

AGENDA ITEM NO.9

AUDIT COMMITTEE

24th November 2020

Subject: **Annual Governance Statement 2019/20**

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1. Purpose of Report

1.1 To present the Annual Governance Statement for 2019/20 to the Committee.

2. Background

2.1 The responsibility for ensuring that there is a sound approach to governance, risk management and control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the financial statements.

2.2 In order to do this, the Council should seek regular assurance that its systems are functioning effectively. It should also ensure that the controls in place are effective in managing significant risks in the way that it would expect.

2.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its governance, risk management and controls to the Audit Committee.

2.4 Therefore, the Committee is required to satisfy itself that the Annual Governance Statement is consistent with its view on the Council's systems based upon the assurance presented to it throughout the year.

3. Report

3.1 The Annual Governance Statement is attached as Appendix 1.

4. Corporate Implications

a. Financial implications

Financial reporting including budgetary management is one of the key assurance processes reported on in the Annual Governance Statement

b. Legal implications

The Accounts and Audit Regulations 2015 section 6 states that:

- (1) A relevant authority must, each financial year—
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
 - (a) consider the findings of the review required by paragraph (1)(a)
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) [Reference to Category 2 authorities – not relevant to Castle Point Borough Council which is Category 1]
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
 - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts

c. Human resources and equality

Workforce management is one of the key assurance processes reported on in the Annual Governance Statement. There are no direct equality implications although the assurance process of *Consultation and engagement* covers the need to consult, especially when considering changes to or cessation of council services.

d. Timescale for implementation and risk factors

The Annual Governance Statement is considered by Audit Committee each year, usually in July. However, in anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus, these Regulations were amended to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents – including this Annual Governance Statement – in relation to the financial year beginning on 1st April 2019.

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

Recommendations:

The Committee adopts the Annual Governance Statement 2019/20 and subject to any further amendments from External Audit recommends its adoption to Council.

Resolution required.

Background Papers:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.
- The Accounts and Audit Regulations 2015
- Delivering Good Governance in Local Government Framework 2016

1 SCOPE OF RESPONSIBILITY

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 Castle Point Borough Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's code is on our website at <https://www.castlepoint.gov.uk/local-code-of-corporate-governance> or can be obtained from the Strategy, Policy and Performance Manager by e-mail bbrook@castlepoint.gov.uk or by phone on 01268 882220. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement. In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus, these Regulations were amended to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents – including this Annual Governance Statement – in relation to the financial year beginning on 1st April 2019.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the vision, culture and values, systems and processes and structure by which the Council is organised, 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 the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of a changing environment.
- 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 potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

Operation of the governance framework

- 2.4 The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:
 - Consultation and Engagement
 - Business Planning and Strategy
 - Financial Reporting including Budgetary Management
 - Asset Management including value for money
 - Risk Management including Anti-Fraud and Corruption, and Whistleblowing
 - Health & Safety

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- Business Continuity
- Performance Management
- Workforce Management
- Data Quality
- Information Management Security
- Procurement
- Project Management
- Complaints, Compliments and Comments
- Ethical Governance

2.5 These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

2.6 The Strategy, Policy and Performance Manager has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- three reports over the financial year to Executive Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified
- an annual review of the governance framework supported by manager assurance statements certified by service managers and reviewed and certified by Directors / Heads of Service
- a corporate assurance process for key governance processes with a nominated officer owner undertaking an assessment
- an assessment of compliance with the core principles of the CIPFA delivering good governance assessment
- an annual report – this Annual Governance Statement – to Executive Management Team and the Audit Committee on the adequacy of governance arrangements.

2.7 The process also includes a governance group of officers responsible for the implementation and monitoring of key governance processes. The group provides a challenge to the operation of the processes and individual assessments of core governance processes for which they are responsible. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each corporate process is subject to an overall assessment by the governance group according to one of four assessments: High (majority or all requirements being met), Satisfactory (significant proportion greater than 50% of requirements are met), Partial (Some requirements are met but less than 50%); Minimal (very few requirements are met). A summary of the key findings for each corporate process is set out in the table below and Further detail relating to the findings is incorporated into the review of effectiveness set out in section 3:

Assurance Process	Assessment
Consultation and Engagement	Satisfactory
Business Planning and Strategy	Satisfactory
Financial Reporting inc. Budgetary Management	High
Asset management	Satisfactory
Risk Management, inc. Anti-Fraud & Corruption and Whistleblowing	Partial
Health and Safety	Satisfactory
Business Continuity	Partial
Performance Management	Satisfactory
Workforce Management	High
Data Quality	Satisfactory
Information Management Security	Satisfactory

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Procurement	Satisfactory
Project Management	Partial
Complaints, Compliments and Comments	Satisfactory
Ethical Governance	Satisfactory

2.8 The Council's key governance and business planning processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework.

3 REVIEW OF EFFECTIVENESS

Reviewing the effectiveness of the framework

3.1 Castle Point Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies.

3.2 The Internal Audit service also produced reports throughout the year on a range of subject areas, that support provision of an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework, with audit findings taken into account and reflected in the assessments presented in the table above.

3.3 During the review of the operation of the framework for 2019/20, the governance group found that in several areas whilst the core corporate processes were in place, the application of those processes was not always consistent across the areas of the Council's business. This is set out in more detail for specific processes in the following sections.

CIPFA Key Principle 1:

Behave with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

3.4 The Council has an established set of organisational values which underpin the approach to engaging with staff and the community. These can be found on page 8 of the Council's Corporate Plan which is available on the following web link, along with a variety of other strategies and plans as well as the Council Constitution: <https://www.castlepoint.gov.uk/council-strategies-and-policies>

3.5 The Council has Codes of Conduct for Members and Staff within the Council's Constitution. The Code of Conduct for Members makes specific reference to the Seven Principles of Public Life (the "Nolan Principles"), was developed by an Essex wide legal partnership and has been adopted by a number of Councils within Essex.

3.6 As a condition of office all Members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election. The Code of Conduct for Staff sets out policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack.

3.7 Arrangements to investigate breaches of proper standards of conduct include a staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role that includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints of breaches of the Code. The Council has

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appointed 2 Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct.

- 3.8 An assessment of **ethical governance** has been undertaken and the arrangements have been assessed as satisfactory. Key corporate documents are in place and for example, the Council's PPDP (Appraisal) form includes a record of whether any declarations of interest have been made by staff during the year. Specialist training has also been undertaken for Development Control Committee members.
- 3.9 The Council ensures access to its [**complaints policies**](#) and [**whistle blowing procedures**](#) by publishing these on the Council's website. The requirements of the complaints policy and procedure were communicated to OMT at the time of the update of the "Customer Promise" and complaints are also discussed at DMT meetings as appropriate. The website has also been improved to more clearly set out how to complain regarding issues for services as well as set out the Council's complaints procedure.
- 3.10 Counter Fraud and Investigation services continue to be provided by Thurrock Council. A programme of work was in place during the year and progress in delivering the programme is presented to EMT and Audit Committee. As reported to Audit Committee in January 2020¹, the value of suspected fraud currently under investigation was £228,400. A new e-learning package for countering fraud, bribery, corruption and money laundering was launched in September 2019 and completed by all staff. A new procedure to enhance counter fraud and money laundering controls for Finance & Revenue teams was implemented in November 2019. The value of detected fraud in the Castle Point Borough over 2019/20 was £149,990.

CIPFA Key Principle 2

Ensure Openness and Comprehensive Stakeholder Engagement.

- 3.11 The Council has the core requirements in place. Corporate guidance requires the results of any **customer engagement or consultation** activities to be considered as part of the service planning process. Individual services undertake consultation on a range of areas. For example, the Housing Department undertakes routine satisfaction surveys following repairs and maintenance on Council-owned properties and the draft Allocations Policy was subject to a consultation in January and February 2020.
- 3.12 The Council's corporate plan, which was refreshed and agreed by Full Council in October 2019 – following a special Scrutiny session in August 2019 – refers to public consultation to develop priorities and included satisfaction levels for a range of services as well as on priorities for improvement. The plan also includes updated Place Survey results from a consultation commissioned by Essex County Council which gives a statistically reliable return. The corporate plan update also includes an Annual Report which sets out progress made against the objective from the previous year.
- 3.13 A significant piece of work in 2019/20 was the revision of the new Castle Point Local Plan which, in October 2019, Full Council approved for publication for further consultation and then submission to the Secretary of State. The new Local Plan was published for consultation on the 16 December 2019 for eight weeks through to the 14 February 2020, during which 1,105 responses were received.
- 3.14 The Council also has a consultation toolkit available for services to use and this is set out in the 'How it Works' guidance. The Council also ensures it involves staff in any appropriate decisions and elicits their views on issues. For example, a monthly staff forum meets to discuss and agree any issues important to staff.

¹ Due to the impact of the Covid-19 pandemic, Audit Committee did not meet in April 2020 so this report in January 2020 was the last considered by the Committee. However, fraud investigation and detection continued over the remainder of the 2019/20 financial year.

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3.15 The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards known as the “Customer Promise” which was updated in October 2019 and published on the Council’s website <https://www.castlepoint.gov.uk/customer-promise>.

3.16 Work was undertaken in 2019/20 to improve the tracking of Freedom of Information requests to maximise performance on response times. As part of this work, more open data sets are now available on the website <https://www.castlepoint.gov.uk/freedom-of-information-foi>, increasing transparency.

3.17 All public meetings are [broadcast live](#) and recorded so that members of the public can engage in Council-business without leaving their homes. Agendas and minutes of meetings are made available on the website <https://www.castlepoint.gov.uk/agendas-minutes-library>.

3.18 The Council works closely with partners on joint objectives. For example, with the Health and Wellbeing Board and the Crime and Disorder reduction partnership. Good progress has been made this year on the strategic approach and partnership framework, which was identified as an area of focus in last year’s annual governance statement.

CIPFA Core Principle 3:**Defining outcomes in terms of sustainable, economic, social and environmental benefits.**

3.19 The Council’s refreshed corporate plan was approved by full Council in October 2019. The plan sets out a high-level vision for the area and four corporate priorities: Environment, Housing and Regeneration, Health and Community Safety, A Commercial and Democratically Accountable Council. The plan complies with a number of good-practice requirements and sets out some defined outcomes that have sustainable benefits. For example, it targets the construction or acquisition of a total of 45 new affordable or social rented homes by March 2021. Last year’s Annual Governance Statement contained an action linked to the South Essex 2050 partnership to clarify the vision for Castle Point and link longer term ambitions for the area to the corporate plan. Progress was made towards the end of 2019/20 where an “away day” with Cabinet and the Council’s Executive Management Team and a series of follow-up joint meetings has helped to set the direction for a new corporate plan with longer-term ambitions to be developed over 2020/21 for implementation from April 2021.

3.20 An annual corporate action plan to help deliver the aims and objectives of the corporate plan was developed and formed the basis for monitoring and highlight reporting. Monthly highlight reports were considered by the Corporate Management Team with an in-depth mid-year review of the delivery of this action plan in October 2019 and end-of-year review in March 2020.

3.21 The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place. The Peer Challenge review recommended that the Council must continue to commit fully to South Essex Vision 2050 as a ground-breaking initiative to develop the vision and ambitions for the area as well as Castle Point. Consequently, work has been undertaken to develop a South Essex Joint Strategic Plan. Progress will be monitored.

CIPFA Core Principle 4**Determining the interventions necessary to optimise the achievement of the intended outcomes.**

3.22 Further to the threat of intervention from central government due to lack of progress with the development of its Local Plan, progressing the draft Castle Point Local Plan was top priority in 2019/20 and identified as a key action in last year’s Annual Governance Statement. In October 2019,

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Full Council approved the draft Castle Point Local Plan for publication for further consultation and then submission to the Secretary of State. Continued progress with the Local Plan remains one of the priority areas of work for the Council in 2020/21.

3.23 The Council faces significant financial challenges and needs to reduce net operational spend over the coming years or increase income substantially. Whilst the budget set for 2020/21 was balanced, the impact of the Covid-19 pandemic has had significant financial consequences that are impacting on delivery against that budget during 2020/21. Work is being undertaken to address those consequences in 2020/21 and to meet the significant future savings that had already been identified as necessary for 2021/22 and thereafter. Short term, this will be managed through the establishment of in-year savings and delay to expenditure in 2020/21; updates have been ongoing to Cabinet. Longer-term, this will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council has made good progress in developing further a Commercialism Strategy which was agreed by Executive Management Team in February 2020. Work is being undertaken to close the budget gap and will be monitored. Nevertheless, it should be noted that **financial reporting, including budgetary management** is assessed as high level of compliance, so the Council has good control over its finances.

3.24 The assessment of the Council's **project management** arrangements continues to be partial. The Council has established project management arrangements with a framework and suite of templates based on PRINCE2 principles. Over the year, this framework and suite of templates has been revised, simplified and updated. However, whilst the core corporate processes are in place, further work is required to ensure that the approach is consistently implemented in all service areas. A number of managers indicated that they had not undertaken any projects over the year, whilst those that did indicated a mix of high and satisfactory compliance, with just one reporting partial compliance. Those managers who have used the new templates have reported that they find them easier to follow, however, the governance group considers that whilst project documentation is more accessible, there is a training and awareness gap across the Council that needs addressing. Furthermore, project governance arrangements require further clarification. This will feature as a key piece of work in 2020/21 and is being supported by a follow-up audit drawing on external expertise in project management.

3.25 The approach to **business continuity** (BC) has been assessed as partial. Most core requirements are in place although, training and exercising was deferred until 2020/21 to enable further BC management development and revisions to be in place first. There is a corporate BC plan for the Council, which has recently been subject to full review and revision as part of a two-year cycle and is stored electronically including on the Government's secure 'Resilience Direct' website. Business impact assessments have been undertaken by all services and are being incorporated into a revised format for Service level BC plans. A strategic business risk and threats assessment was approved by Executive Management Team in May 2019, verifying the hierarchy of priorities in relation to BC. Other primary documents relating to BC include; an annual workplan, policy, business impact assessment and the BC framework document, which seeks to describe how the Council deals with emergencies, as well as disruptions to the organisation's ability to deliver its critical services to the public. An internal audit report concluded that BC arrangements need to be further embedded, which training already planned for 2020/21 will help with. Progress will be monitored.

3.26 The Council has a **business planning** process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance. The corporate processes have been complied with and this included a challenge of individual service plans and directorate plans that was fed back to Directors / Heads of Service for further action. Service plans have in most cases been completed to a high standard although there is some inconsistency. Directorate Plans are in place and provide an "elevated view" of key actions planned by the services in each directorate. A performance issue flagged as an example in last year's Annual Governance Statement concerned an increase in the time taken to re-let a void property. Further development and implementation of an action plan to address this, together with monitoring of performance over the year by Cabinet as this was one of the indicators on the

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Corporate Performance Scorecard, a significant improvement in performance was achieved. The Scorecard for 2020/21 remains broadly similar as a number of indicators on there are at risk of being impacted negatively by actions taken in response to Covid-19; for example, leisure memberships as a result of closure of the Council's leisure centres and the inclusion of an indicator of benefit processing times which could be impacted by an increase in volume of applications.

CIPFA Core Principle 5

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

3.27 The 2018 Peer Challenge report recognised strong officer leadership and stated: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well-respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key factor for past success". The report also recognises good practice in the delivery of formal and mandatory Development Control (DC) Committee training as part of the 30-minute briefings before each DC meeting. However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Consequently, the Council developed a programme of Scrutiny for 2018/19 which has continued in 2019/20 and included:

- Scrutiny Committee review of consultation undertaken on the future of The Paddock community hall
- Environment Policy and Scrutiny Committee review and recommendations to Cabinet on the outcome of the consultation undertaken over the summer on the proposal to require dogs to be kept on leads on Canvey beaches during the summer months.
- Special meeting of all Scrutiny Committees to review the proposed 2019 update to the Corporate Plan 2018-21
- All Councillors had the opportunity to engage in briefing sessions to understand the development of the New Local Plan

3.28 The information needs for members to effectively develop policy and make decisions is also considered, and reports to Cabinet included considerable detail in some areas, for example: Budget and Policy Framework for 2020/21; reports for the approval of Disabled Facilities Grants (DFGs); the process to introduce a Community Infrastructure Levey (CIL); a revised Tenancy Strategy; as well as Cabinet and full Council decisions on the Corporate Plan and the Local Plan.

3.29 Although working relationships between officers and members are constructive in a number of aspects, they are not yet fully effective. This is illustrated in the decision to delay implementation of a recommendation in a Planning Improvement Peer Challenge to "Reconstitute a new modernised strategic Development Management Committee with a strategic focus." Although this recommendation was made in the report at the beginning of the 2019/20 financial year, progress was not made in a timely fashion. However, it should be noted that a further recommendation in the same report "The political leadership should ensure they provide the political guidance necessary to ensure the Local Plan is agreed by Council" was implemented as Full Council made the decision in October 2019 to approve the Local Plan for publication for further consultation and then submission to the Secretary of State. A further example of effective joint working was the decision by Cabinet to purchase the freehold of the Knightswick Shopping Centre Canvey Island, a substantial and strategic decision to facilitate the regeneration of Canvey town centre. Nevertheless, progress in this area will continue to be monitored.

3.30 The Council uses partnership working to good effect to increase its capacity. The Council maintains its commitment to the Local Strategic Partnership jointly with Rochford District Council and the Joint Castle Point and Rochford Health and Wellbeing Board. The Leader and Chief Executive are active members of the Association of South Essex Local Authorities (ASELA), a partnership of seven neighbouring councils that have come together to promote growth and prosperity in the region. The

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Council is also actively involved in the Regeneration Partnership and Opportunity South Essex. Senior officers are leading workstreams in the South Essex 2050 emerging vision for future growth. As a result, there are a number of operational projects which have resulted in outcomes for residents and improved staff understanding. Examples include:

- *Let's Keep Moving* - a free wellbeing and activity group for older adults, which runs in Benfleet and Canvey (this is facilitated by Active Castle Point - a community activity network made up of representatives from Active Essex, Castle Point Borough Council and local organisations within the statutory, voluntary and private sectors).
- Cookery courses - basic cookery courses to help people learn how to cook and eat healthily
- *Stressbuster* workshops - to help young people build resilience and learn coping mechanisms to deal with stress and anxiety

3.31 The Council is successful in obtaining grant funding to pursue projects that will result in better outcomes for local people. Recent and current examples include:

- A successful bid for £1.52m from the Coastal Communities Fund for Canvey Island Seafront Regeneration.
- Funding from the DWP for various programmes totalling £72k in 2019/20.
- Miscellaneous grants relating to highways and car parks works totalling £185k
- £67k from various organisations towards health and fitness projects.

3.32 Last year's Annual Governance Statement identified a need to develop the approach to strategic partnership working. Work has been undertaken over 2019/20 to compile a more accurate and complete picture of partnerships that the Council is involved in. This register has helped to categorise such partnerships into: strategic; operational; contractual; and networking. A revised partnership framework and toolkit was also developed and shared with Corporate and Operational Management Teams. In October 2019, a comprehensive review of the community safety initiatives as presented to Cabinet, helping to raise awareness of the work of this partnership. However, there is further work required in this area to better understand the increasingly complex partnership landscape and how the effectiveness of these partnerships is understood and reported to members and senior officers accordingly.

3.33 The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by full Council following consideration of a report made by the Chief Executive.

3.34 Decisions made by the Cabinet may be Called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules) by the Scrutiny Committee. A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members.

3.35 The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and it received quarterly monitoring reports on its effectiveness. In addition, the committee also considered the corporate risk register. The new Audit Committee Chairman received a standard induction from the Head of Internal Audit. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant recent publications to help with good practice in governance awareness.

3.36 **Workforce management** demonstrates a high level of compliance. The Council has effective recruitment and retention arrangements and provides a Corporate programme of training which provides staff development programmes to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Some development for existing employees can be funded by the Apprenticeship Levy. Development and training is varied and includes professional programmes such as CIPFA qualifications to generic training. The Council also makes use of online training platforms particularly for induction and training in health and safety arrangements. Compliance with the appraisal process has significantly improved and most staff are

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recorded to have undergone the personal performance development plan process. Monitoring of the process will continue to ensure compliance is in place for all services.

3.37 The organisation continues to ensure that there is leadership capacity, bringing in new people where a gap exists and re-assigning people to new posts where there is a business need to do so. Towards the end of 2019/20, the departure of the Financial Services Manager was well-managed and there was a longer-than-usual handover period to ensure continuity in this key post.

CIPFA Core Principle 6

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

3.38 Core **performance management** arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with performance scorecard reports produced every quarter and reviewed by Executive Management Team (EMT) before consideration by Cabinet. There is some variance in the completion of performance information and in the robustness of target setting as although this is reviewed and challenged when compiling performance indicators from service plans for the new financial year, decisions on selection of indicators and target setting ultimately rest with the service managers. However, there are some strong examples of performance management in the housing and revenues & benefits service areas where performance officers are in post.

3.39 The key performance reporting arrangements remain in place. Highlight reporting was regularly undertaken to ensure the delivery of corporate objectives and a quarterly performance scorecard was monitored by Cabinet and Executive Management Team.

3.40 Whilst work is underway to re-balance the budget for 2020/21 as a result of the immediate financial consequences of the Covid-19 pandemic, significant ongoing efficiencies and cost savings also need to be identified for future years to reduce funding gaps of around, £489k in 2021/22 and £595k in 2022/23. General reserves are currently predicted to be fully depleted by the end of 2023/24. In this context the Council has continued to undertake efficiency review work during 2019/20 and this generated ongoing savings of approximately £694k for 2019/20 and £1.5m for 2020/21. Progress in the securing of cashable savings will be monitored.

3.41 Financial monitoring reports are informed by a risk assessment and focus on the Council's large, high risk or volatile budgets. Departures from budget, and corresponding operational performance information, are reported to Executive Management Team and Cabinet on a regular basis.

ROLE OF THE CHIEF FINANCIAL OFFICER

3.42 The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

3.43 In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer in Local Government, most recently updated in 2016. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below

- 1) The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

- 2) The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- 3) The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 4) The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- 5) The CFO in a local authority must be professionally qualified and suitably experienced.

3.44 The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved, and suitable controls are in place. For example, the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

3.45 There are three Policy and Scrutiny Committees which may make proposals in relation to their functions, including the review and development of policy items, whose proposals support the Council's published priorities. The work undertaken by the committees is further detailed above under CIPFA core principle 5.

3.46 The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has also been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. A refresh of the corporate risk register was most recently undertaken in March 2020 and this will continue to be updated every six months. To ensure better alignment between the corporate risk register and directorate risk registers and ownership of cross-cutting risks, a number of key risks on the corporate register that applied to all directorate were added to directorate registers. However, the governance group felt that risk was not necessarily considered in its widest context at the right time. Some people understand the approach and use it, but this is not consistent across the Council. The approach is suitably designed, but not universally well understood or implemented. Counter fraud arrangements are outsourced to Thurrock and policies need to be refreshed.

3.47 As an employer the Council continues in its aim to meet its statutory **health and safety** duties and to achieve this employs a competent person. The competent person, who as the corporate health and safety lead maintains an overview of Council arrangements and provides analysis on current management performance, attends Operational Management Team to highlight areas of concern. Any significant health and safety issues are raised to the Executive Management Team.

3.48 The key functions of the corporate health and safety lead is to advise and assist the Councils Operational Management Team in developing a positive health and safety culture, where risk is managed sensibly with specific aims to reduce accidents and ill health, and to bring about improvements in overall efficiency, quality and productivity. Completion rates of the health and safety online training modules remain high.

CIPFA Core Principle 7:

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

3.49 The processes for **information governance** are in place and guidance has been incorporated into the 'How it Works' document, which is updated annually. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in

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place for services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law has led a corporate project to implement the requirements of the General Data Protection Regulations which came into force in May 2018. This was followed up by an Internal Audit of the GDPR implementation which received partial assurance. Over the year, significant progress was made against the recommendations and a further audit on GDPR concluded that satisfactory arrangements were in place.

- 3.50 The Council has a comprehensive **procurement** toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law, with contract procedure rules updated following advice from internal audit. The arrangements are proving to be effective and officers use the expertise provided by the Braintree Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs. The organisation would benefit from a plan of upcoming procurements to allow for planning of resources internally and at the Braintree Procurement Hub.
- 3.51 Guidance on the importance of **data quality** requirements was set out in the 'How it Works' document and communicated to all managers. The 'How it Works' document was refreshed in November 2019. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. There is a risk of variations in the implementation of the approach as there are different systems for a variety of services, with some operating under a nationally set framework and others operating local frameworks. Although there is no evidence of poor data quality, the governance group considered arrangements to be very manual and reliant on individuals doing the right thing, rather than being managed by the organisation. There is scope for this to be better coordinated corporately.
- 3.52 The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when the need for external support and has for example, service level agreement in place with South Essex Homes to obtain professional advice and support to undertake effective housing estate and procurement functions, as well as for a fraud, land charges and internal audit services. The Council continues to procure specialist support in the design and construction of new council homes in the borough.

Internal Audit

- 3.53 The annual risk-based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly performance report was taken to Executive Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:
- 3.54 "The Council continues to maintain satisfactory and effective risk management, control and governance arrangements, despite the continuing financial pressure that it is dealing with. During 2019/20 an external provider reported on a high-level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. As a result, reliance continues to be placed on the Council's risk management arrangements, but steps will be taken to further enhance the consistent utilisation of arrangements and to refresh the Risk Management Policy and Strategy.

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3.55 The work of the Good Governance Group and results of the audits completed continue to confirm that:

- corporate business management processes remain generally well designed and, in some areas, work is underway to update or strengthen them further
- there is inconsistency in terms of application, across some services which still need to be addressed.

3.56 Therefore as a result of the assurance provided by audit and other work undertaken, the design and operation of the Council's risk management, control and governance framework in place for the year remains satisfactory overall.

3.57 The impact of the covid-19 pandemic began to manifest itself in the latter part of the year as the Council went into emergency response mode in line with the rest of the country and most of the world. The Council's response appears to have held up well, cooperating with and coordinating a range of resources from a range of different sources to provide the support, response and management of the community to meet the requirements of the Borough as it went through the period of lockdown. There remains much to do as the situation continues to evolve and there will be further challenges as the Borough and the Council works on recovery from the pandemic, and the Council is gearing itself up to deliver and meet the multiple challenges ahead.

3.58 As a result there are changes being made to the way the Council is operating, including most staff currently operating remotely for most of the time. These new ways of working in the current situation continue to develop and evolve, and there is a need for these to have the opportunity to be properly embedded and assurance obtained that they are working effectively as intended, before they can be considered to be operating effectively. However the opportunity for a period of time in which things can settle into a 'new normal' does not appear to be forthcoming very soon.

3.59 Therefore, the remainder of this report should be read within this context.

3.60 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement."

3.61 Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years.

Audit Committee

3.62 The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

External Audit

3.63 External Audit is undertaken by Ernst & Young and their work includes:

- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;
- reviewing and providing a conclusion of the arrangements in place to secure value for money.

3.64 Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

External Inspections

Planning Improvement Peer Challenge

3.65 Early in 2019, the Council commissioned the Local Government Association (LGA) and Planning Advisory Service (PAS) to undertake a peer challenge of Planning. The peer challenge team made a number of recommendations.

3.66 Good progress has been made on recommendations relating to the Local Plan, which was approved by Full Council in October 2019 for publication for further consultation and then submission to the Secretary of State.

3.67 However, some recommendations remain outstanding, including the reconstitution of a new modernised strategic Development Management Committee with a strategic focus.

Risk management health check

3.68 The Council commissioned a Risk Management Health Check Report from its insurers, Zurich Municipal, early in 2019/20.

3.69 Although an advisory report rather than official audit, the review concluded that *there is clear evidence that the organisation recognises the need and importance to engage in risk management and has the appropriate tools and methodologies to do so*. The review identified five areas for improvement:

1. Increase visibility of directorate risk profile
2. Risk management training and awareness
3. Risk register and reporting formats
4. Approach to risk appetite (awareness and understanding)
5. Project risk management

3.70 Progress has been made in areas 1 and 3 with outstanding action required to address areas 2,4 and 5. Areas for improvement in risk management are also identified under core principle 6 and therefore risk management features as an area for further work in 2020/21.

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Progress against Recommendations Identified in last year's Annual Governance Statement

3.71 The table below sets out the actions identified and an assessment of progress. Starting in 2019/20, progress on implementation of these actions has been reported to Audit Committee as part of the governance monitoring report.

Number	Issue	Action 2019/20	Date of implementation	Responsible officer	Progress
1.	Need to ensure the Local Plan is progressed and submitted for consideration.	Programme in place and subject to intervention to ensure timescales are met.	December 2019	Head of Place and Policy	<p>Full Council approved the draft Local Plan for Regulation 19 consultation on 22 October 2019. The Council also approved the Local Development Scheme (LDS).</p> <p>The LDS requires consultation at Regulation 19 which started in December 2019 and ran to 14 February. Responses are being reviewed and summarised into a Statement of Community Engagement.</p> <p>Any further work required to improve soundness and legal compliance in light of the responses is being undertaken.</p>
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2020/21 and in future years.	Develop and implement Commercial Council Strategy.	March 2020	Strategic Director for Resources	<p>The strategy is now in draft form and includes a proposed set of commercial principles. The new strategy will be adopted in 2020/21, delayed from earlier in the year due to Covid-19. To complement this work, the Council has recently joined the Essex Commercial Network to understand and explore commercial opportunities across the county.</p>
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2020	Strategy, Policy and Performance Manager	<p>A partnership strategy and framework is now drafted and has been shared with Corporate and Operational Management Teams; this will help clarify the</p>

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					<p>arrangements currently in place and how these link to the objectives of the authority.</p> <p>However, there is further work required in this area to better understand the increasingly complex partnership landscape and how the effectiveness of these partnerships is understood and reported to members and senior officers accordingly</p>
4.	Work with the South Essex 2050 partnership to develop the vision for region and long-term ambitions and to further develop the corporate plan.	Through the development of the South Essex 2050 partnership vision and associated strategy and planning arrangements.	June 2020	Chief Executive	<p>There are two key elements to the South Essex 2050 project. The first is the vision/ambition and priorities; and the second the Joint Strategic Plan (JSP).</p> <p>The preparation of the Joint Strategic Plan (JSP) has run concurrent with the development of the wider strategies for South Essex. A new Local Development Scheme (LDS) for the plan needs to be approved.</p> <p>This new LDS will reset the timescales for this performance indicator.</p>
5.	Need to simplify and clarify project management arrangements	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2020	Strategy, Policy and Performance Manager	<p>Over the year, this framework and suite of templates has been revised, simplified and updated. However, whilst the core corporate processes are in place, further work is required to ensure that the approach is consistently implemented in all service areas.</p> <p>There remains a training and awareness gap across the Council that needs addressing. Project governance arrangements require further clarification.</p>

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6.	Strengthen the approach to business continuity.	Undertake review of strategic and tactical business impact analysis and produce a mitigation and continuity options document. Business Continuity also features in this year's Internal Audit reviews.	March 2020	Facilities and Asset Manager	<p>A strategic 'Business Risk Assessment' was approved by EMT in May 2019 and Subsequently, a hierarchy of strategic priorities produced and endorsed. In conjunction with the tactical Business Impact Analysis (BIA), this assisted in the identification of mitigation and continuity options.</p> <p>An internal audit of Business Continuity was conducted in early 2020 which included recommendations to further embed BC within the organisation.</p>
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Key governance issues

3.72 The following are the key governance issues that have been identified:

Number	Issue	Action 2020/21	Date of implementation	Responsible officer
1.	Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting mechanisms on key partnerships to members and senior managers.	March 2021	Strategy, Policy and Performance Manager
2.	Address awareness and training needs for project management	Participate in a follow-up audit of project management and use the learning to develop and deliver a training programme for Operational Management Team and others in the Council who manage projects. Develop and implement project governance structures for approval of business cases and ongoing monitoring of key project delivery.	March 2021	Strategy, Policy and Performance Manager
3.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management.	Dec 2020	Head of Internal Audit
4.	Better corporate coordination of data quality	Raise awareness of the importance of data quality and work with internal audit to develop a system of spot-checks in areas of risk.	Dec 2020	Strategy, Policy and Performance Manager
5.	Coordination of procurement activity to plan required resources to undertake this procurement	Use service plans to create a register of planned procurement showing timescales and expected resource requirements. Training on procurement to be delivered.	Dec 2020 Mar 2021	Principal Admin Officer and Procurement Specialist
6.	Overdue implementation of the recommendations in the Planning Improvement Peer Challenge	Implement the outstanding recommendations made in the Planning Improvement Peer Challenge report.	Oct 2020	Head of Place and Policy
7.	Business continuity training and exercising is overdue (audit finding)	Undertake business continuity training and exercising with manager and other relevant staff.	Feb 2021	Principal Admin Officer and Procurement Specialist

4 CONCLUSION

4.1 This statement has been considered by the governance group of officers as well as Executive Management Team and is considered an accurate reflection of the Council's governance arrangements. We propose over the coming year to take steps to address the above 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.

Councillor Norman Smith
Leader of the Council
November 2020

David Marchant
Chief Executive
November 2020