


Agenda Item No:	9	
Committee:	Corporate Governance	
Date:	07 February 2018	
Report Title:	Annual Governance Statement 2016/17 update	

1 Purpose / Summary

The Annual Governance Statement records actions that can improve the framework for Corporate Governance, and this reports the progress of those actions.

2 Key issues

- In 2006/07 the Corporate Governance Committee approved a Local Code of Governance for the Council (minute CG22/06). This Policy established the framework for monitoring the governance of the Council.
- Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations.
- The Annual Governance Statement reviews the Council's actual governance arrangements with the themes within the Local Code of Governance. Any potential issues are recorded, with an action plan to continuously improve the Council's Governance arrangements.
- The Annual Governance Statement was agreed by Corporate Governance Committee at its meeting 13 July 2017 (minute CGC5/17). The final version was approved in September as part of the Statement of Accounts.
- To maximise good governance the Head of Governance and Legal Services has reported the current progress against the action plan, attached at Appendix A.
- The action plan will be formally updated in the next Annual Governance Statement for 2017/18, when reported to Corporate Governance Committee in May 2018.

3 Recommendations

The Committee note the progress made against the actions identified in the Annual Governance Statement 2016/17.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Mark Buckton - Chairman of Corporate Governance Committee
Report Originator(s)	Anna Goodall – Head of Governance and Legal Services
Contact Officer(s)	Brendan Arnold – Corporate Director & Chief Finance Officer Carol Pilson – Corporate Director & Monitoring Officer Anna Goodall – Head of Governance and Legal Services
Background Paper(s)	CIPFA Delivering Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit regulations 2011 and 2015 FDC Local Code of Governance Annual Governance Statement supporting papers.

Update of governance issues from 2016/17

	Issue Raised	Summary of action	Update
1	<p>Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding.</p> <p>The Council has successfully delivered £9m of savings since 2010 which is over 55% of our revenue budget through partnership arrangements, transformation and modernisation of teams, procurement and income generation. The Council must continue to be prepared to respond to financial challenges and to minimise the impact on Fenland.</p> <p>In 2013/14 Members approved the Council's approach to Service Transformation, to identify further efficiencies as part of the Medium Term Financial Strategy.</p> <p>In 2015/16 Members confirmed the Council's priorities for making future savings through the Comprehensive Spending Review. The Council recognises the potential risks of not making sufficient savings.</p> <p>Developing alternative delivery models, with partner organisations, can bring new risks as well as rewards. Service Transformation is based on the two</p>	<p>The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader, the Finance Portfolio Holder, and Cabinet.</p> <p>The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Central Government funding changes.</p> <p>The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models.</p> <p>The Comprehensive Spending Review initiative was fundamentally important in the development of the Efficiency Plan which was successfully submitted to the Department for Communities and Local Government (DCLG) in October</p>	<p>The Corporate Management Team (CMT) continues to monitor and keep Cabinet apprised of the impact of funding changes. Despite the challenges the Council has demonstrated prudent financial management and reported a surplus on the General Fund in 2016/17.</p> <p>Cabinet considered the draft Medium Term Financial Strategy and General Fund Budget 2018/19 in December 2017, and this was reviewed by the Overview and Scrutiny Panel in January 2018. It highlighted a 8.6% reduction in grant funding for 18/19 (£377k) with further reductions forecast for 2019/20 onwards.</p> <p>Cabinet and CMT continue to identify and deliver in year efficiency savings to ensure a balanced budget is achieved. The entire original savings target of £601,000 for 2017/18 has been achieved. Given the scale of the savings required this is a considerable achievement and demonstrates focus from Cabinet and Officers in delivering a balanced budget</p> <p>The Comprehensive Spending Review initiative was fundamentally important in the development of the Efficiency Plan which was successfully submitted to the Department for Communities and Local Government (DCLG)</p>

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	<p>principles, that the quality of service remains acceptable to the Council and that proposals generate efficiency savings towards the Council's budget gap.</p> <p>Central Government have proposed to localise Business Rates by 2021, replacing the current model. The changes will also end the distribution of core grant, which increases financial risk as Council's become dependent on income which may be susceptible to the impact of short-term economic shocks. The Local Government Finance Bill was not mentioned in this year's Queen's Speech placing uncertainty on arrangements moving forwards</p>	<p>2016. DCLG have subsequently confirmed that the Council is now on multi year settlement, which provides some certainty regarding financial planning. The Council will now deliver the Efficiency Plan as per its submission.</p> <p>The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency.</p> <p>The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities and assurance.</p>	<p>in October 2016. DCLG have subsequently confirmed that the Council is now on multi year settlement, which provides some certainty regarding financial planning.</p> <p>The Cambridgeshire Combined Authority Bid (which Fenland District Council was part of) to become a 100% Business rates Retention Pilot for 2018/19 was unsuccessful. Further information has been sought regarding the lack of success. There will be a further opportunity to bid again for a pilot scheme in 2019/20</p> <p>Service Transformation continues successfully, Cabinet agreed in October 2016 to cease the current Brown Bin Service and implement a self-funding garden waste service by implementing a charge for the collection of Household Garden Waste from April 2017. The service has been successful in its first twelve months of operation in securing the required number of subscribers to ensure the scheme is self funding. Indications remain positive for a similar number of subscribers in 2018/19.</p> <p>During the same meeting Cabinet also agreed for further consideration to be given to the potential future operational management options in relation to the Leisure Service. The project is progressing well in accordance with the project plan.</p> <p>Cabinet agreed in January 2017 to further</p>

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			<p>maximise assets and is committed to leasing additional office space within Fenland Hall to generate income. Office moves are imminent which will realise the additional office space for leasing.</p> <p>Cabinet also endorsed a twelve month pilot in relation to Environmental Enforcement with Kingdom this service delivery model includes shared service with a local authority partner. The pilot project is progressing well with 1221 fixed penalty notices (FPN's) issued since the go live of the project in June 2017 up to and including 31 December 2017. The number of fixed penalty notices paid is an average of 68% up to and including November. Prosecution of cases through the Magistrates' Courts commenced in December 2017. All cases where the fixed penalty notice is not paid will be considered for prosecution. 100% of non payment prosecutions have been successful to date.</p>
2	<p>The Accounts and Audit regulations 2015 replace existing legislation and apply from the financial year beginning April 2015.</p> <p>A key element of the regulations is that the accounts preparation timetable is reduced from 2017/18. Accounts will need to be completed and approved a month earlier. Consequently both Councils and audit firms will need to</p>	<p>The Council has prepared for the new timetable by planning its approach in advance, aiming to complete the 2016/17 accounts to an earlier timescale to ease the transition.</p> <p>Attempting to deliver this target has helped us to identify potential obstacles, and seek</p>	<p>Corporate Governance Committee considered the impact of the Accounts and Audit Regulations 2015 in March 2016 and agreed the approach to meeting the condensed timetable for the preparation, approval and publication of financial performance information.</p> <p>The Council continues to work with the</p>

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	<p>change their processes and business models accordingly.</p> <p>The change has the potential to reduce the burden of the closure process and enable more resources to be focussed on in-year financial management. However resources will need to be committed to redesigning established processes to achieve this.</p>	<p>opportunities to develop improved processes. This will help ensure the Council is in a robust position for the new revised timetable which applies from the 2017/18 accounts.</p> <p>Officers will work with the appointed external auditors, to agree on planned approaches and to build capacity into work planning for any new working methods, which will help prepare for the new timescales for accounts preparation.</p> <p>Officers will work with peers and professional networks to identify good practice and alternative processes.</p>	<p>external auditors EY to deliver a coherent and timely accounts closure.</p>
3	<p>CIPFA and SOLACE have issued revised Framework for Delivering Good Governance in Local Government and this applies to Annual Governance Statements prepared for the financial year 2016/17 onwards. The purpose of the Framework is to help Local Government take responsibility for developing and shaping an informed approach to governance. This includes directing resources according to priorities, having sound and inclusive decision</p>	<p>The Local Code of Governance and Annual Governance Statement will be reviewed to ensure that it follows the both best practice and the revised Framework for Delivering Good Governance.</p>	<p>The Annual Governance Statement has been reviewed to ensure that it follows the best practice and the revised Framework for Delivering Good Governance. Work to review the current Code of Governance endorsed by the Corporate Governance Committee in 2006/07 will be undertaken to establish if an update is required to ensure compliance with the CIPFA and SOLACE framework.</p>

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	<p>making, and having clear accountability in order to achieve desired outcomes for service users and communities. The Framework is reviewed periodically to ensure that it remains fit for purpose.</p>		
4	<p>The Council must be prepared to address any impacts that may arise as a result of changes in regulation, legislative powers and national policy.</p> <p>Examples that could affect governance arrangements with the 2017/18 financial year include:</p> <ul style="list-style-type: none"> • The Accounts and Audit regulations 2015 which updates requirements for publishing financial statements. • Reforms to the New Homes Bonus and Business Rates • The Apprenticeship Levy and the impact on managing the workforce establishment • The Cambridgeshire and Peterborough Devolution agreement • Central Government policy on encouraging more starter homes as an affordable housing option • The UK's negotiations and exit from the EU following the referendum on the 23rd June 	<p>The Corporate Management Team will respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes.</p> <p>Plans will be put in place to implement any new legislation.</p>	<p>The Corporate Management Team (CMT) continues to monitor and keep Cabinet apprised of the impact of legislative changes.</p> <p>The risk from legislative change is recorded in the Council's Corporate Risk Register, and will continue to be monitored and reported as new risks are identified.</p> <p>Corporate Governance Committee considered the Accounts and Audit Regulations in March 2016 and agreed the proposed approach and associated project plan in order to meet the revised timescales.</p> <p>Cabinet considered Selective Licensing in January 2017 and agreed to defer this item in order that a task force is set up Chaired by the Portfolio Holder for Health and Wellbeing. The Task Group has completed their review and will feedback to the Overview and scrutiny Committee in February 2018 who will make recommendations to Cabinet.</p>

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	<p>2016.</p> <ul style="list-style-type: none"> • The General Data Protection Regulations 2017 • Referendum limits in relation to Council tax increases have risen from 2% to 3% 		<p>Council considered and agreed the Devolution proposals in November 2016. The final legislative order was published in April 2017. The Leader of the Council is a Member of the Combined Authority Board.</p> <p>Two Members from each of the constituent Councils are members of the Combined Authority Overview and Scrutiny Committee the political proportionality of which reflects the whole area. Furthermore one Member from each constituent Council is a member of the Combined Authority Audit Committee. Nominations for roles were considered by Council in February 2017</p> <p>Central Government has approved legislation that triggered article 50 of the Lisbon Treaty, and negotiations are underway nationally regarding a deal post Brexit. CMT will continue to monitor progress of the proposals and update Members when implications and local impacts are further understood.</p> <p>Work to ensure compliance with GDPR is progressing well with the Information Asset Register and associated action plans being finalised.</p>
6	The Council could face potential increased costs and financial liabilities	The Chief Finance Officer is working with the LGPS actuary	The Corporate Management Team (CMT) continues to monitor and keep Cabinet

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	<p>connected to the Local Government Pension Scheme (LGPS) and the Pilots' National Pension Fund (PNPF).</p> <p>The LGPS is currently working through its triennial revaluation, which will impact the 2018/19 financial year. The results of the revaluation could lead to an increase in employer contributions and annual deficit repayments. The fund's actuary is undertaking the modelling for the revaluation and the results are due later in the year.</p> <p>In November 2016, because the Council no longer had any active members in the PNPF, or was likely to have in the near future, the Council triggered a 'cessation event' with the PNPF. Consequently, this will result in a lump sum being due to the PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules. .</p>	<p>to understand the assumptions and modelling being used to the revaluation. The Chief Finance Officer will work with the actuary and other finance colleagues in Cambridgeshire to try and minimise any cost increases to Fenland arising from the revaluation. Cabinet and Council will approve any changes as part of the Council's budget process.</p> <p>A new reserve was created in June 2015 for the PNPF to provide funding towards any further future financial liabilities. This reserve has been contributed to further during 2015/16 and 2016/17 which now means a total of £2.35m has been set aside for the repayment of the S75 debt liability.</p> <p>The Council has been notified by the PNPF that the likely exit payment will be of the order of £1.9m. Formal notification of the payment if due imminently. Provision has been made for</p>	<p>appraised of the impact of the PNPF.</p> <p>Corporate Governance Committee received an update in December 2016 confirming that the S75 debt had been triggered as the District Council no longer has anyone paying into the scheme. The Council continues to strive to pay off the debt as well as removing any future liability. The reserve for the PNPF currently stands at £2.35m. The extent of the outstanding debt has been confirmed as £1.95m. The external Auditors are aware of the issue. We continue to work with the Treasury to understand whether a capitalisation directive can be approved by Ministers, which would effectively allow the Council to borrow to fund the lump sum due. Borrowing to fund revenue expenditure is not normally allowed however in exceptional circumstances DCLG in conjunction with HM Treasury can give approval.</p>

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		<p>this exit payment in 2016/17 accounts, funded from the PNPf reserve.</p> <p>The external Auditors are aware of the issue. We are working with the Treasury to understand whether a capitalisation directive can be applied.</p> <p>Members will be updated on both pension funds throughout the year, as and when appropriate.</p>	