activities would have to be subject to appropriate consideration, taking into account the ability to deliver already identified priorities. This can be evidenced through decisions taken at Cabinet.</p>	<p>Corporate Plan, Medium Term Financial Strategy, Budget setting process, Annual Outturn report, Service Plans, Committee reports.</p>
	<p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</p>	<p>Decisions made have to necessarily balance the public interest and achievement of outcomes, as can be evidenced through various committee reports.</p>	<p>Corporate Plan, Communications Forward Plan 2023, Committee reports and minutes, Annual Governance Statement.</p>

	<p>Ensuring fair access to services.</p>	<p>The Council evaluates equality impacts as appropriate within its decision making, ensuring due regard is given to enabling groups to access services.</p>	<p>Diversity and Equality guidance, Equality Impact Assessments (EQIA's), Statutory guidance.</p>
<p><i>Determining the interventions necessary to optimise the achievement of the intended outcomes</i> Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.</p>	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided.</p>	<p>This can be evidenced through papers presented to Cabinet and to the Council's Overview & Scrutiny Committee which helps to ensure this is put into practice by engaging with Members at the earliest possible stage in the development of plans and strategies, enabling their input into the potential options and ensuring these have been considered before key decisions are made.</p>	<p>Committee reports and minutes, report template.</p>
	<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</p>	<p>This is covered within the Council's Communications Forward Plan 2023 and can be further evidenced through the consultation processes involved with the update of the Local Plan. The Council's Medium Term Financial Strategy also enables the Council to prioritise competing demands with limited resources.</p>	<p>Communications Forward Plan 2023, Medium Term Financial Strategy, Local Plan protocols, Council website consultations page.</p>

<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</p>	<p>The annual committee programme is developed in advance of the calendar year. Pre-committee meetings discuss forthcoming reports with key officers and Members to ensure these are programmed, with each committee having its own specified work programme. There are clear programmes in place for the business planning and financial planning cycle, which are complementary to each other.</p>	<p>Committee timetables and work plans, Committee reports, Budget setting framework, Corporate Plan process, Service Plan process.</p>
<p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</p>	<p>This is a necessary part of our planning and can be evidenced through the ongoing work on the development of the new Local Plan.</p>	<p>Communications Forward Plan 2023, Council website consultations page, Local Plan protocols.</p>
<p>Considering monitoring risks facing each partner when working collaboratively including shared risks.</p>	<p>This is a necessary part of planning for partnership working. Each partnership has associated protocols or agreements (SLA's) to outline how it will operate, which would be subject to agreement with each partner to ensure their risks and challenges have been taken into account.</p>	<p>Various SLAs Risk Management Framework.</p>

	<p>Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to monitoring, changing circumstances.</p>	<p>Change procedures, poor performance and termination is embedded into agreements and contracts to ensure that the Council is not locked into arrangements which are not effective. Performance targets for individuals and partnerships are reviewed regularly and incorporated within Service Plans.</p>	<p>Performance and Risk contract key performance indicators (KPIs).</p>
	<p>Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.</p>	<p>This is firmly embedded into the Service Planning process each year, and then as part of quarterly reporting, key performance indicators are subject to review to ensure to introduce new / amendments to the indicators, and ensure they remain SMART.</p>	<p>Delivery Plan, Service Plans, Quarterly performance reports.</p>
	<p>Ensuring capacity exists to generate the information required to review service quality regularly.</p>	<p>The Council has a Corporate Policy & Projects Manager who works with officers and Members to monitor and track performance cascading down from the Corporate Plan, and into the Service Plans. There are quarterly performance reports to Committee to monitor performance, highlighting any corrective action that might be required where appropriate.</p>	<p>Corporate Plan, Service Plans, Quarterly and monthly reports. Performance and Risk monitoring, Continuous reporting to the public on the Council website.</p>
	<p>Preparing budgets in accordance with organisational objectives, strategies and the Medium Term Financial Strategy.</p>	<p>The Budget and Team Planning process is fully integrated, with priorities cascading down from the Corporate Plan and into Service Plans. Managers develop their budgets and resource requirements with the finance team to ensure these objectives are deliverable.</p>	<p>Corporate Plan, Service Plans, Budget setting process Committee reports, Medium Term Financial Strategy.</p>

	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.	The Service Planning and budget cycles are fully integrated and informed by the production of the Medium Term Financial Strategy, which sets out how the Council will address the future funding challenges.	Corporate Plan, Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.	The Medium Term Financial Strategy is updated ahead of the Service Planning and budget setting process to ensure it remains deliverable. Budgets and Service Plans are then based on this work to take account of any potential issues as required.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.	As above, the budget and Service Planning process comprehensively links service demands and activities to the projected cost of service delivery.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	This is covered within the Council's Medium Term Financial Strategy which considers issues ongoing service delivery costs and issues in the context of the ever changing external environment to ensure resources are optimised and that efficiency plans are developed where appropriate.	Service Plans, Budget setting process, Committee reports, Medium Term Financial Strategy.
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".	The Council has committed, through its Procurement Strategy to supporting social value. There is also a dedicated portfolio holder assigned to this area.	Procurement Strategy, Community Asset Transfer Policy, Diversity and Equality guidance.

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

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.

All changes in staffing are subject to robust procedures to ensure that resources are right for the relevant service.
 The Council has a number of other policy and supporting documents including: the Property Investment Strategy and Assets of Community Value procedure and guidance. All of these policies and guidance documents combine to help ensure that property assets are effectively utilised while supporting the Council's developing financial sustainability and growth agenda which is a key theme within the Council's Corporate Plan.
The Council should develop an up-to-date Asset Management Plan to further support decision making around assets. ACTION.

Property Investment Strategy, Assets of Community Value procedure and guidance, Corporate Plan.

<p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.</p>	<p>The Council participates in peer reviews to support further improvements.</p>	<p>LGA Peer review, Overview and Scrutiny Improvement review.</p>
<p>Recognising the benefits of partnerships and collaborative working where added value can be Achieved.</p>	<p>Partnership agreements are subject to a robust review to ensure they deliver against Council priorities. Services are required to identify within business planning processes the financial resources required to deliver through partnership means as opposed to internal service delivery.</p>	<p>Service Plans, Budget protocols.</p>
<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</p>	<p>There are numerous Organisational Development plans, strategies and policies in place to help support the Council's staff such as the Flexible Working Policy, which supports staff to work in a more agile way. The Appraisal process is fully integrated into the Council's planning processes. The Council does not however have an overarching Workforce Plan and this is an issue which has been raised by the external auditors so consideration should be given as to how best to deliver one. ACTION</p>	<p>Appraisal and Development scheme, Flexible Working Policy, Employee Code of Conduct.</p>

	<p>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</p>	<p>The Corporate Plan has been agreed and adopted.</p> <p>The Chief Executive has regular meetings with the Leader, along with meetings every other week with the local MPs.</p> <p>The Member and Officer Protocol was re-written in 2022 as part of the update of the Constitution and is now far more comprehensive.</p>	<p>Job descriptions, Member and Officer protocols,</p> <p>Member training,</p> <p>Corporate Plan.</p>
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	<p>Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</p>	<p>The Council has a Scheme of Delegation which is periodically reviewed to ensure it remains current. Constitution, Financial and Procurement Procedure Rules are also periodically reviewed. This process is undertaken by the Constitution Review Steering Group.</p> <p>While the Council does have in place a Scheme of Delegation this needs urgent review and updating following the implementation of the new officer structure. ACTION</p>	<p>Constitution, Constitution Review Steering Group.</p>
	<p>Ensuring the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.</p>	<p>As outlined above, the relationship between the Chief Executive and Leader are clear as regards their respective roles and responsibilities are clearly defined.</p>	<p>Job descriptions, Member and Officer Protocols.</p>

	<p>Developing the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <p>ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</p> <p>ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</p> <p>ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</p>	<p>A robust performance programme is in place to encourage open and honest communication with staff, enable effective performance management discussions and identify future development needs. This is fully supported by the Appraisal Framework process which is fully embedded within the Council's processes. Training requirements flowing from the appraisal process feed into the corporate training needs assessment undertaken by the Human Resources (HR) team. An extensive Member Training and Development function is in place, led by the Member Development Task Group. Members are provided with an extensive induction programme following the all-out elections every 4 years and role specific training. All Councillors are required to complete a Training Needs Analysis to identify training needs. Ongoing training is held on a knowledge and competency basis, enabling Members to develop their skills at all levels. An annual Member training programme is produced to support their development.</p>	<p>Appraisal framework, Corporate Training programme, Service specific training requirements, Training update courses/briefings, Staff/Member induction protocols, Briefings for Members. Member Development Task Group – reports and minutes (meetings 3 times per year)</p>
	<p>Ensuring that there are structures in place to encourage public participation.</p>	<p>The Council welcomes members of the public to engage in decision making, with meetings being held in public where possible and consultations undertaken on relevant decisions.</p>	<p>Committee minutes, Website consultations pages, E democracy channels.</p>

<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p>	<p>The Council periodically has peer reviews to assess effectiveness and improvement opportunities.</p> <p>An annual staff survey is conducted by HR which includes feedback on leadership.</p> <p>Feedback is welcomed and considered to ensure that it can be implemented.</p>	<p>LGA Peer review, Staff survey, Appraisal framework, O&S improvement review.</p>
<p>Holding staff to account through regular performance reviews which take account of training or development needs.</p>	<p>The Council has a clearly defined performance management framework and appraisal system.</p> <p>Objectives and training needs are discussed and established for staff at all levels.</p>	<p>Appraisal framework.</p>
<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>	<p>The Council places strong emphasis on employee health and wellbeing.</p> <p>There is a section dedicated to both mental health and wellbeing on the Council's intranet which staff and Members can access.</p>	<p>Employee Assistance Programme available to staff and Members, various Organisational Development policies and strategies, Intranet.</p>

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

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.

The Council has an agreed Risk Management Framework and risk is managed by the Corporate Management Team (CMT) along with the Audit & Standards Committee. The Committee report templates which must be used for all Committee reports include a specific section on risk and staff and managers are encouraged to raise risks, and how these should be managed / mitigated as part of key decision making processes. At an operational level, staff are encouraged to take personal accountability for risks. Risk reviews are held in each service annually as part of the Service Planning process with significant risks assessed for inclusion in the Corporate Risk Register. While the Council has a Business Continuity Framework, Business Continuity Plans are not in place for all key service areas. A corporate review of Business Continuity should be undertaken, with all plans updated as required during 2023/24. **ACTION** The Council has established its risk appetite following a survey of CMT and Members.

Audit & Standards reports/minutes, Committee report template, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, SLT/CMT reports/ minutes Performance and Risk monitoring.

<p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</p>	<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</p>	<p>The Risk Management Framework has been agreed through the relevant decision-making processes and is subject to regular review and updating. On a six-monthly basis, key risks are formally evaluated and monitored by the Audit and Standards Committee, having first been reviewed by CMT. However, services are expected to maintain a watching brief on all operational level risks on a daily basis. In addition, Risk reviews are held in each service as part of the Service Planning process, with significant risks assessed for inclusion in the Corporate Risk Register. Health and Safety risks are also monitored as part of this process.</p>	<p>Audit & Standards Committee reports/minutes, Health and Safety Policy, Risk assessments, Business Continuity Framework, Business Continuity Plans, SLT/CMT reports/ minutes Corporate Risk Register, Performance and Risk monitoring, Service Planning risk template, Risk registers for major projects.</p>
<p>It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<p>Each risk within the Corporate Risk Register has been formally allocated to individual responsible owners. Service risks are owned by the relevant service manager. Major project risks are managed by the relevant project manager.</p>	<p>Corporate Risk Register, Service Risk Registers, Performance and Risk monitoring, Risk registers for major projects.</p>

Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

The Corporate Plan and Service Planning process identifies and drives performance measures for services, and these are also informed through discussion with Overview and Scrutiny Committee. Services are subject to periodic review to ensure delivery remains efficient and effective. The Corporate Programme Board considers and monitors key corporate projects in terms of key project aims, targets/benefits, milestones, progress, risks, financial position etc. There is however a need to introduce a more robust Performance Management Framework, particularly in relation to key corporate projects in terms of assessing and establishing them, gateway reviews, ongoing monitoring and governance and undertaking a formal review at the end of projects to consider 'lessons learnt' that can be fed back into future projects. **ACTION**

Corporate Plan, Quarterly performance reports to Overview & Scrutiny, Service Plans, Project Management Framework, Performance and Risk monitoring.

	<p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.</p>	<p>Six-monthly reporting of risks at a strategic level highlights core risk factors that may influence the Council's ability to deliver objectives over the longer term. Significant decisions are subject to robust challenge and clear processes to ensure that all relevant factors have been considered.</p>	<p>SLT, Audit & Standards Committee reports/minutes, Committee report template, Budget planning process, Performance and Risk monitoring.</p>
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.</p>	<p>The Council's Overview and Scrutiny Committee operates to scrutinise, challenge and debate policies and objectives. The Committee also has its own work programme and will often review previous initiatives to ensure that decisions have been implemented as intended and clear benefits have resulted.</p>	<p>Overview and Scrutiny Committee reports and minutes, Overview and Scrutiny Committee terms of reference, Member training.</p>
	<p>Providing Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</p>	<p>Quarterly reports are presented to Cabinet containing updates on finance, performance and risks for the Council's agreed plans.</p>	<p>Cabinet reports and minutes, Committee timetable.</p>
	<p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<p>The quarterly budget reports evaluate budgetary positions, seeking approval to significant variances and highlighting major changes to agreed programmes. The final quarter reports then seek to align to financial reporting with the outturn position.</p>	<p>Budget reports, Outturn report, Financial Statements, Financial Procedure Rules.</p>

<p>Aligning the risk management strategy and policies on internal control with achieving the objectives</p>	<p>The Risk Management Framework seeks to establish how organisational risk is managed. Risks form the basis of internal control evaluation through the annual audit programme and will be subject to ongoing evaluation through each programmed internal audit.</p>	<p>Risk Management Framework, Internal Audit Plan, Audit reports, External review of effectiveness by external audit Annual Governance Statement, Internal Audit Annual Report and Opinion, Local Code of Corporate Governance.</p>
<p>Evaluating and monitoring the authority's risk management and internal control on a regular basis.</p>	<p>Corporate Risks are subject to six-monthly reviews, and the Risk Management framework is periodically reviewed to ensure it remains current. The internal audit programme is subject to an annual review and formal review, with planning over the longer term, balancing the Council's priorities and risks. The Audit & Standards Committee undertake annual self-assessments of their performance, regular updates on progress towards the audit plan and implementation of recommendations are provided to the Committee on a quarterly basis along with an Annual Report and Opinion. The internal audit team is also subject to five-yearly external quality assessments.</p>	<p>Audit & Standards Committee Review of Internal Audit (self-assessment), Risk Management Framework, Internal Audit Plan, Audit reports, External review of effectiveness, Audit Manager annual audit opinion Annual Governance Statement, Internal Audit Annual Report and Opinion, Local Code of Corporate Governance.</p>
<p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p>	<p>The Council takes part in national initiatives to reduce the potential for fraud and to identify fraud that may have occurred.</p>	<p>Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Bribery and Anti-Money Laundering Policies, Whistleblowing Policy, National Fraud Initiative.</p>

	<p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p>	<p>The internal audit team has five-yearly external quality assessments to ensure it is delivering in accordance with best practice. Internal Audit plans are developed, and the Internal Audit Service is resourced according to these plans.</p>	<p>External review of effectiveness, Annual Governance Statement, Internal Audit Annual Report and Opinion, Audit Manager annual audit opinion, Local Code of Corporate Governance.</p>
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon.</p>	<p>The Council has elected to develop the Audit & Standards Committee to have oversight of internal control and risk while taking responsibility for good governance practice. The Committee has strong oversight and is empowered to hold the organisation to account.</p>	<p>Audit & Standards Committee terms of reference, reports and minutes, Member training, Audit & Standards Committee self-assessment.</p>
	<p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p>	<p>The Council has a Data Policy and is also Public Sector Network Code of Connection Compliant (PSN), to ensure the most sensitive data it holds is held securely. This is further supported by the Council's suite of IT Policies which all staff and Members are required to read and then sign an Acceptable Use Policy. The Council has a Data Protection Officer (DPO) to ensure compliance with the General Data Protection Regulations (GDPR) requirements. Whilst it is not a statutory requirement, it is best practice to also have an officer designated as a Senior Information Risk Officer (SIRO) so consideration should be given as to the value such a role could play in strengthening the Council's information security arrangements. ACTION</p>	<p>IT Policies, PSN compliance, Internal audit. Privacy Policy and Privacy Notices on the Council website</p>

	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	Information sharing is subject to defined information sharing protocols.	Data Policy, IT Policies, PSN compliance.
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.	The Council does not have formal data validation programmes, however data validity and quality are evaluated through both internal and external audit assessment. While the Council has undertaken some service reviews and benchmarking, these aspects should be considered more corporately to provide additional management information in relation to decision making and performance. ACTION	Data Policy, Audit reports (internal and external).
Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.	This is embedded into the Medium Term Financial Strategy, which has been developed alongside the Service Plans and budget planning processes. Financial reporting is strongly linked to performance and risk reporting to ensure it correlates to service delivery.	Medium Term Financial Strategy, Service Plans, Budget monitoring reports and protocol.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.	Management accounts are produced on a monthly basis for service analysis, and to ensure budgets remain on track to those established within business planning. Significant variances are reported to key decision making. The main accounting systems are regularly reconciled to ensure the data contained therein is accurate and robust.	Budget monitoring reports and protocol.

<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> <p>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</p>	<p>Report templates have been designed to help highlight key information quickly and easily. Reports undertake review processes to ensure they remain succinct and effective in imparting their messages. All reports are available for the public to review from the Council directly or on the Council's website with contact details for key officers prominently placed.</p>	<p>Council website, Quarterly performance reports, Performance and Risk monitoring, Committee template, Committee reports.</p>
	<p>Reporting at least annually on performance, value for money and the stewardship of its resources.</p>	<p>The Council's statement of accounts includes a "narrative" report which outlines how the Council has delivered against its objectives and financial targets during the year. The report makes extensive use of charts and tables to aid users to quickly understanding the information. As part of the audit process the external auditor (Grant Thornton) is also required to give a view on Value for Money (VfM). The Annual Governance Statement provides a key oversight of the Council's governance arrangements and how these can be developed.</p>	<p>Statement of accounts, Annual Governance Statement, Quarterly Performance Reports, External audit annual VfM opinion, Continuous performance reporting to the public through the Council's website.</p>
	<p>Ensuring Members and senior management own the results.</p>	<p>On a quarterly basis, Cabinet receives performance and finance reports outlining how the Council has performed against corporate objectives. Significant areas of concern are highlighted with recommendations for corrective action where appropriate. All actions and targets in the Corporate Plan and Service Plans have an identified lead officer.</p>	<p>Performance reports/framework, Quarterly performance Report, Budget monitoring reports, Minutes highlighting appropriate approvals, Outturn report, Performance and Risk monitoring.</p>

	<p>Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).</p>	<p>The CIPFA Code of Corporate Governance principles have been assessed, and this will be subject to evaluation by both SLT and the Audit & Standards Committee. Necessary actions will then be reviewed and incorporated into the Annual Governance Framework as required.</p>	<p>Annual Governance Statement, Local Code of Corporate Governance, Audit & Standards Committee minutes, SLT reports/ minutes.</p>
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	<p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</p>	<p>The Council operates the following shared service arrangements:</p> <ul style="list-style-type: none"> • East Sussex Procurement Hub (Wealden/Hastings) • Legal Services (Wealden) • Environmental Health Services (Wealden) • Building Control (Wealden) • Unit 4 Business World (Hastings) <p>This framework is equally applied to those arrangements.</p>	<p>Annual Governance Statement, Local Code of Corporate Governance, SLAs (see above improvement action required).</p>
	<p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</p>	<p>The Council's financial statements are prepared in accordance with best practice to help support comparison with similar organisations. The target date for the Council's 2022/23 draft accounts to be available to the public online is 31 May 2023 as per the requirements of the national guidelines.</p>	<p>Statement of accounts, Outturn Report.</p>
	<p>Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>Ensuring an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.</p>	<p>Recommendations made by external and internal auditors are reported to the Audit & Standards Committee as part of the Statement of Accounts approval process. The Internal Audit Manager has access to report directly to the Committee with outcomes from their work and any key concerns they may have. SLT receives updates on outstanding recommendations every 6 months. There is a need to ensure that outstanding.</p>	<p>Statement of accounts, External audit opinion, GRAC reports/minutes, Internal Audit Opinion.</p>

		recommendations are cleared as soon as practically possible. ACTION	
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.	Peer challenge is undertaken periodically to evaluate how the Council is performing. Regulators will undertake periodic inspections and the outcomes of their reports escalated as appropriate.	LGA Peer Review, Regulatory Review.

	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.	The Annual Governance Statement includes a section on the “Review of Effectiveness” which includes consideration of governance arrangements for service delivery through third parties.	Annual Governance Statement, Rother Self-assessment Assurance Statement.
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.	Partnerships are subject to relevant agreements to ensure the nature of the partnership and reporting frameworks / objectives are clear. See ACTION above relating to establishing further guidance here and a Partnership Framework.	Communications Forward Plan 2023, Terms of Reference, Service Level Agreements (SLAs).

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Annual Governance Statement 2022/23

1. SCOPE OF RESPONSIBILITY

- 1.1. Rother District Council (RDC) 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, effectively and equitably. RDC 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.
- 1.2. In discharging this requirement, RDC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3. RDC has approved and adopted a Local Code of Corporate Governance, although this has been reviewed and updated for the 2022/23 financial year based on the '*Delivering Good Governance in Local Government: Framework*' (CIPFA/Solace, 2016) ('the Framework') which was introduced in 2016/17. A copy of the Council's Local Code can be accessed on our website. This statement demonstrates how RDC has complied with the Framework and supports the requirement of the Accounts and Audit (England) Regulations 2015 in relation to the approval (Part 2 regulation 6) and publication (Part 3 regulation 10) of an Annual Governance Statement (AGS). The statement is prepared in accordance with proper practices in relation to internal control and is reviewed annually or more frequently as required. In addition, RDC's framework for delivering good corporate governance is embedded within its Constitution, policies and procedures.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises 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 enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to appropriate, cost-effective service delivery.
- 2.2. 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, 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, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.3. The governance framework has been in place at RDC for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

3.1. The Council's governance framework is derived from the following core principles as per the CIPFA/SOLACE 2016 Framework which is based upon the 7 core principles of the International Framework for Corporate Governance in the Public Sector as follows:

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

B - Ensuring openness and comprehensive stakeholder engagement;

C - Defining 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 capacity, including the capability of its leadership and the individuals within it;

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

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

3.2. The Local Code of Corporate Governance highlights how good governance supports the Council and demonstrates what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes further to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, policies, procedures and frameworks that enable us to evidence compliance.

3.3. **Vision and Priorities** - Our Vision is '**To put residents at the heart of all we do**'.

To help us deliver this vision we have produced our [Corporate Plan 2020 - 2027](#) that reflects the priorities and high-level outcomes for the Rother area over a seven-year period.

3.4. **Quality of Services** - The Council monitors both performance and the delivery of objectives and key performance indicators (KPIs), with quarterly performance reviews being considered by Cabinet and the Overview and Scrutiny Committee. We publish information about our performance and carry out satisfaction surveys so that everyone can see the progress we are making.

3.5. **Constitution and Responsibilities** - A comprehensive document setting out the [Council's Constitution](#) exists which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the

council tax;

- Cabinet is allocated authority by Council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions;
- Cabinet follows a [Work Programme](#) which is updated on a monthly basis and provides details of forthcoming decisions for up to four months ahead;
- All executive decisions are recorded in a [Decision List](#), with formal minutes being available for public inspection;
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committee and its task and finish groups;
- The Scrutiny Committee has developed its own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. It can 'call-in' a decision which has been made by the Executive but not yet implemented;
- The Audit and Standards Committee is well established and is responsible for the review of the work of the Internal and External Audit functions and provides independent assurance of the effectiveness of governance arrangements, risk management and financial management processes. It also has the responsibility for the approval of the Statements of Accounts;
- Separate committees exist for Planning and Licensing;
- Delegation arrangements to committees, the Executive and officers are set out in detail within the Constitution; and
- Regular meetings take place between relevant senior officers and Members of the Council to discuss and propose policy.

The Constitution also includes sections on procedure rules, financial regulations and conduct of meetings. The Constitution is reviewed periodically with interim updates made as and when appropriate.

- 3.6. **Codes of Conduct** - The Council has various Codes of Conduct applying to both Members ([here](#)) and officers as well as a protocol for Councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby Members and officers work together to deliver the Council's vision and quality services to its residents. The Codes include reference to the need to declare any interests that may conflict with the individual's role at the Council and such registers for Councillors and officers are maintained by the Council.
- 3.7. **Complaints** - The Council has in place a [Whistle-blowing Policy](#) (which was revised during the year) as well as a [complaints procedure](#) that ensures that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are the cornerstone of the Council's management approach.
- 3.8. **Policies, Procedures, Laws and Regulations** - The Council's statutory officers are the Chief Executive (Head of Paid Service), the Monitoring Officer (Deputy Chief Executive) and the Section 151 Officer (Chief Finance Officer). They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources. There is also a requirement to ensure the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer (2010). Service Managers are responsible for ensuring legislation and policy relating to service delivery and health and safety are implemented in practice.
- 3.9. **Development and training needs** – RDC is a learning organisation, both in terms of Members and officers and continues to deliver a programme to develop the skills of its workforce. RDC is committed to investing in staff development and ensures that staff are valued and given the

opportunities to develop and achieve their full potential. Training and Development is at the core of the appraisal system and our most recent Staff Survey was conducted during December 2022 to listen and act on feedback. RDC continues to deliver a training and development programme to provide Members with the support and skills necessary to assist them in carrying out their duties as evidence through the Member induction programme following the recent May 2023 elections.

- 3.10. *Risk Management* – The Council's [Risk Management Framework](#) shows how the Council manages risk in an active way in terms of service delivery, reporting the Corporate Risk Register to the Audit and Standards Committee every 6 months. Lower-level operational risks are also monitored and considered through the Council's Service Planning process. The more significant capital schemes also have their own requirements in relation to risk and risk logs. The Council is in the process of reviewing Business Continuity Plans (BCPs) to ensure that they are consistent and regularly reviewed and updated to address key operational risks. Zurich are supporting this process and it is anticipated that developing a corporate BCP which is regularly updated will negate the need for all of the departmental BCPs All committee reports contain a mandatory risk section to ensure that Members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.
- 3.11. **Communication** – The Council believes public understanding of its work, achievements and services, coupled with consultation with resident is key to maintaining high satisfaction levels. This is achieved through continuous communications and consultation activity and upholding the Council's values of transparency and openness. RDC regularly publishes information on its website and via a variety of social media channels, working with the local media to provide information to ensure residents are kept informed. This is further supported by the Council's ['My Alerts'](#) which provides a weekly email update for residents and businesses and now has approximately 27,000 customers as at May 2023.
- 3.12. **Partnerships** – The Council is involved with a variety of partnerships that have developed over the years, this does however need to be supported by a Partnership Governance Framework and Partnership Register to help ensure that we maintain a consistent approach when entering into any new partnerships.
- 3.13. **Transparency** – As a Council we want to be publicly accountable and present our work with openness and transparency, we present a range of information on our ['Transparency Data'](#) pages on the website, ranging from contract and purchasing information to car park data.
- 3.14. If there are any areas outlined above which require strengthening, these are highlighted within the Annual Governance Statement as part of the Action Plan within Section 5.

4. REVIEW OF EFFECTIVENESS

- 4.1. RDC annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and from comments made by the external auditors and other inspection agencies.
- 4.2. Reviews have taken place both during the year and at year end, and cover the following:

- 4.2.1. Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action where appropriate while the Audit and Standards Committee (A&SC) consider corporate risk and internal control issues.
- 4.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. It is a 'living document' and is subject to amendment and updating on a regular basis.
- 4.2.3. The Council has an Overview and Scrutiny Committee that can establish 'task and finish' groups, to look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can "call-in" decisions of the Cabinet, which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition, the Overview and Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.
- 4.2.4. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to champion local issues where problems have arisen in their ward. The Council has embedded the "Councillor Call for Action" which allows Councillors to ask for discussion at Overview and Scrutiny Committee on issues where other methods of resolution by the District Member have been exhausted.
- 4.2.5. The development of the procurement function across the public sector has led to the establishment of several framework agreements for purchasing where the detailed work on price and quantity with suppliers has already been carried out. Contracts for supply are only established when goods, works or services are called off under the agreement.
- 4.2.6. The Council has in place a [Procurement Strategy](#) and works in partnership as part of the [East Sussex Procurement Hub](#) with Wealden and Hastings.
- 4.2.7. The Standards and Conduct provisions of the Localism Act 2011 came into force on 1st July 2012. The authority has appointed an Independent Person pursuant to the Act and has incorporated the standards element into the Audit and Standards Committee. The Council has also appointed an Independent Person in respect of the Audit Committee function in line with best practice.
- 4.2.8. The Council also has in place an [anti-fraud and corruption framework](#) which provides a suite of policies and procedures to help raise awareness of fraud and corruption issues and to promote their prevention, detection and investigation. These documents are known collectively as the Anti-Fraud and Corruption Framework.
- 4.2.9. The A&SC met six times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control and standards environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. The Committee undertook a self-assessment for the first time in March 2023 and a report, including improvement recommendations, will be provided to the new committee in July 2023 for their consideration.

- 4.2.10. The Annual Internal Audit Plan was considered and approved by the A&SC at the March 2022 meeting ahead of the forthcoming financial year. The 2022/23 Internal Audit Plan approved included a total of 532 days, encompassing 22 internal audit reviews, plus provisions for counter fraud work to provide adequate coverage over the Governance, Risk Management and Control framework informing the annual audit opinion.
- 4.2.11. During the 2022/23 financial year there were 22 planned internal audit assignments (23 in 2021/22) of which 16 were completed (21 in 2021/22) and a positive audit opinion was given by the Audit Manager for the year overall.
- 4.2.12. An annual review of the effectiveness of the internal audit function is undertaken and this is reported to the A&SC prior to 31 March each year so that the Committee can place reliance on the findings of internal audit when considering the AGS. In summary, no new issues were highlighted as part of the March 2023 assessment demonstrating the Internal Audit Service continues to achieve a good level of compliance with the Standards. The Audit Manager concluded that there was a high level of effectiveness overall and this conclusion was supported by both the Section 151 Officer and Monitoring Officer.
- 4.2.13. The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Audit and Standards Committee (A&SC). No audits completed during the 2022/23 financial year received a good assurance rating (the highest level of assurance that can be achieved), although 10 out of 15 audits were given a substantial assurance which represents 67% of the audits completed. However, five of the audits received limited assurance, namely:
- Procurement
 - Capital Programme
 - Property Investment
 - Community Infrastructure Levy
 - Public Conveniences Cleaning Contract
- 4.2.14. The Audit Manager also carries out regular reviews of the status of implementation of Internal Audit recommendations. There are 7 historical recommendations overdue at the year end, 2 relating to 2018/19 and 5 for 2021/22.
- 4.2.15. Internal audit only met or exceeded two (out of five) of its performance indicators for the year which was as a result of resourcing issues (both with the team and in client departments) and a higher than usual volume of audits with control audits.
- 4.2.16. The External Auditor’s Annual Audit Letter for 2021/22 was considered by (A&SC) at its meeting of 20th March 2023, with a management response prepared in respect of the recommendations made.

- 4.2.17. A&SC and SLT/CMT monitor and continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.
 - 4.2.18. The Council continues to review its treasury management arrangements in line with best practice and in response to regular updates and advice from the Council's Treasury advisors, Link Group, who also provide training to both officers and Members on treasury management related issues.
 - 4.2.19. Key officers complete an annual Self-Assessment Assurance Statement which identifies non-compliance in a number of areas including procedures, risk and control, financial management and procurement. Any significant areas of non-compliance will either be taken account of in Service Plans or if corporate included in the AGS action plan.
- 4.3. The year-end review of the governance and the control environment arrangements by SLT included:
- 4.3.1. Obtaining assurances from the Chief Executive and Assistant Directors that key elements of the control framework were in place during the year in their departments.
 - 4.3.2. The statement itself was considered and signed off by SLT and is supported by them as an accurate reflection of the governance arrangements in place for the year.
 - 4.3.3. Obtaining assurances from other senior management, including the Monitoring Officer, that internal control and corporate governance arrangements were operating effectively within their areas of responsibility throughout the year.
 - 4.3.4. Reviewing any high-level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary.
 - 4.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Audit Manager in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
 - 4.3.6. Reviewing and updating the Council's Local Code of Corporate Governance, to include a detailed review in terms of the CIPFA best practice framework.
- 4.4. The A&SC received assurances from the Audi Manager that standards of internal control, corporate governance arrangements and systems of risk management were operating to an adequate standard in most cases, with a positive assurance being concluded.

-
- 4.5. The A&SC review the effectiveness of the governance framework as part of an annual review of the Local Code of Corporate Governance, and an improvement plan to address weaknesses and ensure continuous improvement of the system is in place.

5. GOVERNANCE ISSUES

- 5.1. **Managers' Self-Assessment Assurance Statements** – these have been introduced for the first time this year and support best practice. They are completed by the Chief Executive, Deputy Chief Executive Directors and Heads of Service/Managers across the Council relating to their service areas. The Statements cover key areas of responsibility including identifying and managing risk, Business Continuity, control systems and identification of weaknesses and whistleblowing.
- 5.2. Following a review of the Statements supplied, the AGS is drafted in consultation with CMT before being considered by the SLT. Once approved by SLT the statement is approved by A&SC before being signed off by the Chief Executive and the Leader of the Council.
- 5.3. **Self-Assessment Assurance Statements for 2022/23** – Officers are required to confirm they have met a number of conditions, with evidence and action required recorded where appropriate if there have been any issues. Officers are also required to note any issues they feel represent a significant control risk or governance issue and which need improving which then feeds into the improvement recommendations.
- 5.4. Following the review of the Statements and the draft Annual Governance Statement for 2022/23, the following have been identified in terms of emerging themes for the organisation.
1. **Business Continuity** – several officers highlighted the need to review and update their Business Continuity Plans and to have a more consistent approach to development of these plans corporately.
 2. **HR/Payroll system** – the payroll system does not include user friendly human resources functionality and as such is limiting the ability of the organisation to develop these aspects and to facilitate self-service. The payroll system itself often has glitches and causes errors which, while they are identified, cause resourcing issues in terms of having to rectify and correct issues.
- 5.5. Crucially, the responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the implementation progress will be monitored during 2023/24.
- 5.6. There have not been any alleged or proven frauds during the 2022/23 financial year.
- 5.7. Completion of the more detailed Local Code of Corporate Governance assessment in line with CIPFA best practice has highlighted a number of areas for further development and improvement. The following Action Plan has been developed to help address any control or governance issues identified as part of the Local Code and AGS process.

Issue	Action/Outcome	Officer(s)	Target Date
Not all service areas have an up-to-date Business Continuity Plan and there is not a consistent corporate approach to their development	Zurich Municipal have been engaged to support a more corporate approach to development and delivery of Business Continuity Plans and this work will be progressing over the summer. It is anticipated that an updated organisation wide BCP will remove the need for departmental plans	SLT/CMT	31 December 2023
System errors with the payroll system waste resources addressing and fixing issues and the system does not include user friendly human resources functionality and as such is limiting the ability of the organisation to develop these aspects and to facilitate self-service	Consideration should be given to acquiring a dedicated payroll/HR system to better support the Council's workforce development plans	Human Resources Manager	31 December 2023 (initial business case and options appraisal)
Coast protection is a discretionary service area but would benefit from having a policy in place to determine when and where investment in coast protection assets should be undertaken	To develop a Coast Protection Policy for Rother	Head of Neighborhood Services	September 2024
At the start of April 2023, the Audit and Standards Committee undertook a self-assessment to help identify future improvements. One area highlighted was the need for an Annual Report to Full Council to be produced to update on the Committee's work each year	The A&SC to produce an annual report to Full Council	A&SC	September 2023
While the Council has a communications Forward Plan in place it does not have an overarching Communications Strategy to support our engagement initiatives	Develop a Communications Strategy to help support the Council's wider engagement and communication with residents and partners	Marketing Communications Account Manager	September 2024
There is no formal Partnership Framework or guidance in place for officers to support this process or to help assess the benefits of partnerships so consideration should be given to developing one	Develop a Partnership Framework and guidance to help officers assess partnership benefits and ensure adequate governance arrangements are in place	Corporate Policy & Projects Manager	December 2024
There are no procedures in place to capture and share positive feedback and compliments and this should be considered alongside the complaints process	Consider a system to capture and share compliments and positive feedback to sit alongside the complaints process	Head of Service – Digital and Customer Service	July 2024
The Council does not have a Customer and Digital Strategy so this should be developed to further support the Council's	Develop a Customer and Digital Strategy to act as a road map and provide strategic	Head of Service – Digital and	December 2024

overall governance and transparency arrangements and to help direct and prioritise our resources to digitally enable Council services	direction in relation to our customer and digital service aspirations	Customer Service	
The Council should develop an up-to-date Asset Management Plan to further support decision making around assets	Develop an Asset Management Plan to support strategic asset decision making	Economic Development Manager	March 2025
The Council does not have an overarching Workforce Plan and this is an issue which has been raised by the external auditors so consideration should be given as to how best to deliver one	Develop a People Plan to provide insight into current and future workforce requirements and development	Human Resources Manager	December 2024
While the Council does have in place a Scheme of Delegation this needs urgent review and updating following the implementation of the new officer structure	The Scheme of Delegation should be updated to reflect the new officer structure	Democratic Services Manager	December 2023
There is a need to introduce a more robust Performance Management Framework, particularly in relation to key corporate projects in terms of assessing and establishing them, gateway reviews, ongoing monitoring and governance and undertaking a formal review at the end of projects to consider 'lessons learnt' that can be fed back into future projects	The Council should develop a robust Performance Management Framework to ensure there are adequate governance processes in place to assess, monitor and review corporate projects and benefit realisation	Corporate Policy & Projects Manager / Corporate Programme & Improvement Manager	March 2024
Whilst it is not a statutory requirement, it is best practice to also have an officer designated as a Senior Information Risk Officer (SIRO) so consideration should be given as to the value such a role could play in strengthening the Council's information security arrangements	SLT should consider the benefits of allocating the SIRO role to an officer	SLT	September 2023
While the Council has undertaken some service reviews and benchmarking, these aspects should be considered more corporately to provide additional management information in relation to decision making and performance	CMT should consider the benefits benchmarking and service reviews could bring to service improvements and efficiency	CMT	March 2024
There is a need to ensure that outstanding internal audit recommendations are cleared as soon as practically possible	SLT should reinforce the importance of timely completion of internal audit improvement actions to CMT	CMT	September 2023

6. CERTIFICATION

6.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year except for those areas identified above. We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council

Cllr Doug Oliver

Date

Chief Executive (Interim)

Lorna Ford

Date

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Rother District Council

Report to:	Audit and Standards Committee
Date:	26 July 2023
Title:	Treasury Management Update Report
Report of:	Duncan Ellis – Interim Deputy Chief Executive
Purpose of Report:	To note the Council's treasury activities for the fourth financial quarter ending the 31 March 2023
Officer	
Recommendation(s):	It be RESOLVED: That the report be noted.

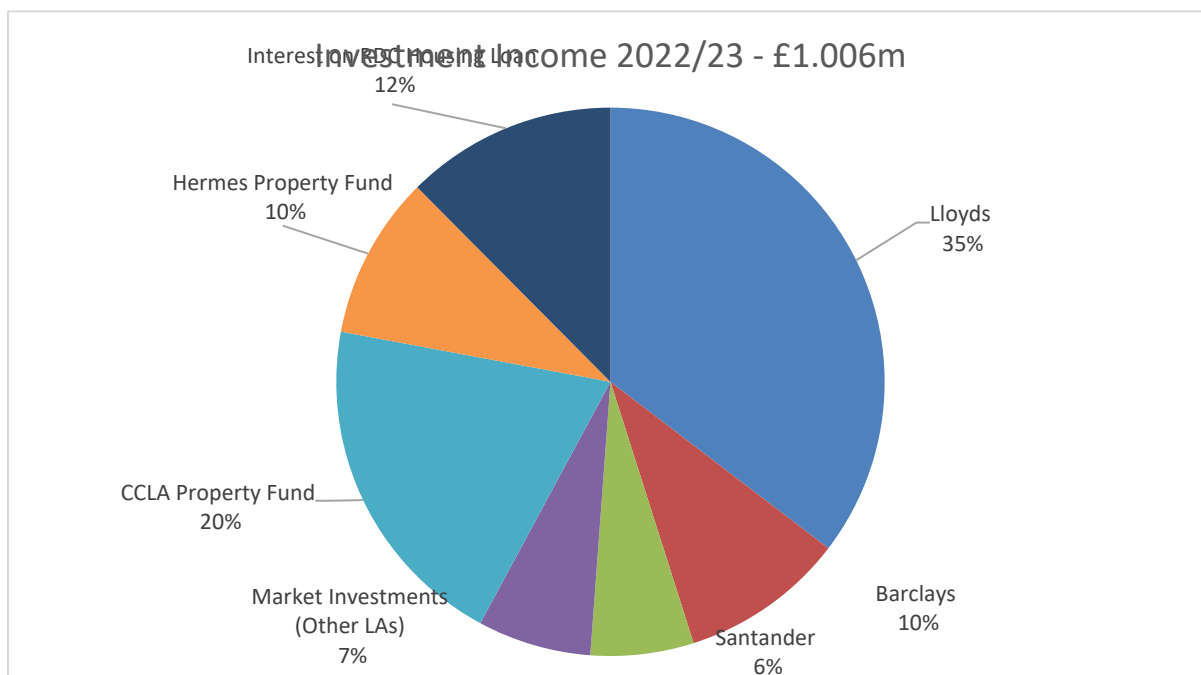
Introduction

1. The Council's Investment Strategy requires regular reports to be presented to this Committee on its treasury management activities. In managing these, the Council has implemented the Department of Levelling Up, Housing and Communities investment guidance and followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management.
2. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties. Members are reminded that investment activity is also reported through the Members' Bulletin. This report focuses on the financial period ending the 31 March 2023 and is based on the latest available data.
3. Members will note that the 2022/23 outturn figures are draft and also subject to audit although no material changes are anticipated at this point in time.

Financial Investments review

3. As at the 31 March 2023 the Council's estimated total investments were around £20.6 million with £12.6 million invested in short term call accounts (£43m and £10m, at Quarter 3) and £8m in Property Funds (no change from Quarter 3). The fixed term deposit we held with a local authority at £6m in Quarter 3 has since matured and we received the principal and interest back. We also repaid to the government some of the residual Covid 19 grants. Members will note that a significant element of the £12.6m balance relates to cash owed to public bodies, e.g. council tax precepts, shares of business rates.
4. The Council's investments are currently predicted to have yielded interest income of £1,006m in 2022/23 (prediction at Quarter 3 was £0.8m) which is higher than predicted partly due to incremental Bank of England interest rates increases. Also, around 12% of that annual income (£125,000) resulted from an accrued interest on the loan instalments to the Rother District Council Housing Company Ltd (not previously reported) while Property Funds, which yielded returns of 3.24% and 4.04% (3.41% and 3.68% in 2021-22) contributed

£298,500. The investment portfolio and Property Fund values are detailed in Appendix A and the interest received depicted in the graph below:



Borrowing

5. The Council's Capital Financing Requirement (CFR) shows how much of its capital expenditure is financed by borrowing and it is summarised in Appendix B. The capital programme delivery in 2022/23 accelerated compared to 2021/22, although not to the extent that was originally forecast due to the complexity of several the proposed schemes and the rapidly changing financial landscape in terms of inflationary pressures, interest and borrowing rate changes. As a result the CFR only increased by £17.6 million against a budget of £74.8 million. Members will also note that the capital programme continues to be reviewed for affordability as part of ongoing monitoring.
6. The value of outstanding loans as at the 31 March 2023 is £32.0m (no significant change since Quarter 3) and the borrowing portfolio is also shown in Appendix B). This is £11.2m lower than the CFR, which means the Council has 'under-borrowed' and effectively borrowed internally using up its cash balances rather than borrowing when interest rates are high.
7. Officers will continue to keep borrowing policy under review and use internal balances where possible to minimize borrowing costs.

Treasury and Prudential Indicators

8. The Council's Authorised and Operational external borrowing limits are shown in Appendix C and were approved by Cabinet on the 7 February 2022 as part of the Council's Capital Strategy. Members will note that the current borrowing levels shown in Appendix B are comfortably within both limits.
9. The ratio of Net Financing Costs to the Net Revenue Stream is predicted to be 0.25% for the year, which is 11.13% lower than the original budget (the ratio was

reported as 2.05% in Quarter 3). This is due to the delay in the capital programme delivery referred to above and the additional investment income received, which reduces the NFC. The Prudential Indicators are shown in Appendix C.

Non-Treasury Investments

10. The table below shows property rental income for the year against the approved budget and is split between existing assets and those purchased through the Property Investment Strategy (PIS):

Property Type	Budget 2022/23	Draft Net Rent Income	Variance	Return on Investment
	£000	£	£	%
Non-PIS	(865)	(671)	194	5.01
PIS	(1,105)	(1,702)	(597)	6.68
Total	(1,970)	(2,373)	(404)	

11. The additional PIS rent income is due to the purchase of Buckhurst Place, the lease for which was agreed after Council had approved its budget. Appendix D gives more detail on those properties purchased as part of the PIS.
12. The above table shows the return on investment on all PIS properties, excluding borrowing costs. Appendix D shows detail including the total cost of purchase as well as running costs.

Economic Update and Outlook

13. The ongoing impact on the UK from the war in Ukraine, together with the highest inflation for the last 40 years, rising interest rates, uncertainties over government policy, and an uncertain economic outlook, continue to impact on current treasury management activities.
14. Inflation is significantly eroding the Council's spending power, the Bank of England's Monetary Policy Committee (MPC) has updated projections which show the annual CPI inflation rate falling back from its very high level, of around 10% since the summer of 2022 up to March 2023 to around 8.7% in May but the fall was not as sharp as previously hoped for. It is predicted to fall further by the end of this calendar year to around 3.1% next year and come back closer to the target of 2% only in three years' time. However, previous such projected falls have not materialised as inflation is proving stubborn in the UK even as it is in decline elsewhere in other major economies. Past increases in energy and other goods prices falling out of the calculation of the annual rate have not yet materially changed the situation and the country seems to be feeling the combined effect of still high energy and food prices as well as worker shortages which do not allow for the inflationary pressures to ease.
15. At the recent meeting of the Bank of England's Monetary Policy Committee (MPC) on 22 June 2023, it was agreed to increase the bank base rate by a further 0.5% to 5.0% to help control inflation. For comparison, in December 2021 it was 0.1%. It was the 13th rise in interest rates since then.
16. The UK economy grew by 0.1% between January and March 2023 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product

(GDP) will be nil in the second quarter of the calendar year (back in February it was predicted to record a 0.7% decline) due to the squeeze on household income from stubbornly high energy costs and especially food prices. Some growth is then expected with predictions of 0.9% for Quarter 2 of 2024, 0.7% in 2025 and reaching 1.1% at the equivalent time in 2026 according to Monetary Policy Report May 2023.

17. Credit rating agencies have reflected the difficult UK position by affirming it's AA-rating with a Negative Outlook as of 2 June 2023 citing rising government debt, weak growth and the risk of more persistent inflation, rising borrowing costs, pressures due to cost of living crisis and the proximity of general elections (Fitch).
18. Forecasting economic activity in the current climate is fraught with difficulties. Officers will continue to monitor closely any future changes and will factor them into the Council's next update of the Medium-Term Financial Plan in due course.
19. The impact on the Council of all of the above is higher costs of providing services, higher potential borrowing costs (PWL 50 year loan rate rose from under 2% at the end of 2021 to 5.3% at the end of June 2023) which may render some capital projects not viable any more and a possible negative impact on council tax collection rates as the cost of living crisis hits thousands of families across the district.

Other issues

20. The value of investments in Property Funds decreased by £1.45m in 2022-23 which is a further £100,000 decline since Quarter 3. The value is therefore currently £534,000 less than originally invested. However, Members will be reminded that any gains or losses on such long term investments will only be realised at the point of withdrawal from the fund. Also, as stated above, these still provide a healthy income stream in the form of quarterly interest and contributed £298,000 in the financial year to 31 March 2023.
21. It is also worth mentioning again that following a consultation on the IFRS9 statutory override the government announced an extension of the override for a further two years until 25 March 2025. This allows councils to override fair value movements on pooled investments (like this council's CCLA and Hermes) in order to protect themselves from market volatility. Such movements are still being reversed from the General Fund and into unusable reserves and as such, they do not have an impact on budget setting. Without the override negative movements in their value would cause a budget deficit and require more funds to be withdrawn from reserves.

Conclusion

22. The investment activity conforms to the approved strategy and the Council has no liquidity difficulties.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Interim Chief Executive:	Lorna Ford
Report Contact Officer:	Duncan Ellis
e-mail address:	Duncan.Ellis@rother.gov.uk
Appendices:	Appendix A – Investments Portfolio Appendix B – Capital Financing Requirement & Borrowing Portfolio Appendix C – Prudential Indicators Appendix D – Performance of PIS properties
Relevant Previous Minutes:	None
Background Papers:	Capital Strategy Report to Cabinet, 7 February 2022 Treasury Management and Annual Investment Strategies Report to Cabinet, 28 February 2022
Reference Documents:	None

Investments Portfolio

Deposit	Type of account	Maturity Date	Amount £	Interest Rate as at 31 March 2023	Share %
Lloyds - General (RFB)	Call	N/A	5,572,352	4.15	26.97%
Bank of Scotland (RFB)	Call	N/A	46	0.01	0.00%
Barclays - Call Account (NRFB)	Call	N/A	5,086,124	3.95	24.62%
Santander - Call Account	Call	N/A	214	2.68	0.00%
Santander - 31 Day Notice Account	31 Days' Notice	N/A	2,000,000	3.35	9.68%
CCLA Local Authority Property Fund	Long Term	N/A	5,000,000	4.04	24.20%
HERMES Property Fund	Long Term	N/A	2,999,998	3.24	14.52%
Total			20,658,733		100.00%
Total managed in-house			12,658,736		
Total managed externally			7,999,998		
Total Treasury Investments			20,658,733		

Property Funds

Name of Property Fund	Original Investment Value	Value as at 31st Mar 2022	Value as at Quarter 3	Value as at 31/03/2023	Change since start of financial year
	£	£			£
CCLA Local Authority Property Fund	5,000,000	5,667,433	4,826,439	4,733,177	-934,255
HERMES Property Fund	2,999,998	3,250,474	2,744,734	2,732,630	-517,844
Total	7,999,998	8,917,907	7,571,173	7,465,808	-1,452,099

Capital Financing Requirement

Capital Financing Requirement (CFR)	2022/23 Original Budget	2022/23 Draft Outturn
	£ (000)	£ (000)
Opening Balance (adjusted)	25,851	25,851
Add unfinanced capital expenditure	75,876	17,955
Less Minimum Revenue Provision (MRP)	(1,053)	(336)
Closing Balance	100,674	43,470

Current Borrowing Portfolio

Borrowing position as at 31st March 2023					
Properties	Amount o/s	Interest Rate	Term	Type	Full Year Repayments (capital and interest)
14, Terminus Road	£428,919	2.59%	50	Annuity	£16,102
14, Terminus Road	£428,861	2.58%	50	Annuity	£16,070
Beeching Road	£1,587,256	2.39%	50	Annuity	£56,729
Various	£1,000,000	2.24%	50	Maturity	£22,400
Glovers House & Barnhorn Road	£8,184,765	2.48%	50	Annuity	£297,572
Various	£6,180,951	1.78%	50	Annuity	£190,804
Various	£9,179,072	1.65%	50	Annuity	£273,881
Blackfriars	£5,000,000	1.70%	2	Maturity	£85,349*
Total Borrowing	£31,989,825				£958,907

*£85,349 is the annual interest amount payable. The principal of £5,000,000 is due to be repaid on maturity on 01/06/2024

Treasury Indicators (Borrowing Limits)

Treasury Indicators	31st March 2023 £ (000)
Authorised Limit for External Debt	169,012
Operational boundary for External Debt	160,012
Gross External Debt (actual)	31,990
Remaining Authorised Limit for External Debt	137,022

Prudential Indicators

Prudential Indicators	2022/23 Original Budget £ (000)	2022/23 Qtr 4 Forecast £ (000)
Capital Financing Requirement (CFR)	100,674	43,470
Annual Change in CFR	74,823	17,619
In-Year Borrowing Requirements	75,876	17,995
Ratio of Financing costs to Net Revenue Stream (%)	11.38%	0.25%

Properties purchased through the Property Investment Strategy

Property Investment strategy	Total cost of purchase £	Budgeted Net Surplus 2022/23 £	Draft Outturn Net Surplus 2022/23 £	Variance £
14 Terminus Road	887,485	(105,820)	(106,332)	(512)
16A Beeching Road	870,133	(31,630)	(32,336)	(706)
16B Beeching Road	-	(60,360)	(47,457)	12,903
18-40 Beeching Road	885,638	(99,320)	(98,051)	1,269
1-7, Wainwright Road	358,130		(13,439)	(13,439)
Glovers House, Bexhill	7,843,952	(473,190)	(475,395)	(2,205)
Land at Barnhorn Green, Bexhill	612,387			
Market Square, Battle	3,256,184	(195,060)	(194,630)	430
35, Beeching Road, Bexhill (headlease)	675,000	(99,840)	(92,408)	7,432
64, Ninfield Road, Sidley	100,000	(9,000)	(8,388)	612
Sainsbury's, Buckhurst Place	10,189,500	570	(549,669)	(550,239)
Land at Mount View Street, Bexhill	4,250,000		(271)	(271)
16 Beeching park estate	454,950	(18,330)	234	18,564
18 Beeching park estate	-	(17,830)	977	18,807
Total	30,383,359	(1,109,810)	(1,617,164)	(507,355)

NB. Sainsbury's Buckhurst Place income was not a budgeted for in 2022-23 as it was a new acquisition in the financial year

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Rother District Council

Report to:	Audit and Standards Committee
Date:	26 July 2023
Title:	Audit and Standards Committee Self-assessment March 2023
Report of:	Deputy Chief Executive (Interim)
Purpose of Report:	This report sets out the results of the Committee's first self-assessment and identifies actions to help improve the effectiveness of the Committee.
Officer Recommendation(s):	It be RESOLVED : That the Committee note the contents of the report and agree to the implementation of the improvements identified, subject to any amendments agreed.

Introduction

1. The Chartered Institute for Public Finance and Accountancy (CIPFA) document on "Audit Committees - practical guidance for local authorities and police (2018)" sets out the guidance on the function and operation of Audit Committees. It represents CIPFA's view of best practice. The guidance states "the purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes".
2. The Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, and to be truly effective requires an Audit Committee to provide support and challenge.
3. Good Audit Committees are characterised by balanced, objective, independent knowledgeable and properly trained Members, a membership that is supportive of good governance principles, a strong independently minded Chair, an unbiased attitude and the ability to challenge when required.
4. It is therefore good practice for Audit Committees to complete a regular self-assessment exercise, to be satisfied that the Committee is performing effectively.
5. In addition, the Public Sector Internal Audit Standards also call for the Audit Committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.
6. As part of Grant Thornton's Value for Money (VfM) assessment for 2021/22 accounts, as presented to the Committee on 20 March 2023, recommendation

6 was that the Council implement a rolling schedule of committee effectiveness reviews and this process will help to support that improvement.

7. The updated guidance provides two tools against which the Committee can assess itself; the first (self-assessment of good practice) supports an assessment against recommended practice to inform and support the Committee, the second assessment tool (evaluating the effectiveness of the Audit Committee) helps Audit Committee Members to consider where it is most effective and where there may be scope to do more. To be effective the Committee should be able to identify evidence of its impact or influence aligned to specific improvements.
8. CIPFA also produce a knowledge and skills framework for Committee Members to use to support their own personal development.

Completing the Self-assessment

9. As the Committee had not completed the self-assessment process before, a session was facilitated by the Interim Chief Finance Officer during April 2023 to allow the Committee Members to discuss and complete the first draft of the assessment template and supporting action plan.
10. Whilst it was acknowledged that the timing was not ideal due to the impending elections in May, it was felt that the current Committee Members would be able to assess the previous year's performance, whereas new incoming Members would not. It is positive to note that several previous Committee Members have again gained seats on the Committee and that the same Chair is in place.
11. The assessment has also been reviewed by the Audit Committee Independent Person and comments reflected where appropriate.
12. **Appendix 1** attached to this report provides the completed self-assessment good practice guide and associated improvement actions. It is recommended that Members discuss and agree the improvement actions identified along with timescales for completing them.
13. **Appendix 2** contains the knowledge and skills framework for Audit Committee Members. In terms of personal development and effectiveness for Members, it is recommended that they individually complete this checklist to help identify any areas of understanding which may need to be strengthened.

Conclusion

14. Completing the self-assessment helps to give the Committee assurance that it is complying with best practice and operating effectively. It will also help to identify any areas which need to be improved and can form the basis of an action plan prior to next year's self-assessment in March 2024. Undertaking a regular review of its performance against best practice ensures that the Committee has properly assessed the way in which it discharges its duties.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Interim Chief Executive:	Lorna Ford
Report Contact Officer:	Duncan Ellis
e-mail address:	duncan.ellis@rother.gov.uk
Appendices:	A Completed Self-assessment and action plan B Audit Committee Members – knowledge and skills framework
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit Committees - practical guidance for local authorities and police (2018)”

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Appendix 1 – Self Assessment Checklist

Self-assessment of good practice

This evaluation will support an assessment against recommended practice to inform and support the Audit Committee. This is a high-level review that incorporates the key principles set out in CIPFA’s Position Statement: Audit Committees in Local Authorities and Police. Where an Audit Committee has a high degree of performance against the good practice principle’s then it is an indicator that the Committee is soundly based and has in place knowledgeable membership. These are essential factors in developing an effective Audit Committee.

	Good Practice Questions	Yes	Partly	No
1	Does the authority have a dedicated Audit Committee?	✓		
2	Does the Audit Committee report directly to Full Council?	✓		
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA’s position statement? Recommendation: That the newly elected 2023/24 Audit Committee review the Terms of Reference (alongside CIPFA’s Position Statement and best practice Terms of Reference (pgs 59 – 62)). Responsibility: Committee. Date: September 2023	✓		
4	Is the role and purpose of the Audit Committee understood and accepted across the authority Recommendation: That a session be included within the Induction Training Programme on basic audit skills and the importance of the role of being a Member on the Audit Committee. To be supported by a Member handbook if possible and list of acronyms. Responsibility: CFO. Date: September 2023			✓
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance? Recommendation: That the Chair of the Audit Committee attend (partly) the Chief Finance Officer (CFO)/Audit Manager meetings on a 6-monthly basis – to consider the longstanding Audit Recommendations (prior to discussion with the Senior Leadership Team). Responsibility: CFO. Date: September 2023 Recommendation: That the Chair and Vice-Chair of the Audit Committee periodically meet with the Audit Manager independent of the CFO. Responsibility: Audit Manager. Date: September 2023		✓	
6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily? Recommendation: That once established the Audit Committee Members complete a skills audit (also include personal skills) using the ‘Audit Committee Members – knowledge and skills framework’ (Appendix 2). Responsibility: Committee. Date: September 2023 Recommendation: To create a mechanism (self-review) to hold the Audit Committee to account – performance etc. Chief Finance Officer to consider Local Government Association guidance/consider a Committee peer review. Responsibility: CFO. Date: September 2023 Recommendation: To consider a Committee peer review (every four years, first during autumn 2023), subject to costs etc. Responsibility: CFO. Date: December 2023		✓	

	Recommendation: That the Chair of the Audit Committee holds regular meetings with the Leader of the Council to discuss audit issues. Responsibility: Committee Chair. Date: September 2023			
	Functions of the Committee			
7	Do the Committee's terms of reference explicitly address all the core area identified in CIPFA's position statement? - Good governance - Assurance framework, including collaborations and partnerships - Internal audit - External audit - Financial reporting - Risk management - Value for money or best value - Counter fraud and corruption - Supporting the ethical framework	✓		
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? Recommendation: use this self-assessment process annually to identify improvements (include the Independent Audit Person). Responsibility: Committee/CFO. Date: March 2024			✓
9	Has the audit Committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the Committee to undertake them?	✓		
10	Where coverage of core areas has been found to be limited, are plans in place to address this	✓		
11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓		
	Membership and support			
12	Has an effective Audit Committee structure and composition of the board been selected? This should include: - Separation from the executive - An appropriate mix of knowledge and skills among the membership - training improvements identified above - A size of Committee that is not unwieldy - Where independent members are used, that they have been appointed using appropriate process	✓ ✓ ✓	✓	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	✓		
14	Does the Chair of the Committee have appropriate knowledge and skills? - training improvements identified above		✓	
15	Are arrangements in place to support the Committee with briefings and training? - training improvements identified above		✓	
16	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory? See 6 above.			✓
17	Does the Committee have good working relationships with key people and organisations, including external	✓		

	audit, internal audit and the chief finance officer?			
18	Is adequate secretariat and administrative support to the Committee provided?	✓		
	Effectiveness of the Committee			
19	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work? Recommendation: That other non-committee Members are encouraged to attend meetings and to provide feedback on performance. Responsibility: Committee. Date: December 2023			✓
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓		
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? Recommendation: That responsible officers be invited to attend Audit Committee meetings (to answer Member questions) on outstanding Recommendations / undelivered Recommendations / risks. Responsibility: Committee. Date: March 2024 Recommendation: That Member questions be forwarded to officers prior to the meeting. Responsibility: Committee. Date: March 2024 Recommendation: To consider the introduction of timed agendas. Responsibility: Committee. Date: March 2024		✓	
22	Does the committee make Recommendations for the improvement of governance, risk and control and are these acted on?	✓		
23	Has the Committee evaluated whether and how it is adding value to the organisation? See 8 above.			✓
24	Does the Committee have an action plan to improve any areas of weakness? This document will form the basis of this for the future.			✓
25	Does the committee publish an annual report to account for its performance and explain its work? Recommendation: That an Annual Report be produced and reported to Full Council each year to ensure that all Members are aware of the Audit Committee's functions and responsibilities and what has been considered throughout the year. Responsibility: Committee. Date: March 2024			✓

Questions 14 & 15. Following the results of the local elections in May 2023, Audit and Standards Committee Members will be assessed against the CIPFA Core Knowledge and Skills Framework. Any areas for further training will be identified and a programme developed for new Members where required.

* Represents an area where a recommended improvement action has been agreed by the Committee

Evaluating the Effectiveness of the Audit Committee

This assessment tool helps Audit Committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the Audit Committee should be able to identify evidence of its impact or influence linked to specific improvements.

Assessment Key:

- 5 Clear evidence is available from several sources that the Committee is actively supporting the improvement across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the audit Committee has supported improvements in this area.

Please note that further examples are provided within the CIPFA guidance (pages 77 – 80)

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
1. Promoting the principles of good governance and their application to decision making	<p>Examples to consider:</p> <p>Effective scrutiny through receipt of internal audit reports quarterly where enough detail is provided for the Audit and Standards Committee to evaluate the adequacy of the governance framework.</p> <p>Annual completion of self-assessment to evaluate effectiveness of governance processes of the Committee. See 8 above.</p> <p>Supporting the development of a local code of governance. To be delivered as part of this year's 2022/23 Annual Governance process. Responsibility: CFO. Date: July 2023</p> <p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>The Committee's independence strengthens their effectiveness and cross-party working is displayed at meetings.</p>	3

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
	Best practice inclusion of an independent Member.	
2. Contributing to the development of an effective control environment	<p>Examples to consider:</p> <p>Half yearly follow up reports are provided to the to show progress against completion of audit recommendations. The committee looks at responses from management and evaluates performance by questioning recommendation responses thoroughly.</p> <p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<p>Examples to consider:</p> <p>The corporate risk register is now reviewed at each meeting and effective scrutiny of strategic risks faced by the Council takes place.</p> <p>Risk management framework reviewed bi-annually.</p> <p>The Committee examines the financial accounts and risks associated. Every report received by the Committee includes a commentary regarding risks.</p>	3
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<p>Examples to consider:</p> <p>The Committee reviews and approved the risk based internal audit plan of work to ensure that coverage is sufficient. The Committee takes an active role in reviewing progress against follow up, progress against delivery of the internal audit plan, corporate risk register and External Audits plan of work.</p>	4
5. Supporting the quality of the internal audit	<p>Examples to consider:</p>	4

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
activity, particularly by underpinning its organisational independence	Internal audit plans report includes the audit charter and audit strategy which covers these areas. The Head of Internal Audit and have a direct line to the Chair of the Committee to allow confidential matters to be discussed.	
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<p>Examples to consider:</p> <p>This is achieved by reviewing the reports received by the Committee on governance risk and control and the annual governance statement, internal audit opinion. The Committee has commissioned Internal Audit work to strengthen controls which impact on the delivery of Council objectives.</p> <p>Recommendation: To further strengthen controls which impact on the delivery of Council objectives. Responsibility: Committee. Date: March 2024</p>	4
7. Supporting the development of robust arrangements for ensuring value for money	<p>Examples to consider:</p> <p>The Committee reviews the External Audit plan of value for money and the auditing thereof. It has a key role in reviewing the statement of accounts and ensuring value for money through this report. Key role in reviewing the Annual Governance Statement (AGS) and the assurances provided therein. Committee now has authority to approve the Statement of Accounts as per the Terms of Reference, thus ensuring that value can be added by the Committee.</p> <p>Recommendation: That the newly elected 2023/24 Audit Committee consider arrangements for ensuring value for money. Responsibility: Committee. Date: March 2024</p>	2
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<p>Examples to consider:</p> <p>Consideration of the following policies;</p> <p>Counter Fraud, Corruption and Bribery Strategy, Whistleblowing and Money Laundering Policy</p>	4

AREAS WHERE THE AUDIT COMMITTEE CAN ADD VALUE BY SUPPORTING IMPROVEMENT	SELF-EVALUATION EXAMPLES, AREAS OF STRENGTH & WEAKNESS	ASSESSMENT 1-5
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<p>Examples to consider:</p> <p>Minutes and agenda available on the website. Public are invited to audit committee meetings.</p> <p>Open and transparent reporting is displayed.</p> <p>Officer support is provided to the Committee in terms of democratic services officers and report authors.</p> <p>Decisions made by the Committee are within their remit and as part of terms of reference.</p>	<p>5</p>

Appendix 2 - Audit Committee Members – knowledge and skills framework

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the governance structures of the authority and decision-making processes Knowledge of the organisational objectives and major functions of the authority 	<ul style="list-style-type: none"> This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements Knowledge of the purpose and role of the audit committee 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS Knowledge of the local code of governance 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework The committee will plan the assurances it is to receive in order to adequately support the AGS The committee will review the AGS and consider how the authority is meeting the principles of good governance
Internal audit	<ul style="list-style-type: none"> An awareness of the key principles of the PSIAS (Public Sector Internal Audit Standards) and the LGAN (Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards) Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled 	<ul style="list-style-type: none"> The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards

		<ul style="list-style-type: none"> • In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed • The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan
Financial management and accounting	<ul style="list-style-type: none"> • Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them • Understanding of good financial management principles • Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) 	<ul style="list-style-type: none"> • Reviewing the financial statements prior to publication, asking questions • Receiving the external audit report and opinion on the financial audit • Reviewing both external and internal audit recommendations relating to financial management and controls • The audit committee should consider the role of the CFO and how this is met when reviewing the AGS
External audit	<ul style="list-style-type: none"> • Knowledge of the role and functions of the external auditor and who currently undertakes this role • Knowledge of the key reports and assurances that external audit will provide • Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> • The audit committee should meet with the external auditor regularly and receive their reports and opinions • Monitoring external audit recommendations and maximising benefit from audit process • The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service
Risk management	<ul style="list-style-type: none"> • Understanding of the principles of risk management, including linkage to good governance and decision making • Knowledge of the risk management policy and strategy of the organisation • Understanding of risk governance arrangements, including the role of members and of the audit committee 	<ul style="list-style-type: none"> • In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces • Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items,

		<p>including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee</p> <ul style="list-style-type: none"> • The committee should also review reports and action plans to develop the application of risk management practice
Counter fraud	<ul style="list-style-type: none"> • An understanding of the main areas of fraud and corruption risk to which the organisation is exposed • Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) • Knowledge of the organisation's arrangements for tackling fraud 	<ul style="list-style-type: none"> • Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy • An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment
Values of good governance	<ul style="list-style-type: none"> • Knowledge of the Seven Principles of Public Life • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff • Knowledge of the whistleblowing arrangements in the authority 	<ul style="list-style-type: none"> • The audit committee member will draw on this knowledge when reviewing governance issues and the AGS • Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> • Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> • regulatory requirements • treasury risks • the organisation's treasury management strategy 	<ul style="list-style-type: none"> • Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

	<ul style="list-style-type: none">• the organisation's policies and procedures in relation to treasury management	
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AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2023 – 2024	
DATE OF COMMITTEE	SUBJECT
Wednesday 26 July 2023	<p>Part A – Standards Reports Independent Person (Standards) – Proposed Extension to Term of Office</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Audit and Standards Committee Annual Report • Grant Thornton – External Audit Plan 2022/23 • Local Code of Corporate Governance and Annual Governance Statement (AGS) • Treasury Management Update Report • Audit and Standards Committee Self-Assessment 2023
Monday 2 October 2023	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Statement of Accounts 2022/23 • Internal Audit Report to 30 June 2023 • Treasury Management Update • Risk Management Update
Monday 4 December 2023	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Local Government and Social Care Ombudsman Complaints Monitoring • Code of Conduct Complaints Monitoring and other Standards Matters • Self-Assessment of RDC Owned/Leased Accommodation Complaints Handling <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Findings Report 2022/23 • Internal Audit Report to 30 September 2023
Monday 25 March 2024	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – Annual Audit Report 2022/23 • External Auditor - External Audit Plan 2023/24 • Internal Audit Report to 31 December 2023 • Internal Audit Plan 2024/25 • Review of Internal Audit 2023/24 • Risk Management Update • Property Investment Strategy Update • Treasury Management Update

