


Agenda Item No:	10	
Committee:	CORPORATE GOVERNANCE	
Date:	19 JUNE 2018	
Report Title:	ANNUAL GOVERNANCE STATEMENT 2017/18	

1 Purpose / Summary

- 1.1 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.

2 Key issues

- 2.1 The Accounts and Audit Regulations have been updated to bring them closer to corporate governance requirements in the private sector, and elsewhere in the public sector. The latest version applies to the financial year beginning on 1st April 2016. Within the regulations, there is still a requirement to produce an AGS which should be approved in advance of the statement of accounts. The AGS should be prepared in accordance with proper practices, which reflects the approach already adopted by this Council.
- 2.2 The principles of good governance contained with the CIPFA Guidance on Delivering Good Governance (2016 Edition) have been reflected in the AGS. The guidance outlines the following principles for achieving good governance;
- Behaving with integrity,
 - Demonstrating a strong commitment to ethical values and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to achieve the intended outcomes;
 - Developing the entities capacity;
 - Managing risks and performance through robust internal control and strong public financial management and
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.3 The Corporate Governance Committee approved a Local Code of Governance for the Council (minute CG22/06). This set out the Policy within which a framework for governance of the Council is monitored.
- 2.4 Each year a statement is produced which assesses compliance of the Council's actual governance arrangements with the themes within the Local Code of Governance. This statement is commonly referred to as the Annual Governance Statement, which itself

includes “Governance Issues” arising in the year to which it refers and an action plan to address those issues. Appendix A provides an update on actions taken for the “Governance Issues” from 2016/17.

- 2.5 The assurance framework map at Appendix B illustrates the typical sources of information for evidencing compliance with the Council’s Local Code of Governance. This provides continual monitoring throughout the year via performance management, risk management and budgetary control.
- 2.6 An Annual Governance Statement has been produced for the year 2017/18 and is included at Appendix C. This summarises the position for the year in respect of governance and internal control, and again highlights any “Governance Issues”.
- 2.7 The statement is signed by the Chief Executive, Chief Finance Officer and Leader of the Council as further assurance of the standard of governance that has been achieved by the Council. The statement must accompany the Council’s financial statements.

3 Recommendations

The Committee considers the content of the Annual Governance Statement and approves its content for inclusion in the Council’s published statement of accounts 2017/18.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	N/A
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 Addendum to Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit Regulations 2015 FDC Local Code of Governance

Appendix A: 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</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</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</p>

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	<p>Transformation is based on the two 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>Communities and Local Government (DCLG) in October 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>Communities and Local Government (DCLG) 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</p>

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			<p>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 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 1709 fixed penalty notices (FPN's) issued since the go live of the project in June 2017 up to and including 31 March 2018. The number of fixed penalty notices paid is an average of 69%. 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	The Accounts and Audit regulations 2015 replace existing legislation and apply from the financial year beginning April 2015.	The Council has prepared for the new timetable by planning its approach in advance, aiming	Corporate Governance Committee considered the impact of the Accounts and Audit Regulations 2015 in March 2016 and agreed

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	<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 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>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 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>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 external auditors EY to deliver a coherent and timely accounts closure.</p> <p>The Council will meet the new challenging timescales for the 2017/18 accounts and will publish its draft Statement of Accounts by 31 May 2018.</p>
3	CIPFA and SOLACE have issued revised Framework for Delivering Good Governance in Local Government and	The Local Code of Governance and Annual Governance Statement will be reviewed to	The Annual Governance Statement has been reviewed to ensure that it follows the best practice and the revised Framework for

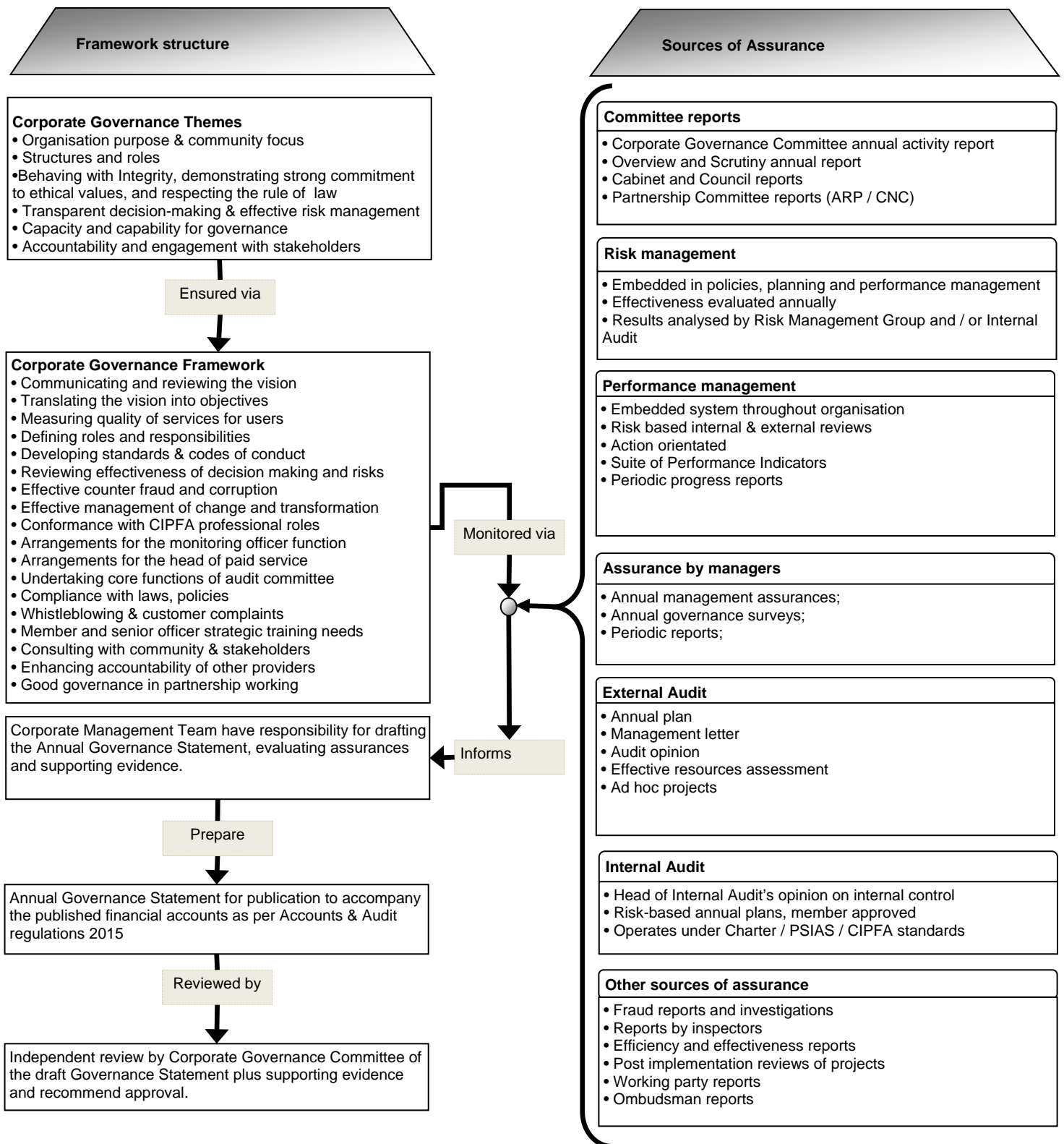
	Issue Raised	Summary of action	Update
	<p>this applies to Annual Governance Statements prepared for the financial year 2016/17 onwards.</p> <p>The purpose of the Framework is to help Local Government take responsibility for developing and shaping an informed approach to governance. This includes directing resources according to priorities, having sound and inclusive decision 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>	<p>ensure that it follows the both best practice and the revised Framework for Delivering Good Governance.</p>	<p>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>
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 	<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</p>

	Issue Raised	Summary of action	Update
	<p>agreement</p> <ul style="list-style-type: none"> • 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 2016. • The General Data Protection Regulations 2017 • Referendum limits in relation to Council tax increases have risen from 2% to 3% 		<p>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 findings from the task group and improvement plan were approved by Cabinet in March 2018 which launched the current public consultation exercise. The Housing Enforcement Policy is being considered by Overview and Scrutiny in May 2018 as part of the public consultation approach with the final proposed policy being considered by Full Council in July 2018.</p> <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 and May 2018.</p> <p>Central Government has approved legislation that triggered article 50 of the Lisbon Treaty, and negotiations are underway nationally</p>

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			<p>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>
5	<p>The Council could face potential increased costs and financial liabilities 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</p>	<p>The Chief Finance Officer is working with the LGPS actuary 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</p>	<p>The Corporate Management Team (CMT) have monitored and kept Cabinet apprised 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 extent of the outstanding debt has been confirmed as £1.95m and this has now been paid by the Council funded by the PNPF Reserve. The external Auditors are aware of the issue.</p> <p>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, if approved this would effectively release the PNPF Reserve to be used on other Council priorities into the future.</p>

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	<p>PNPF as a result of the statutory S75 debt calculation together with a payment due in accordance with fund rules.</p>	<p>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 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>	

Appendix B: Assurance Map



Appendix C: Annual Governance Statement



1 Scope of responsibility

Fenland District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, 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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Fenland District Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

Fenland District Council has approved and adopted a 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 our website at www.fenland.gov.uk or can be obtained from the Chief Finance Officer. This statement explains how Fenland District Council has complied with the code and also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

2 The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. 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 services and value for money.

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 on-going process designed to identify and prioritise the risks to the achievement of Fenland District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Fenland District Council for the year ended 31 March 2018 and up to the date of approval of the annual performance report and statement of accounts.

3 The governance framework

Fenland District Council has a responsibility for ensuring a sound system of governance to meet statutory requirements requiring public authorities to adhere to proper practices in reviewing the effectiveness of their system of internal control and preparing an annual governance statement.

This governance statement meets that requirement and sets out brief details of the arrangements that the Council has in place regarding the key systems and processes comprising the Council's governance framework, which incorporates the Local Code of Governance adopted by the Council covering six core principles and the accompanying supporting principles contained within the "CIPFA/SOLACE Framework for delivering good governance in Local Government (2016 Edition)".

Elements of the framework

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

Communicating vision

The Corporate Planning Framework of the Council ensures the delivery of services and projects to improve quality of life for Fenland residents. Partners, through the Fenland Strategic Partnership, meet and establish priorities for delivery to address the statutory duty of promoting the well-being of the district.

The Council, through its [Business Plan](#) establishes its objectives by consultation with its key partners and the public as well as with reference to statutory duties, local needs and national priorities. The Business Plan communicates the Council's vision of its purpose and intended outcomes for citizens and service users.

Reviewing the vision

The Council's capacity to deliver its vision is reviewed within service and project plans that support the Business Plan each year. Service quality is measured via customer communication channels and by measurement of performance indicators. Testament to the high quality service the Council provides is the achievement of corporate Customer Service Excellence. CMT and managers, as well as the Council's Policy and Communications Team and Overview and Scrutiny Committee review processes for efficient and effective use of resources.

Translating the vision into objectives

The Business Plan has corporate priorities which are then cascaded down to team priorities. Achievement of corporate priorities is monitored regularly via the performance monitoring framework and monitoring reports to Portfolio Holders, the Overview and Scrutiny Committee and Full Council. Progress against intended outcomes is reported in the Council's Annual Report.

Measuring quality of services for users and value for money

The Council's Business Plan drives the medium term financial strategy and resource allocation. Measures of service delivery against the corporate priorities are determined, which measure factors such as quality and efficiency and effective use of resources. These measures are jointly monitored on a monthly basis through Cabinet/CMT Portfolio Holder briefings and scrutinised by the Overview and Scrutiny Committee and Council. The key performance information of the Council, plus summary financial information, is captured in the [Annual Report](#).

A commitment to continuous improvement is achieved through training, consultation, performance measurement, complaints and comments.

The Council utilises internal and external inspections to inform the performance standards and methods of operation for its key services. Customer Service Excellence accreditation has in particular helped to ensure high standards of customer care and staff development.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers in accordance with prescribed and best practice guidelines from professional bodies and institutions. Examples include:

- Comprehensive budget setting systems.
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- A Medium Term Financial Strategy.
- Clearly defined capital expenditure guidelines, authorisation and monitoring.
- Where appropriate, formal project and risk management disciplines.

Defining roles and responsibilities

The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution details Member structures and roles, including relationships to Senior Officers. It enables determination of delegated and reserved powers and details those matters reserved for collective decision of the Council. Committee Rules of Procedure enable Committee Members to have access to relevant information and officers to support decision-making. The Overview and Scrutiny Committee has the power of call-in, entitling it to recommend re-consideration of decisions made, but not implemented. The Corporate Governance Committee has responsibility for reviewing governance arrangements.

Developing standards & codes of conduct

The Council has in place the Code of Conduct for Council Members. All Council Members are required to sign a registration of interests within 28 days of their acceptance of office. A standing item of all Council meeting agendas is the item requiring declaration of interests.

The Council has in place a Conduct Committee and a Monitoring Officer to promote and maintain high standards of conduct by members.

There is a staff Code of conduct, Capability and Disciplinary procedure, Anti-fraud and corruption policy, Whistle blowing policy, Values statement and Competency framework. The Human Resource Services of the Council monitor effectiveness of staff codes for conduct.

Reviewing effectiveness of decision making

The Council has a robust and comprehensive performance management framework in place that ensures monitoring on performance, finance and risks in relation to achievement of service and corporate priorities. The process ensures inclusion of Corporate Management Team and Cabinet Members. The Council has a Policy and Communications team to enhance the control environment by ensuring the accurate and timely measurement and management of key performance indicators and data quality in performance information.

The Council identifies its key systems and ensures that robust continuity and risk management arrangements exist, to maintain delivery of key services and financial systems

Reviewing effectiveness of managing risks

The Council has a Risk Management Strategy and Standard that has enabled the monitoring of risk within projects, Service Plans, performance management, financial planning, policy setting and decision making. The Council has a balanced risk appetite that allows new ideas to be explored and encourages innovation. The Risk Management Framework enables risks to be escalated to an appropriate authority in the organisation to be managed. In January 2017 the Corporate Governance Committee had a briefing on the Council's approach to risk management which proposed some changes including quarterly reporting to the committee, in addition the Risk Management Strategy is reviewed annually by Corporate Governance Committee. The Council have a Risk Management Group who are responsible for highlighting, assessing risks and applying a Red, Amber, Green (RAG) status to risks for consideration by the Corporate Management Team and ultimately by the Corporate Governance Committee.

The Council has a Port Marine Safety Code to manage potential major risks related to Marine Services. It is linked to the Councils Business Continuity Plan and is regularly updated. A Port Management Group is responsible for monitoring and managing safety issues and a Duty Holder and Designated Person is appointed to review the safety management system and associated risks.

Effective counter fraud and corruption

The Council has an Anti-fraud & corruption strategy and policy to ensure effective counter-fraud and anti-corruption arrangements are developed and maintained. Arrangements are evaluated against best practice guidance from professional bodies such as CIPFA Counter Fraud Centre, the National Audit Office and the National Crime Agency. The policy is reviewed for effectiveness annually by the Corporate Governance Committee.

Effective management of change and transformation

The Corporate Management Team is responsible for managing risks from imposed legislative and economic change, and identifying opportunities to improve service delivery.

The Council has developed a number of successful partnerships and shared service arrangements, and continues to seek innovative opportunities to be efficient through Service Transformation, modernising our business processes with the effective use of technology and the Council's internal Comprehensive Spending Review. The strategic approach to modernisation and transformation is based on maintaining or improving services by reviewing processes and changing the way they are delivered.

Where appropriate these are managed by the Council's performance management framework and corporate risk management framework.

CIPFA Statement on the Role of the Chief Financial Officer in Local Government

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

CIPFA Statement on the Role of the Head of Internal Audit

Fenland District Council operates arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Internal Audit Team operates to the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards'.

Undertaking core functions of audit committee

The Council has a Corporate Governance Committee that reports annually to Council. Their purpose is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The Committee meets at least four times a year to deliver its core functions. This includes key duties, set out within the Council's constitution, which enables it to act as the principle non-executive advisor to the Council. The Committee follows best practice established by CIPFA, and demonstrates delivery of its core functions, its effectiveness and independence by reporting annually to Council.

Arrangement to discharge the Monitoring Officer function & Head of Paid Service

The Council's statutory officers are the Head of Paid Service – the Chief Executive, the Corporate Director & Chief Finance Officer and the Corporate Director & Monitoring Officer. They are responsible for ensuring that the Council operates within the law and in accordance with established policy and procedure.

Compliance with relevant laws and regulations, policies and procedures

The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Chief Finance Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise Members where any proposal is unlawful, or where expenditure is likely to exceed resources.

The Corporate Management Team has responsibility for ensuring that legislation is implemented and complied with within service areas. Assurance that this is achieved is obtained from Internal Audit reviews, the work of the Council's Legal Service provision, external inspector's reports, review of complaints and ombudsman's reports and self-assessments completed by the Corporate Directors of the Council.

The Council have a comprehensive project plan with a dedicated team to successfully achieve compliance with General Data Protection Regulation (GDPR). We also successfully published the BrownField Register by the required deadline 31 December 2017.

Whistleblowing & customer complaints

The Council maintains and promotes a corporate whistleblowing policy that is regularly reviewed against best practice such as British Standards Institution PAS (Publicly Available Specification 1998:2008 Whistle Blowing Arrangements – Code of Practice) and guidance from Public Concern at Work.

The Council operates a '3Cs' process which monitors the number of Compliments, Correspondence and Complaints received and the time it taken to respond. Monitoring this information helps identify trends and enables the Council to provide an efficient service by adapting our service to the customer's needs.

Member and senior officer strategic training needs

The development of member and officers skills in relation to their roles is monitored and ensured via training and awareness sessions throughout the year identified from induction and through the staff annual appraisal system, which is linked to Corporate and Service Planning.

The Council promotes and provides regular training in respect of its Financial Regulations and Code of Procurement to aid financial control and effective expenditure.

The Council is committed to continued development of its employees and training and development forms an intrinsic aspect of the annual appraisal process.

Consulting with community & stakeholders

The Council completes both statutory and non-statutory consultation. It ensures that there are channels for communication, consultation and feedback, with all sections of the community and stakeholders. Additionally they can feedback on the Council's decisions and performance, in line with Customer Service Excellence standards which are regularly assessed.

The Council uses these channels, such as the website, community hubs, to consult on activities relevant to the community including planning, licensing, policy development. A revised and updated Corporate Consultation Strategy was considered by the Overview and Scrutiny Committee following which amendments were made prior to agreement by Cabinet.

Enhancing accountability and effectiveness of other providers

The Council works in partnership with other public sector bodies to share experience and bring local perspective to cross cutting work in Cambridgeshire. This helps to enhance the accountability for service delivery and effectiveness of other public service providers.

Good governance in partnership working

The Council has developed a number of successful partnerships and shared service arrangements. Examples include efficient delivery of services through the Anglia Revenues Partnership, Home Improvement Agency, CNC Building Control, shared planning and development with Peterborough, Bedford Borough Council Payroll Service; and effective use of assets by sharing accommodation with other Public Sector Organisations through Community Hubs and Fenland Hall, a Shared Audit Manager with Kings Lynn and West Norfolk District Council as well as a current pilot with Peterborough City Council and Kingdom in relation to enforcement.

The Governance Framework extends into the Council's relationships with its key partners and provides assurance as to the performance and achievement of shared objectives and intended outcomes. Performance is published in the Council's annual report, Overview and Scrutiny reports and Full Council reports.

4 Review of effectiveness

Fenland District 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 Corporate Management Team and Management within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. The following actions and processes have been applied in maintaining and reviewing the effectiveness of the system of internal control over the last twelve months:

Council

The Council has agreed a number of policies and corporate documents that help deliver its vision and priorities in 17/18:

- Consideration of the Rate Relief Policy Amendment to enable the Council to take advantage of the Central Government discretionary fund to support businesses which faced the largest proposed rate rise due to re-evaluation
- Council considered the Fenland Health and Wellbeing Strategy 2018 – 2021 and the implementation of the East Cambs and Fenland Living Well Partnership. The Strategy is vitally important as it identifies the Council's important role in influencing the wider determinants of health, including an associated delivery plan which clearly outlines how our services support health outcomes.
- The Medium Term Financial Strategy has been reviewed and updated and is embedded in the business planning process. Additionally, the Council has approved treasury and investment strategies, the General Fund budget and Council Tax levels as well as the Treasury Management Annual Report.
- The Council Tax Support Scheme was reviewed and approved following public consultation and review by Overview and Scrutiny.
- Council received and approved annual reports from Overview and Scrutiny and Corporate Governance Committee in line with their terms of reference outlining achievements from the previous year.
- Council approved the consultation submission in relation to the Parliamentary Constituency review undertaken by the Boundary Commission for England.

The Council has maintained its capacity and capability to be effective through ongoing reviews of governance arrangements:

- The membership of Committees and panels and outside bodies, and positions of Chairman and Vice Chairman, was approved for the municipal year in accordance with political proportionality rules. Council also approved membership of positions on the Combined Authority to ensure effective representation on this body.

Cabinet and Corporate Management Team

Ongoing delivery of the Comprehensive Spending Review throughout 2017/18 has placed the Council in a healthy financial position. Effective financial control resulted in the

Council responding to budgetary changes, and achieved an under-spend in the revised General Fund budget. Cabinet considered the provisional outturn position for 17/18 on 14 May 2018. This stated that the Council's provisional General Fund services net under-spend is £935,000 for the financial year 2017/18. Cabinet agreed to transfer £600,000 to the Capital Contribution Reserve and £335,000 to the Management of Change Reserve

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 2016. DCLG have subsequently confirmed that the Council is now on multi year settlement, which provides some certainty regarding financial planning until 2019/20.

The Council has benefited from the growth in business rates and through sharing services with a number of partners including Anglia Revenues Partnership. Significant planned efficiencies have been delivered, plus continuous improvement is being considered through Service Transformation and the Comprehensive Spending Review.

The Corporate Management Team has ensured a robust and resilient budget for the following year. Within the year the Portfolio Holder for Finance, and the Cabinet, have received regular budget monitoring reports showing the Council's financial performance.

The Cabinet and Corporate Management Team have ensured maintenance of acceptable standards in financial reporting, standing and control as reported upon by the Council's external auditors.

Appropriate arrangements are in place for delivering member training. The staff and councillor induction process continues to encompass statutory obligations and identification of further induction training specific to individual services and roles.

The Corporate Management Team has ensured data management and security standards, and has committed to sharing data lawfully with other public sector bodies to improve outcomes for Fenland's residents through the Cambridgeshire and Peterborough Information Sharing Framework. Extensive work has been undertaken to evidence the organisations compliance with General Data Protection Regulation.

A number of key decisions were made that both communicated and reviewed the Council's vision and translated these into priorities for the Council and its Partnerships. This demonstrated a commitment to good governance, and included approving and reviewing policies and reports:

- Business Plan 2017-18;
- Annual report;
- Council Tax Support Scheme;
- Fees and charges 2017-18;
- Leisure Strategy
- Fenland Enterprise Zones Proposed
- Wisbech Garden Town Proposal
- The introduction of Public Space Protection Orders following extensive consultation.
- The Refreshed Wisbech 2020 Vision Strategy
- The Consultation Strategy
- Capital Programme Update
- Private Rented Sector Housing Member Task and Finish group Findings

- Open Spaces Boat Mooring Management Scheme

Corporate Governance

The Corporate Governance Committee has completed a work plan that helps monitor effective governance throughout. The Committee:

- Approved and monitored the actions for improvement as required in the previous Annual Governance Statement.
- Approved and monitored the Risk Management framework and corporate risk register and recommended changes to how this is reported to Corporate Governance Committee.
- Monitored performance of Internal Audit and approved the risk based internal audit plan and Charter including requesting quarterly update reports in relation to audit.
- Noted the reports of External Audit, such as the Annual Governance Report, Annual Audit Letter, Annual Certification report, in addition to the Internal Audit Service External Quality assessment plus the external audit plan.
- Noted the Regulations of Investigatory Powers Act (RIPA) – Update Report.
- Approved the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy.
- Approved the Statement of Accounts 2016/17.
- Oversaw the maintenance of standards in financial reporting, standing and internal control.
- Endorsed a revised approach to preparation, approval and publication of the Statement of Accounts, in response to the Accounts and Audit regulations 2015, which will apply to the 2017/18 accounts.

Standards, conduct and ethical behaviour

The Council has a Monitoring Officer, and a Conduct Committee, to promote and maintain high standards of conduct by members. The Committee and the Monitoring Officer have:

- Dealt with informal and formal complaints against Councillors as per the Council approved conduct process.
- Ensured compliance with requirements for declarations of interest.
- Provided advice on conduct matters.
- Maintained a framework for identifying and implementing new legislative requirements upon the Council.
- Supported Members to make updates to the Constitution.

Overview and Scrutiny

The Overview and Scrutiny Panel have:-

- Completed reviews of Council activity, in order to ensure effective and efficient service delivery and policy design, such as the Local Council Tax Support Scheme, Draft Business Plan, Medium Term Financial Strategy and Fees &

Charges, the revised Health and Wellbeing Strategy, the revised Consultation Strategy.

- Regularly reviewed the progress in delivering performance objectives of the Corporate Plan.
- Scrutinised external partners including Fenland Community Safety Partnership, the Police, Clarion Housing Association in addition to the Anglia Revenues Partnership.

Staff Committee

The Council has considered organisational policies and management through the Staff Committee including:

- Proposed service reviews to ensure minimum impact on front line services and priorities, whilst delivering required savings.
- Considered an increase in Planning Services resources
- Health & Safety performance, which noted a continued low volume of accidents reported.

Internal control

The Corporate Director & Chief Finance Officer has:

- Ensured provision of timely, accurate and impartial financial advice and information to assist in decision making.
- Maintained and reported to Council the Treasury Management Strategy and legislative changes.
- Ensured arrangements are maintained for keeping under review appropriate management accounting systems, functions and controls.
- Reviewed, in conjunction with line management, the effectiveness of Internal Audit against the standards set out in the CIPFA 'Application note for Local Government' which is based on the IIA 'Public Sector Internal Audit Standards'.
- Managed the impact of localisation of business rates and council tax benefit.
- Reported the Medium Term Financial Strategy, Revenue Budget and Capital Programme.
- Prepared and reported the Statement of Accounts 2016/17.
- Provided an overview of legislative changes and prepared for the revised accounting timetable of the Accounts and Audit Regulations 2015.

Internal Audit has:

- Performed reviews of key services and financial procedures of the Council and reported to the Corporate Governance Committee, advising as to the level of assurance that can be applied to the Council's control framework.
- Investigated allegations or suggestions of fraud or corruption and suggested revisions to improve systems for prevention and detection of such activity.
- Provided risk management and business continuity training to staff.

- Promoted good standards of information governance, and supported the Countywide Information Sharing Framework.

The opinion on internal control from Internal Audit will be reported to the Corporate Governance Committee on 19th June 2018 in the Internal Audit outturn report each year. The opinion for 2017/18 is expected to report that there is “adequate assurance as to the adequacy and effectiveness of internal controls in mitigating risks to the Council’s objectives”. The report is likely to include assurance that Management have adopted plans for improvement in control where necessary and within appropriate timescales that will be followed-up to ensure further improvement is delivered.

Reviews by external inspectors:

The externally appointed auditors, Ernst & Young, issued a governance report as at September 2017 which provided an unqualified opinion on the 2016/17 statement of accounts. The report praised the management and staff of the Council, and reflected positively on the co-operation, quality of working papers and timeliness of provision of information.

This positive assurance was followed up by the Annual Audit letter which states an unqualified opinion that the Council made proper arrangement to secure economy, efficiency and effectiveness in its use of resources.

The Council continues to demonstrate compliance against the Customer Service Excellence standard, the UK Government's national standard for excellence in customer service. The standard demonstrates our culture and behaviours, and that we engage with customers and partners, and deliver effective use of resources.

The Investigatory Powers Commissioner's Office (IPCO) undertook an inspection of the councils Regulation In Investigatory Powers Act (RIPA) policy and procedures. This takes place every three years. The IPCO were satisfied with procedures undertaken by the Council in respect of RIPA and recommended some minor adjustments to the RIPA policy.

Internal Audit was subject to an external quality assessment. The external assessment was a validation of Fenland District Council's self-assessment of conformance to the Public Sector Internal Audit Standards (PSIAS) and was completed by an assessor from CIPFA. The assessment was a positive experience and the assessor confirmed that the Internal Audit service generally conforms to the requirements of the PSIAS, the highest rating that could have been achieved.

5 Governance issues and action plan

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

	Issue raised	Summary of action
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 Medium Term Financial Plan presented to Council in February 2018 highlighted the need for further savings of £668,000 up to 2022/23</p> <p>Central government is also undertaking a Fairer Funding Review which will result in changes to Local Government Funding.</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 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>The Corporate Management Team will respond to any consultations from Central Government on future funding.</p>

	Issue raised	Summary of action
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, draft accounts published by 31 May and Audited Accounts approved by 31 July. Consequently both Councils and audit firms will need to 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>Delivering this stretching target has helped us to identify potential obstacles, and seek opportunities to develop improved processes..</p> <p>Officers have worked with the appointed external auditors, to agree on planned approaches and to build capacity into work planning for any new working methods. This has enabled the Council to meet the new challenging timescales for 2017/18 Accounts.</p> <p>Officers will continue to work with peers, professional networks and the external auditors to further refine the closedown process for future years in the light of experience gained this year.</p>
3	<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 2018/19 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 and the Fairer Funding Review. • 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 2016. • The General Data Protection Regulations 2017 and UK Data Protection Bill • Changes resulted from an updated National Planning Policy Framework 	<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 including responding to government consultations.</p> <p>Plans will be put in place to implement any new legislation.</p>

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.

Signed:

Brendan Arnold
Corporate Director and Chief Finance Officer

Signed:

Paul Medd
Chief Executive

Signed:

Councillor Chris Seaton
Leader, Fenland District Council