

Annual Governance Statement

Summary: How our governance arrangements at Maldon District Council underpin delivery of the corporate plan and outcomes.

Maldon District Council has taken the opportunity to refresh its governance arrangements, having completed a full council Transformation programme in 2019/20. As part of this, we have clarified how we track our governance arrangements, and how they support Corporate outcome delivery. For example:

A revision of our Committee structure and associated update to our constitution has taken place as part of the Transformation work.

Quarterly performance and risk reporting have been refreshed and both are being reported to Performance, Governance and Audit committee.

A refresh of delegated responsibilities has taken place to support the new structure and staffing changes, so accountability is clear to officers and members.

We have established a Project Management Office and processes to ensure monitoring and oversight to support delivery of Corporate Projects, with monthly Extended Leadership Team projects board and a corporate approach to benefits realisation.

This activity was all underpinned by a Transformation programme lead by external consultants Ignite, and a full redesign of council service delivery in 2019/20.

Activity has since been followed up with a process improvement workplan to continue to drive efficiency in the council, reviewing our end to end processes and putting new digital customer processes in place to provide better value for money.

Internal audit summary – BDO

We are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- The majority of the audits provided moderate assurance in the design and operational effectiveness of controls, with substantial assurance for the design of controls provided in two instances. However, there were three instances where we provided limited assurance, with respect to the design of controls of IT Disaster Recovery and the effectiveness of controls relating to Main Financial Systems (Accounts Payable, Accounts Receivable and Expenses). The deterioration in assurance over financial controls is a concern and is consistent with the findings of external audit. This appears to be the result of the impact of the transformation programme and there is an action plan to address these issues.
- There are currently two remaining audits with fieldwork in progress. It is unlikely that their outcomes will change the overall audit opinion:
 - Flood Risk Management
 - Corporate Governance

- Some areas of weakness have been identified through our reviews, including opportunities for improvement in the credit control process, the governance of approving Members’ expense claims, IT disaster recovery arrangements and documentation of procurement and contract monitoring activities, particularly relating to older contracts, however the Council is already working to address the issues identified.

Overall, the significant transformation the Council has gone through has presented challenges to the control environment, particularly in Finance. While there remain some gaps and risks, our work has on the whole shown that the Council has generally been able to maintain reasonable controls and, in some areas, such as GDPR and workforce has developed good practice arrangements.

Action plan: What we will do more of in 2020/2021:

In compiling the annual governance statement, we have identified areas for further improvement over the next financial year.

The delivery of the action plan below will be tracked at our Performance, Governance and Audit committee:

Action
Be more performance driven. Focus has been on establishing measures and reporting at an outcome level, the programme for the next year will be to review and revise these measures
Internal balance scorecard reporting has been put together and will start to be used at leadership meetings- enabling swift decision making
Overall PMO reporting and lessons learned utilised at extended leadership team and to inform future budget considerations
A review of the Corporate Risk Register, to map Risk Management to the corporate outcome delivery
Plan the internal audit programme according to the weaknesses in outcome delivery
Monitor and improve commercial income delivery, and tracking the benefits of the Transformation programme
Review our Audit committee arrangements in light of the Redmond review (i.e Performance, Governance and Audit committee)
Analyse our preparedness for the CIPFA financial management code and put necessary measures in place for 2021 https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code
Public involvement and budget consultation as part of our Annual Strategic Cycle
Peer review of our scrutiny arrangements
Governance internal audit actions
Further roll out of risk management training

Background information

Our arrangements for Governance support



At Maldon District Council, our Governance arrangements are underpinned by a mix of business and operational management, oversight and support activities and independent assurance. The activity is fed into the Performance, Governance and Audit Committee and then into full Council.

An analysis of this work and the plan for the following year is what forms the Annual Governance Statement.

Progress made on last AGS actions -

In the 2018/19 AGS no significant governance issues were identified, on the basis of a review of the Council's Corporate Risk Register and Internal Audit reports.

It was felt that because no significant governance issues had been identified, a response in the form of an action plan was not necessary.

As we drive to be a more performance and efficiency focused council, despite governance arrangements moving on and no specific corporate risks and audit actions having been raised over the last year, we are keen to identify further areas for governance improvement. The approach for the report this year has been to analyse the seven key principles of good governance, and drive areas where further work and improvements could take place.

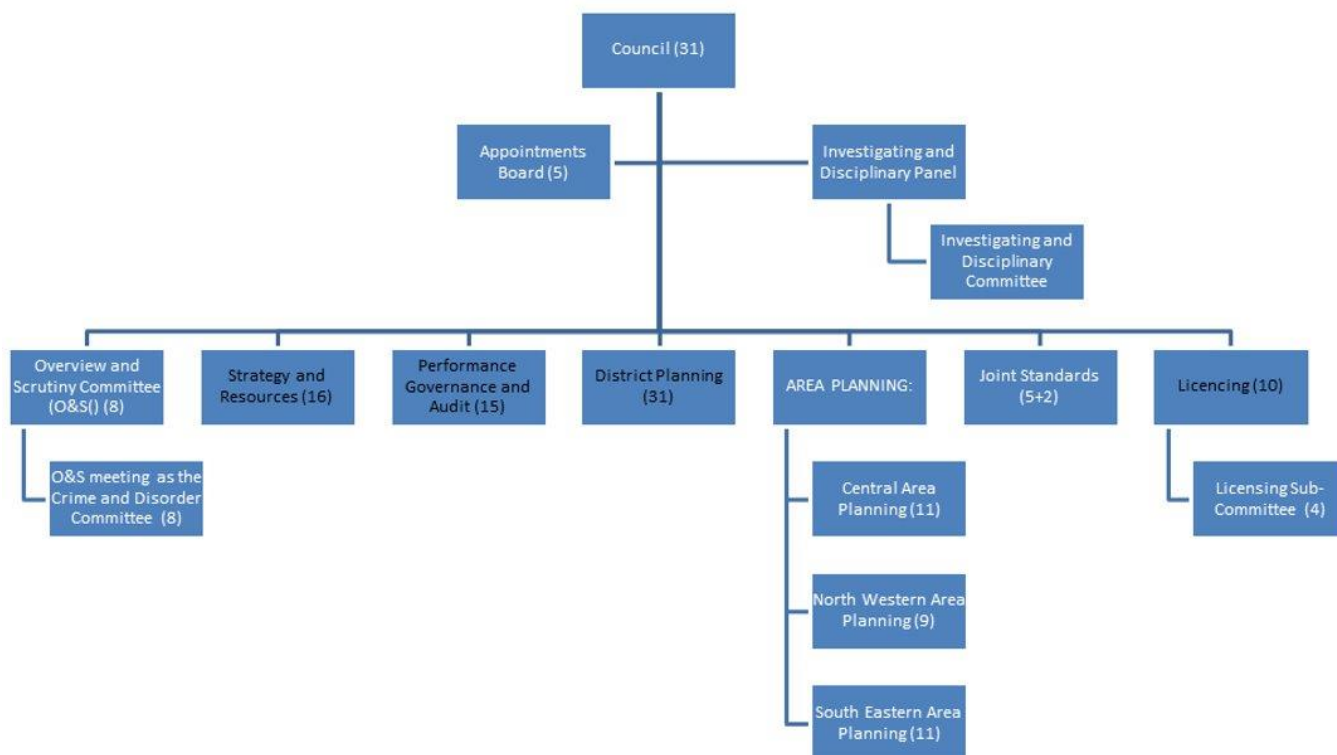
CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance, highlights seven key areas for good corporate governance, as shown in the diagram below:



This year, the following activity has taken place within this Governance Framework:

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

This year we have reviewed and implemented a new constitution and committee structure – the process for doing this included members and officers in a Corporate Governance Working Group, and the new committee structure reflects the Transformation work that has taken place.



A new staff structure has also been put in place as part of a council-wide transformation programme, with three new focused directorates and a move away from silo, subject working.

Our committee structure has a joint standards committee. Two Member and one Parish Councillor conduct complaints were referred and dealt with at this committee in 2019/20.

Updates have been provided to senior managers on our anti-fraud and corruption and whistle blowing policies.

The Council has a Whistle Blowing Policy, which was last reviewed in January 2018 by the Finance and Corporate Services Committee. It sets out the arrangements for employees to disclose allegations of malpractice internally, in relation to staff, Members, contractors, suppliers or consultants in the course of their work for the Council, without fear of victimisation, discrimination or disadvantage.

We launched a Staff survey in December 2019 and received a response rate of 61% and some honest feedback and common themes from staff of areas for management to address. This is being followed up with a 'you said, we did' action plan for staff and has helped senior managers reflect on areas for improvement.

The Council has adopted a number of codes and protocols which set out the parameters for the way in which it operates, in particular a Member/Officer Relations Protocol intended to clarify roles and promote effective communication.

The Council's Financial Regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Council, the Committees, and key officers. The Section 151 Officer (under the Local Government Act 1972), is responsible for ensuring that sound financial management systems are maintained, and

expenditure is lawful and appropriate, and this appointment is normally held by the Director of Resources.

The Council's constitutional arrangements include a Code of Conduct for elected Members based on the Principles of Public Life (the Nolan Principles). This was originally adopted in 2012 and revised in 2016. Officers are subject to a Code of Conduct, the policy for which was adopted with effect from 18 November 2013 and last revised in April 2018.

Registers of gifts and hospitality are maintained for both Members and Officers. A statutory register of interests is maintained for Members, and the staff Code of Conduct requires staff to disclose interests. Periodic reminders are issued about the need to avoid potential conflicts of interest and protocols for the acceptance of gifts and hospitality.

The Council has a series of approved policies and strategies relating to good governance, including, for example, the Code of Corporate Governance, anti-fraud and corruption, whistle-blowing, data quality, Freedom of Information, and corporate equality policies, all of which are accessible via the Council's intranet.

BDO LLP under their remit of Internal Auditors consider fraud as part of their audit workplan. This ensures we conform to the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).

B. Ensuring openness and comprehensive stakeholder engagement

We launched an annual residents survey in October 2019, which was available online, and it was also promoted in the October waste letters that were delivered to all households. Specific questions in the survey are used to measure the delivery of the corporate plan outcomes.

Public are invited to speak at committee meetings.

We have an internal audit plan, which reviews our controls and risk and provides opportunity for improvements to be identified and addressed. In 2019/20 seven internal audits took place for the following areas:

GDPR Compliance

Risk Maturity Assessment

Procurement & Contract Management

IT Disaster Recovery

Key Financial Systems

Workforce Management

Network Security

The Council undertakes consultation with particular interest groups, including our Friends Groups, Parish Clerks' Forum, Developer Forum, Landlord Forum, Business Forums, Community Safety Partnership and Park Watch scheme members.

The Council engages with the appropriate equality groups in order to ensure that it meets its obligations under the Equality Act 2010. The Council produces Equality Impact Assessments (EIA) in line with legislation.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

We have established new quarterly corporate performance reporting template which measures the delivery of the outcomes in the corporate plan.

The Corporate Plan is underpinned by the thematic strategies of:

1. Prosperity
2. Place
3. Community

And align to the economic (Prosperity), social (Community) and environmental (Place) outcomes.

With the adoption of these strategies and new performance reporting that underpin them, we have focussed our outcomes to these three areas.

The Corporate Plan details the vision, goals, objectives and core values that guide the direction, work and achievements of the authority. It is the Council's core internal strategic planning document, from which supporting strategies can be developed and published, including the Medium Term Financial Strategy, ICT Strategy and Workforce Development Plan, all of which underpin the Council's ambition to transform the way it delivers its services in the future.

At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual staff objectives and completion of performance reviews.

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

The Performance, Governance and Audit Committee is provided with a quarterly performance report for delivery of the outcomes. They are invited to challenge and focus delivery of these.

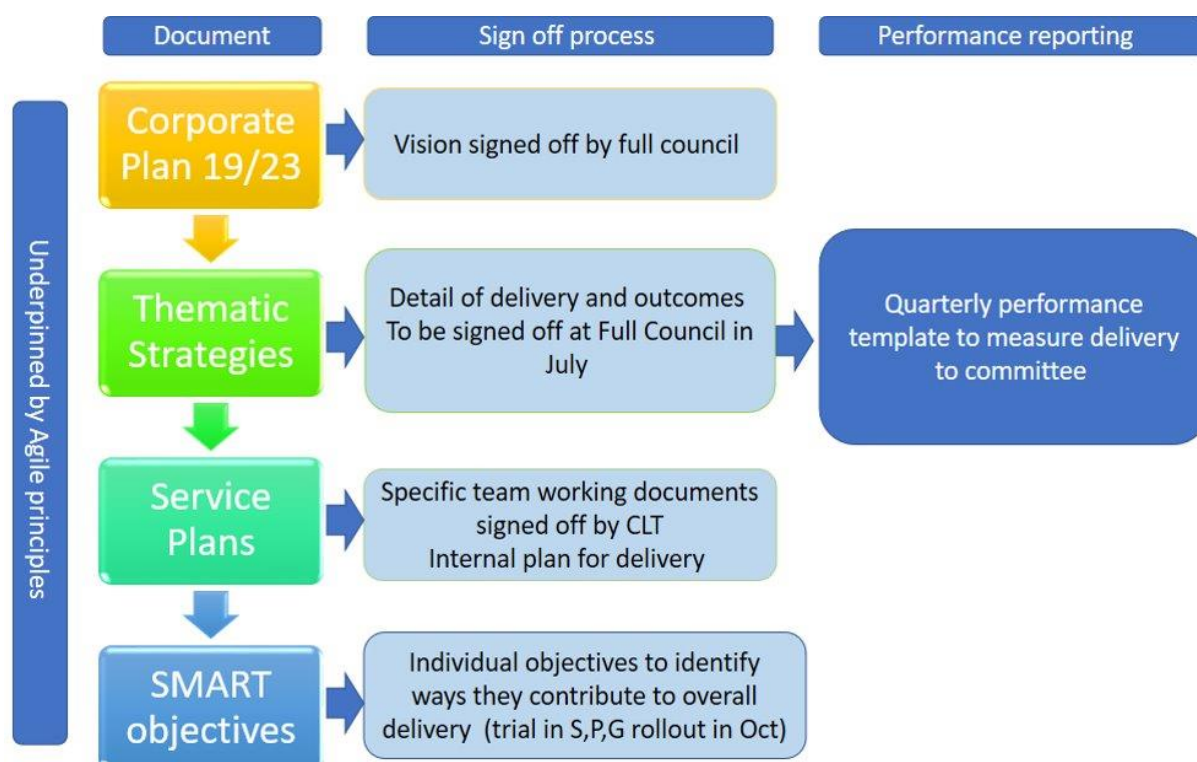
We have revised and adopted a new Risk Management Policy, and will need to do further work to align risk to the delivery of the defined corporate outcomes

The Council has implemented a full council transformation programme referred to as the Future Model over the years 2018/19 and 2019/20 to make savings and raise additional revenue income. The total savings required are £1.89m by 2022/23 when compared to the

2018/19 net budget, of which £1m is being achieved from the salaries cost by reducing the establishment headcount from 219.5 FTE to 181.5 FTE with a new structure. This was in response to the revenue budget gap identified in its Medium-Term Financial Strategy. The Council has also approved a Commercial Strategy that will look to develop an approved list of potential commercial projects to create new or increased revenue streams. The Council is being pro-active and forward looking to ensure its future sustainability and continues to hold robust levels of reserves.

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

We have put in place a new process for linking the Corporate Plan objectives, through to delivery right down to the individual staff. The diagram below shows the steps:



To underpin this, we have also developed and delivered:

- Induction training for new members in May 2019
- Training in September 2019 on new Committee structures and Terms of Reference
- Chair and Vice Chair training to support the new committee structure.
- Budget Training for members.
- Internal Audit and Performance training for the new Performance, Governance and Audit Committee.

- Annual Strategic Cycle training for the Leadership team, and a way to track the items due within this each month.
- Project Management Office training for project managers and the senior leadership team, including measuring project performance and outcome delivery.
- Working with elected member and committee processes training for relevant staff.

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

Maldon District Council has a drive to be more performance-led. This year we have been establishing new performance reporting measures.

A new Risk Management Policy was adopted in November 2019. It addressed actions that were highlighted in a Risk Management internal audit that took place earlier in the year. Additional actions around the roll out and embedding staff awareness of Risk Management have also been taking place to address recommendations.

A Quarterly Corporate Risk register review goes to Performance, Governance and Audit committee.

Risks are a regular item of discussion in the monthly Extended Leadership Team meetings.

One of the most significant risks for the Council is the uncertainty of its future funding. This does not allow the Council to plan its future service delivery with any certainty.

Since the country voted to leave the EU in 2016, the Government has had to redirect its resources to planning for this. As a result of this there have been delays to the implementation of a new Business Rates Retention Scheme (BRRS) for local government and to the implementation of the outcome of the Fair Funding Review. This had a knock-on impact on the Spending Round 2019 announced in September 2019. This was due to be an announcement on the future financial settlement for the next 4 years 2020/21 to 2024/25. However, it was a one-year settlement announced for 2020/21. This was so that a new 4-year settlement could be aligned with the start of the new BRRS and the Fair Funding Review outcome and also the business rates revaluation that was planned for 2021. The delay in a 4-year settlement along with all the uncertainties around what the BRRS and Fair Funding Review outcome would look like has given local authorities no framework within which to work over the medium term. This in itself has presented a huge financial risk over the medium term.

The Council is in a good position to address this uncertainty due to having had sound financial management and planning in place. It has managed to build up a prudent level of reserves to enable it to manage the medium-term uncertainty. The Council will be responding to all Government consultations to ensure the interests of the Council and our residents are strongly represented.

There is also continued uncertainty over impact on the Council that the departure of the UK from the European Union on 31 January 2020 will have, but the Council will be monitoring

all developments during the year to ensure any potential financial impacts on the Council are anticipated.

However, the impact of Brexit has been overshadowed by the global pandemic COVID-19 which was first identified in China in December 2019. This has spread through the world infecting millions and the death toll has been statistically very high. The response of national governments has been to put their countries in lock-down and as at May 2020 the UK, along with countries throughout the world, find itself in unprecedented times. In response the government has provided financial support to businesses and individuals like never before. Local government has been working to deliver Central Government policies and legislation e.g. paying out grants to small businesses and businesses in the retail, hospitality and leisure industries as the Government has locked down the country. Local government has needed to deliver what is required to respond to the pandemic and is in an uncertain position with losses in income as income generating services have been closed or heavily impacted e.g. car parking. To date the Government have paid the council a grant of £672k to fund COVID-19 pressures although there is still a significant gap between this and the actual financial impact on the council.

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

All committee meetings are open for the public to attend.

This year we have revised the quarterly performance reporting to align it to the corporate outcomes defined in the Corporate Plan

<https://democracy.maldon.gov.uk/documents/s18857/Appendix%201.pdf>

Members are invited to review the performance information and challenge where they feel delivery of the Corporate Plan outcomes is at risk. The internal process around producing this performance documentation also allows greater visibility for the senior managers around how staff are progressing agreed action plans.