

Rother District Council

Report to: Audit and Standards Committee

Date: 27 July 2022

Title: Annual Governance Statement 2021/22

Report of: Antony Baden, Chief Finance Officer

Purpose of Report: To consider and agree the annual governance statement including reviewing the main governance issues affecting the Council during 2021/22.

Officer

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

- 1) the Annual Governance Statement be approved; and
- 2) 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. 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.
2. The Annual Governance Statement (AGS) at Appendix A comprises an assessment of governance arrangements and internal controls across the whole organisation against the Council's Code of Corporate Governance and whether these are supported by robust assurance processes. This review includes:
 - the robustness of the risk management, performance management, financial management, legal and regulatory, IT and human resources processes and having the evidence to support that these are in place;
 - the governance arrangements in place for the management of partnerships;
 - the work and effectiveness of the internal audit function; and
 - assurances from those managing the business that the processes in their area of business are robust and compliant.
3. The Accounts and Audit Regulations require that the Council reviews, at least annually, its governance arrangements and, following this, agrees an AGS for publication. It is still a requirement for the Council to demonstrate its awareness of where weaknesses exist within its governance arrangements and to develop and implement appropriate improvement plans. The annual review has assessed the Council against its Code of Corporate Governance. In

undertaking the annual review, the following sources of assurance were considered:

- Head of Service self-assessments of their service areas;
- Internal Audit reports for 2021/22;
- Annual Review of Internal Audit;
- External Audit reports; and
- Any other external review of Council services.

Review of Governance Issues

4. The review looked at issues arising from the various sources of assurance outlined above. The outcome of the review is set out in the Statement under the heading of Significant Governance Issues.

Conclusion

5. This report shows the robust approach the Council takes to ensuring good governance. The issues highlighted through inspection, both internal and external, provide assurance that the controls and procedures in place provide Members with a high degree of assurance. The report highlights the areas where improvement is required and highlights the risks to the Council and its partners resulting from the poor economic climate and the associated impact on funding in the public sector.

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

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Appendices:	Appendix A – Annual Governance Statement
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

ROTHER DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

In discharging this overall responsibility, RDC is responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercising of its functions. This also includes making arrangements for the management of risk.

RDC has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on the RDC website or can be obtained from the Council's Monitoring Officer, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787273. This statement explains how RDC has complied with the code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

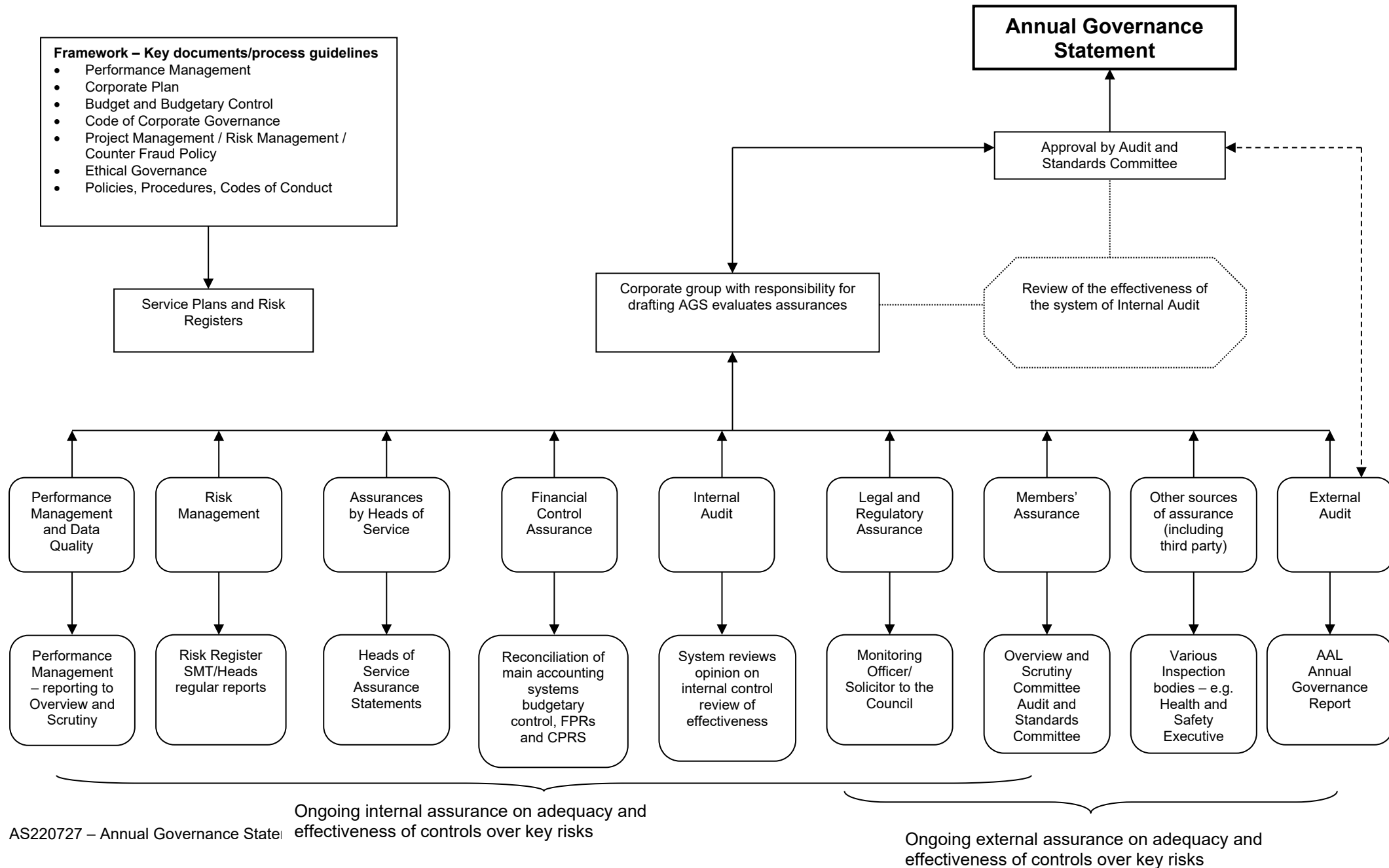
The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designated 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 rather than absolute assurance of effectiveness. It is based on an on-going process designed to identify and prioritise the risks to the achievement of Rother's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rother for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE FRAMEWORK TO 31 MARCH 2022



Review of Effectiveness

RDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive within the authority who has responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The way the Council complied with the Code of Corporate Governance is explained below:

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

Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive, regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of the Monitoring Officer is the vetting of the agenda, reports and minutes of all meetings.

The Deputy Chief Executive appointed in January 2022 is the Council's Monitoring Officer, which was a post previously held by the Democratic Services Manager who now becomes the Deputy Monitoring Officer. The Council's Legal Services are provided by Wealden District Council and their lead officer is the appointed Solicitor to the Council.

Members' Assurance – Audit and Standards Committee

During 2021/22, the Audit and Standards Committee (A&SC) received and scrutinised quarterly reports from the Audit Manager on the reviews carried out and progress against the plan and the year-end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

In carrying out its responsibilities for Standards matters, the Committee also includes three Independent Person(s) and two Parish and Town Councillor representatives, who usually attend meetings of the A&SC twice a year, when standards related matters are considered. Under the Localism Act 2011, the Standards regime changed and Councils were given the responsibility of setting their own Codes of Conduct and procedures for dealing with complaints against Members. The Monitoring Officer is now able to assess all complaints after consultation with one of the Independent Persons and determine what actions, if necessary, should be taken. All valid complaints are reported to the A&SC for information bi-annually. Sanctions for dealing with Councillors who may have breached the Code of Conduct are significantly reduced under the current regime.

In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives a bi-annual report and an annual report on the Council's whole year performance. The Council has since the financial year end, created a new role and now appointed an independent person for the Audit responsibilities of the A&S Committee.

Anti-Fraud and Corruption Framework

All officers and Members are signed up to the Council's Anti-Fraud and Corruption Framework. The Framework is made up five separate but related documents, namely:

- ✓ Anti-Fraud and Corruption Strategy
- ✓ Fraud Response Plan
- ✓ Anti-Bribery Policy
- ✓ Anti-Money Laundering Policy
- ✓ Whistleblowing Policy

The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated.

PRINCIPLE B – Ensuring openness and comprehensive stakeholder engagement

Full Council, Cabinet, Regulatory and Scrutiny meetings are available to view live on the Council's website and can be viewed after the meeting using the link from the relevant meeting on the website as well as being open to the public to attend in person. All agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication.

The Council's consultation charter sets out how it engages with stakeholders and partners. The Council website has a section called "Ask the Leader!" where the Leader of the Council will answer question posted online. The Council has a public question time scheme which allows the public to put questions to the appropriate Member of Cabinet or Committee Chairman 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.

PRINCIPLES C AND D - Defining, optimising and achieving outcomes

Rother's new Corporate Plan 2020-2027 was adopted by Full Council on 5 July 2021. The Corporate Plan provides the strategic direction for the Council and shapes the work programmes and Service Plans throughout this period. The overarching vision of the Corporate Plan is to put customers at the heart of everything the council does. It also sets out the following key themes:

- Financial Stability

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

The Corporate Plan sets out several priority objectives which are underpinned by key actions, milestones and targets. An annual report setting out progress against the Corporate Plan is reported to Overview and Scrutiny Committee on an annual basis. This also provides an opportunity to review data about the district, national policy, and the external context to determine whether any changes are needed to the Corporate Plan. The programmes and projects within the plan are also monitored on a quarterly basis by Members through the Corporate Programme Board.

Rother's Performance Framework is reviewed annually by Overview and Scrutiny Committee who make recommendations to Cabinet on what measures should form part of our Key Performance Indicators to be monitored regularly by the Committee. These reports also allow the opportunity for exception reporting of performance indicators monitored by services that need focus. Overview and Scrutiny Committee recommends action and resource allocation for consideration by Cabinet where appropriate.

PRINCIPLE E – Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through staff training to ensure we have the necessary skills for the future. All employees' training and development needs are considered as part of their annual appraisal. The Council is a member of the Sussex Training Consortium which provides access to cost effective training for all Councils across East and West Sussex. The Council works across a broad set of partnerships and collaborative arrangements and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

Although recruiting to professional posts is becoming increasingly difficult due to skills shortages in several areas, the Council has for some time had a very effective process for training and developing its own talent from within. Although not a quick fix it has helped to mitigate skills shortages across certain service areas.

PRINCIPLE F – Managing risks and performance

Risk Management

The Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Corporate Management Team (SMT). Desk top exercises were held on a regular basis prior to the pandemic to test identified risks against our Business Continuity planning and these will need to be

restarted in 2021. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but work continues to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services.

Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to the Senior Leadership Team and Cabinet. The quality of reporting is continually under review by Finance and improvements have been during 2021/22.

Internal Audit

Each year an Internal Audit plan of work is agreed by the Chief Executive, the Section 151 Officer and the Audit and Standards Committee. Most of the audit work planned in 2021/22 was completed by the financial year end. This work included the core financial audits and several other audits that had been categorised as high/medium risk within the Audit Plan.

The Audit Manager reports monthly to the Chief Executive and quarterly to the A&SC on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. In addition, the Chief Executive reviews the effectiveness of Internal Audit annually.

The Accounts and Audit Regulations 2015 state that ultimate responsibility for maintaining a sound system of internal control rests with the Council, but this has been delegated to the Chief Finance Officer (as s.151 Officer). The assessment of the control environment is made by reviewing Internal Audit report recommendations and the production of the Annual Governance Statement.

At Audit & Standards Committee on the 20th June 2022 the Internal Audit Manager reported that of the audit reports completed in 2021/22, three received a limited assurance rating although of the 69 control objectives examined only one had not been met. The quarterly Internal Audit activity reports also showed that most of the expected controls are in place and no significant concerns were found with the internal control environment. As a result, the Internal Audit Manager's overall opinion on the Council's framework of governance, risk management and control in 2021/22 deemed that it was adequate and effective, (minute AS22/12).

External Audit

External audit provides the Council with an Annual Audit Letter and an Annual Governance report, which reports on the Council's financial performance, value for money and a review of the effectiveness of the governance arrangements.

PRINCIPLE G – Implementing good practices in transparency, reporting, and accountability

All Council decisions are published online together with supporting information to outline why that decision was chosen above other options. The Council has developed both its website and the format of Council reports to improve transparency and accessibility.

The Council reports performance against targets and financial targets on a regular basis. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services. All high-risk audit recommendations are reported to the A&SC, to ensure that officers undertake any follow up actions as appropriate.

Significant Governance Issues

In terms of internal control, there have been areas where weaknesses which have been identified through the review of compliance to the local code of corporate governance, Managers' Assurance Statements, Internal Audit and the work of the A&SC and these are commented on below. In addition, there are areas where, due to external factors, these have potential to adversely impact on the Council.

Governance issues arising from the review of the Local Code of Corporate Governance

There are no outstanding issues to report from previous years, and the work carried out by Internal Audit in 2021/22 did not highlight any significant concerns regarding the internal control environment

Other issues and areas of emerging risk that may impact on the Council include:

Local Government Funding Review and Business Rate Retention Scheme reset – the Government's review of local government funding and business rates has been further delayed by at least another year. This continues to be a significant source of uncertainty over the Council's financial stability.

Achieving a balanced budget – as a result of the above uncertainty and the projected funding shortfall in the Medium-Term Financial Plan, pressure remains on the Council to deliver savings and additional income up to £2.2 million by 2024/25. The current plan includes the delivery of savings of £1.7 million through the devolvement of services to alternative providers including Town and Parish Councils. Failure to deliver these will result in difficulties in achieving a balanced revenue budget without recourse to using a major proportion of the Council's reserves. The Council's plans to deliver savings were further developed during 2021/22 and are overseen by the Corporate Programme Board following a decision by Cabinet on the 28th March 2022 (CB21/98) to merge the Financial Stability Programme and the Protecting Discretionary Service Strategy into a single project.

Joint Working – It is expected that the Council will continue with its programme of delivering services jointly with other bodies where it helps to maintain or improve

services at a reduced cost. The Council has 3 main shared services. Building Control and Legal services are provided by Wealden District Council. The shared Environmental Health and Licensing Service with Wealden is provided by this authority. Shared services provided by another Council could limit the Council's ability to maintain the quality of a service, particularly in the short term. The provision of a shared service for another Council does reduce the Council's flexibility and ability to redirect its resources when committed to delivery of a service for another Council. The Council also jointly procures a number of major contracts including waste collection and street cleaning and grounds maintenance.

Loss of staff and recruitment – Several internal and external factors are having a negative impact on staff morale. Whilst no compulsory redundancies are currently planned, the current financial challenges could reduce morale and increase the risk of staff turnover. This could result in the loss of knowledge and experience which the Council relies upon moving forward. In addition, the recruitment of professional level Local Government posts continues to be problematic. There are a range of factors influencing this, but seasoned professionals and specialists are becoming a real issue for Local Government and in particular, semi-rural Councils such as Rother. The Council's ability to deliver services and projects can be severely compromised by the inability to recruit, combined with the retirement of qualified and experienced staff. The COVID-19 pandemic has negatively impacted some recruitment. However, going forward the changes in working practice brought about in response to the pandemic has increased the flexibility of the Council can offer prospective employees, in particular homeworkers. In addition, the Council continues to employ and train apprentices which can include professional roles.

Property Investment - The Council has a Property Investment Strategy (PIS) for the acquisition and development of commercial property in the district. The strategy enables the Council to invest primarily to stimulate economic activity/regeneration. Recent activity has focused on development opportunities which will bring jobs and yield a return in the longer term but will require time to bring to fruition. The Property Investment Panel carefully considers all property investment opportunities and seeks professional advice before making acquisitions but there are significant financial risks if the Council embarks on more speculative investments. As most property investment is funded through borrowing, returns are very sensitive to increases in interest rates.

U4BW ERP Implementation Project – The project has moved to a fine-tuning phase with no further work planned other than scheduled upgrades. The required elements of the Income Manager module are now fully operational. Mastercard are discontinuing their payment services with Unit 4 and will be replaced by Capita. Development work on the Expenses and Self-Service modules has paused whilst alternative delivery options are explored.

Major Projects – The Council is undertaking several high-profile projects with the aim of delivering housing and economic regeneration to the district. The Council has also established a wholly owned housing company to deliver the new housing. The projects are managed by special projects team in the Acquisitions, Transformation and Regeneration Service. The Corporate Programme Board has regular oversight of all the major projects and progress is reported annually through the Corporate Plan monitoring report.

Trading with European Union and Northern Ireland – the full ongoing impact of the Country's exit from the European Union remain unclear on the activities of the Council and its supply chain. The new trading agreement has resulted in increased work for the environmental health service issuing export health certificates. As trade recovers, the demands on the shared service with Wealden District Council will increase further.

Pandemic – Although all restrictions in place during the Covid-19 pandemic have now been removed there is still an on-going impact on the Council's staffing resources in terms of dealing with on-going outbreaks of Covid-19. The cost of this is generally funded by Government but that source of funding is likely to end after 21/22 (although unspent funding can be carried forward into the next financial year) and the Council will need to consider the 'business as usual' implications into the future.

Climate Change Emergency – The Council's Climate Change Steering Group has had oversight of the delivery of the Council's Environment Strategy. During 2021/22 work has been underway to develop the Council's carbon baseline. The next steps will be to develop a carbon descent plan which will quantify (carbon saved and cost) the interventions the Council can take to reduce its carbon emissions balanced against any carbon offsetting. Several projects have been progressed and monitoring continues through the Steering Group.

Joint Waste Collection and Street Cleaning Contract – The Council's waste and street cleansing contract is managed through the Joint Waste and Recycling Committee (made up of representatives from Rother, Wealden and Hastings Councils). This committee meets quarterly, and the agenda and minutes are available on the Council's website.

We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Doug Oliver
Leader of the Council
On behalf of Rother District Council

Malcolm Johnston
Chief Executive
On behalf of Rother District Council