

# **Lewes District Council**

## **Annual Governance Statement**

### **Responsibility**

Lewes District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It also needs to ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **What is governance?**

Governance is about how the council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which the council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Lewes District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website ([www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance](http://www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance) )

This statement explains how the council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

### **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. 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 ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

## **The Governance Framework**

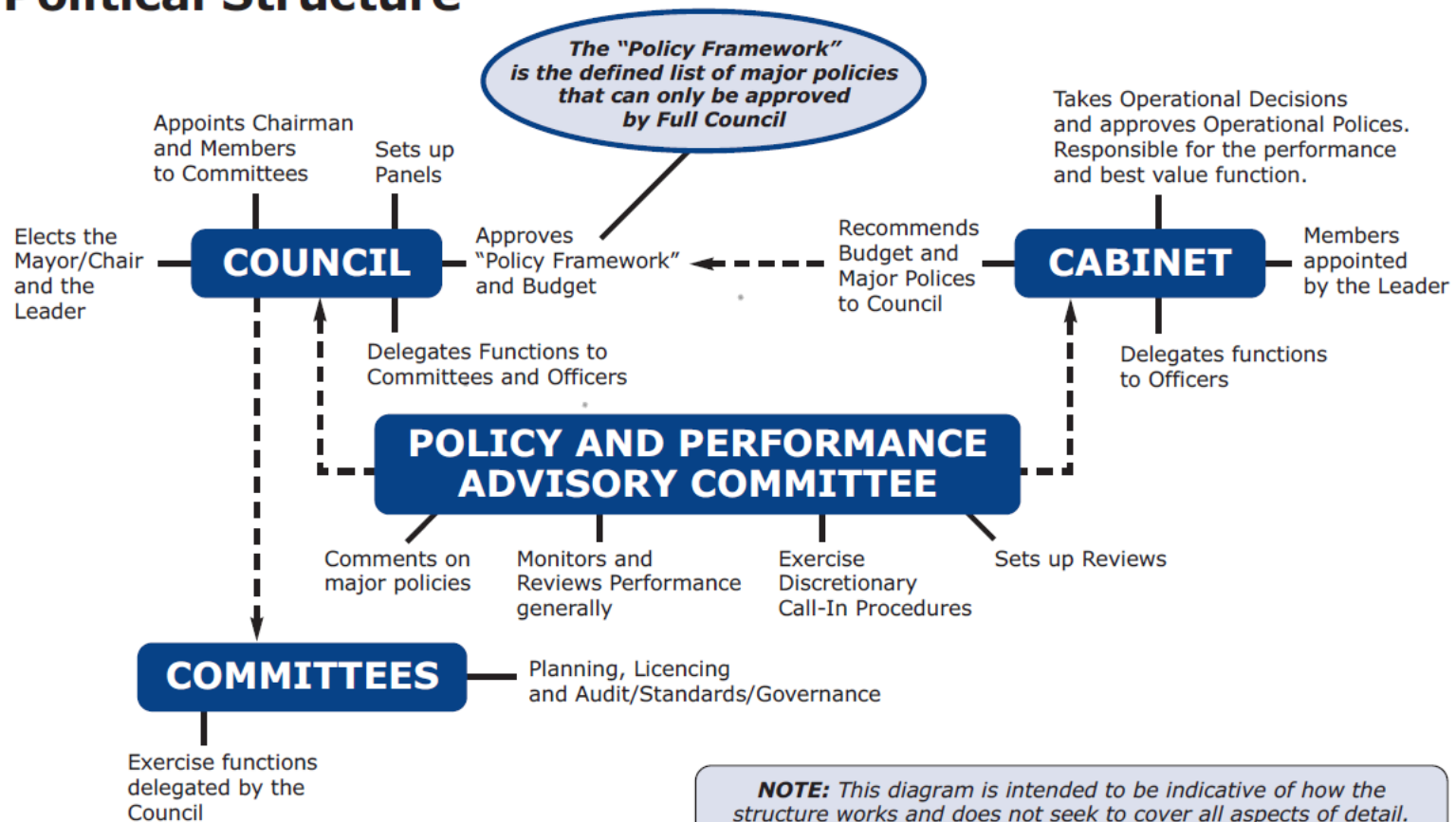
Key elements of the systems and processes that comprise the authority's governance arrangements are listed below with links to the council's website where relevant information can be found.

- Corporate plan (priority themes for four years) - <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>
- Constitution (inc. statutory officers, scheme of delegation and financial procedure rules) - <https://www.lewes-eastbourne.gov.uk/about-the-councils/constitutions/>
- Council, Cabinet, Committees and Panels - <https://democracy.lewes-eastbourne.gov.uk/mgListCommittees.aspx?CT=13215>
- Corporate and service plans - <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>
- Risk Management Policy
- Anti-Fraud and Anti-Corruption Policy (including Whistleblowing and Anti Bribery)
- Project Management methodology
- Medium Term Financial Strategy - <https://www.lewes-eastbourne.gov.uk/access-to-information/financial-information/medium-term-financial-statement-and-annual-budget/>
- Complaints procedure - <https://www.lewes-eastbourne.gov.uk/about-the-councils/make-a-complaint/>
- Head of Paid Service, Monitoring Officer and S. 151 Officer
- HR policies and procedures
- Staff and Member training
- Codes of conduct for staff and Members
- Corporate Management Team
- Internal Audit and Counter Fraud
- External sources

The diagram on the next page shows how the political structure of the council works and interacts.

## How it Works...

### The Modernised Political Structure



## Review of Effectiveness

The 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The table below shows the areas where assurance is required and the sources of that assurance.

The governance framework has been in place at the council for the year ended 31 March 2021 and up to the date of approval of the Annual Accounts.

<b>GOVERNANCE FRAMEWORK</b>		
<b>ASSURANCE REQUIRED ON</b>	<b>SOURCES OF ASSURANCE</b>	<b>ASSURANCES RECEIVED</b>
Delivery of corporate priorities	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Council, Cabinet, Committees and Panels</li> <li>• Corporate and service plans</li> <li>• Medium term financial strategy</li> <li>• Corporate Management Team</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• Cabinet meetings</li> </ul>
Economy, efficiency and effectiveness	<ul style="list-style-type: none"> <li>• Council, Cabinet, Committees and Panels</li> <li>• Corporate and service plans</li> <li>• Medium term financial strategy</li> <li>• Corporate Management team</li> <li>• Internal Audit and Counter Fraud</li> <li>• External sources</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• Cabinet meetings</li> </ul>
Management of risk	<ul style="list-style-type: none"> <li>• Council, Cabinet, Committees and Panels</li> <li>• Corporate and service plans</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> </ul>

	<ul style="list-style-type: none"> <li>• Risk management policy</li> <li>• Anti-fraud and anti-corruption policy</li> <li>• Complaints procedure</li> <li>• Corporate Management Team</li> <li>• Internal Audit and Counter Fraud</li> <li>• External sources</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• Managers' Assurance Statements</li> </ul>
Financial planning and performance	<ul style="list-style-type: none"> <li>• Constitution (including the Financial Procedure Rules)</li> <li>• Corporate and service plans</li> <li>• Medium term financial strategy</li> <li>• External sources</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• Cabinet meetings</li> <li>• External Auditor's Annual Audit Letter</li> </ul>
Effectiveness of internal controls	<ul style="list-style-type: none"> <li>• Anti-fraud and Anti-corruption Policy</li> <li>• Complaints procedure</li> <li>• S. 151 Officer</li> <li>• Corporate Management Team</li> <li>• Internal Audit and Counter Fraud</li> <li>• External sources</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• External Auditor's Annual Audit Letter</li> <li>• Other external reviews carried out from time to time</li> <li>• Managers' assurance statements</li> </ul>
Community Engagement	<ul style="list-style-type: none"> <li>• Council, Cabinet, Committees and Panels</li> <li>• Corporate and service plans</li> <li>• Corporate Management Team</li> </ul>	<ul style="list-style-type: none"> <li>• Community consultations</li> <li>• Weekly meetings of the Corporate Management Team</li> </ul>

Shared service governance	<ul style="list-style-type: none"> <li>• Council, Cabinet, Committees and Panels</li> <li>• Corporate and service plans</li> <li>• Corporate Management Team</li> <li>• Internal Audit and Counter Fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> </ul>
Project management and delivery	<ul style="list-style-type: none"> <li>• Project management methodology</li> <li>• Internal Audit and Counter Fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Policy and Performance Advisory Committee meetings</li> </ul>
Procurement processes	<ul style="list-style-type: none"> <li>• Constitution (including the Contract Procedure Rules)</li> <li>• Internal Audit and Counter Fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> </ul>
Roles and responsibilities of Members and officers	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Head of Paid Service, Monitoring Officer and S.151 Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings of the Corporate Management Team</li> </ul>
Standards of conduct	<ul style="list-style-type: none"> <li>• Anti-fraud and anti-corruption policy</li> <li>• HR policies and procedures</li> <li>• Codes of conduct for staff and Members</li> <li>• Complaints procedure</li> <li>• Monitoring Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly meetings of the Corporate Management Team</li> </ul>
Training and development for Members and officers	<ul style="list-style-type: none"> <li>• HR policies and procedures</li> <li>• Staff and Member training</li> <li>• Monitoring Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Council's democratic arrangements</li> </ul>

<p>Compliance with legislation, regulations, policies and procedures</p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Anti-fraud and anti-corruption policy</li> <li>• Complaints procedure</li> <li>• HR policies and procedures</li> <li>• Corporate Management Team</li> <li>• Internal Audit and Counter Fraud</li> <li>• External sources</li> <li>• Monitoring Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee</li> <li>• Weekly meetings of the Corporate Management Team</li> <li>• Quarterly meetings of the Audit and Standards Committee</li> <li>• Policy and Performance Advisory Committee meetings</li> <li>• Managers' assurance statements</li> </ul>
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### Opinion of the Chief Internal Auditor

It must be noted that the impact of the Covid-19 pandemic has had a significant effect across the council. At the start of the financial year staff from the Internal Audit team were temporarily redeployed to help other departments with the initial responses to the pandemic. However, once it became clear that the effect of Covid-19 would be felt in the longer term, the staff returned to their Audit duties. Later in the year the team was running for six months with two vacancies. In spite of these issues the team managed to complete a range of audits across the departments of the council. The only areas not reviewed were Tourism and Events, however as these areas were not able to operate for any length of time during the year, it is not considered to be a reason for limiting the opinion on the control environment.

The opinion of the Chief Internal Auditor, as noted in the annual report on the work of Internal Audit and Counter-Fraud, was that the internal controls in processes and IT systems across the authority were generally found to be sound. This is slightly caveated by the somewhat limited, but considered to be still adequate, breadth of audit reviews carried out which had been caused by vacancies in the team and some redeployment at the beginning of the year.

### Managing the Risk of Fraud and Corruption

The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

### **Financial Management Code**

The CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management (FM) Code's intention is to help create a culture of strong financial management and address the financial pressures that councils are facing. The self-regulation approach is also to prevent local authorities 'failing' and avoid any need for any external control or reductions in current powers.

An initial self-assessment of the council's current standing against each of the Financial Management Standards was carried by the Deputy Chief Finance Officers and Chief Internal Auditor in conjunction with the council's Section 151 Officer to determine the current situation and actions required to comply with the Code. Whilst there is a role for the Chief Finance Officer (S151 Officer) to manage compliance, this will be done with a joint responsibility of the council's Corporate Management Team (CMT) and Elected Members.

The council has a satisfactory record of financial management and so, analysing the council's structures, processes and procedures against the FM Code's Financial Management Standards, shows a reasonable level of compliance with these principles. However, there are a number of areas where further actions/consideration needs to be given to ensure compliance with every aspect of the FM Code.



## Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	Incorporated on 30 June 2017.  To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC respective Housing Revenue Accounts.	Limited Liability Partnership LDC and EBC  Company number: OC41800	Governed by LLP Agreement and an Executive Committee of 6 - made up of 3 elected members from each authority.	<b>Eastbourne Borough Council</b> Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50% <b>Lewes District Council</b> Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50%	Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes. Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP.  <a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Lewes Housing Investment Company Ltd	Company Active  To undertake more commercial development, place shaping	Company LDC only  Company number:	Governed by Articles of Association and a Board of 5 directors made up of senior	Wholly owned by Lewes District Council	To enable the council to undertake non HRA development and use associated forms of tenancies

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
(LHICL) (4 July 2017)	activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.	10848011	staff and Elected Members from Lewes District Council.		<a href="http://www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities">www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities</a>

### Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

This year, extra questions were asked in the Managers' Assurance Statements. These were in respect of the effect of the response to the Covid-19 pandemic. These questioned related to:

- impact on governance arrangements
- suspended / weakened controls or work-arounds
- cessation / scaling back of business as usual causing gaps in governance arrangements
- other issues impacting on governance arrangements
- challenges caused by changes to working which will continue after the pandemic

A review of the returned statements highlighted two issues which were raised by several respondents.

- Financial pressures – a few statements raised concerns about the financial pressures caused by depleted income owing to the council's response to Covid-19.
- Adapted controls – some concerns were raised in a few statements around the issues of controls which were adapted to facilitate the council's response to the Covid-19 pandemic.

At a meeting of the Corporate Management Team several issues were considered for inclusion in the Annual Governance Statement. The following were considered to be issues to just be mentioned in the body of the Annual Governance Statement.

- Financial pressures – it is acknowledged that the council has been seriously affected by the depletion of income caused by the response to the Covid-19 pandemic. It is considered that this is not currently a significant governance issue as the council has been, and continues to be, in discussion with the Ministry of Housing, Communities and Local Government. The council has also developed plans to identify and deliver savings.
- Adapted controls – some controls needed to be adapted to allow the council to continue working in new ways as a response to the Covid-19 pandemic. Early on Internal Audit contacted all managers to offer help and advice on adapting controls and managers identified and monitored these without using sight of the need for the control. This issue is therefore not considered to be a significant governance issue.
- Document retention – document retention is still considered an issue. However, a project is ongoing to identify paper documents and arrange necessary destruction and storage. Work has also commenced to delete information held electronically. However, there is still work to be undertaken to fully identify all the electronically held documentation. The Corporate Management Team considered that, with the ongoing work, this is not considered a significant governance issue. This decision was checked with the Head of Legal Services who agreed and felt that this was not a significant governance issue.

Consideration was also given to the Housing software which has been noted as a significant governance issue for the past two years. It is recognised that significant progress has been made to resolve these issues. However, some of the problems caused by the issues are still working their way through processes and systems. Although the originating issue has been resolved, the problem caused still affected work in the financial year 2020-21. As this Annual Governance Statement covers 2020-21 it was agreed that the Housing software system should again be shown as a significant governance issue.

## **COVID-19 PANDEMIC**

When lockdown began at the end of March 2020 the council had to act swiftly to be able to continue to provide the statutory services to the public whilst closing the contact centre and having the majority of staff change to working from home. Significant pieces of work were undertaken to ensure staff were set up to work from home as soon as possible, to ensure that as many services as possible were available on-line and to set up staff and members to be able to have virtual meetings through software. The response has given assurance that the council can cope with rapid and substantial changes within a short period of time.

Initially priorities changed to dealing with the immediate responses. These included dealing with increased benefit claims, handling and distributing government grants, welfare calls to tenants and provision of food parcels. Key functions and systems have been maintained partially aided by redeployment of staff.

As was reported to Cabinet and Council in February 2021, the financial impact of the pandemic on the council was expected to result in additional costs in 2020/21 in the region of £2.2m for homelessness prevention, redeployment costs, support for the Leisure services, community grants and cleaning costs.

The council's income streams were also affected, with projected losses in the region of £1.5m including trade waste, car parking, planning income and rental income.

The Government provided support to local authorities through £4.6bn new burdens funding and £3.2m towards rough sleeping. However, Lewes District Council's share of this was £1.449m, which fell short of the projected costs and losses in 2020/21. Despite this, the council continues to manage its finances effectively to ensure it can keep within the approved budget without the need to draw on reserves.

As the pandemic continues to impact on the council's finances further savings are still needed, and these are being delivered through the Recovery and Reset Programme.

It is expected that, with the anticipated recovery of the local economy, as the country moves forward out of the Covid-19 pandemic, the council's income will start to recover. This will then enable some of the unavoidable reductions in service levels, to be reconsidered and, where appropriate, reinstated and for the council to continue to move forward in delivering against its corporate plan commitments.

## UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2019/20

Area	Issue	Actions Planned	Update
Housing Software	<p>A new housing system was implemented in December 2018 which did not meet the outcomes expected. These outcomes were critical in delivering greater efficiencies and improved financial reporting.</p> <p>There have been ongoing issues with Transformation and ICT staff resources, and Finance staff, being diverted to identify and rectify/mitigate issues and resolve reporting problems.</p> <p>Knock on effects mean that the statutory deadline for completion of the annual accounts was missed.</p>	<p>The issues have been monitored and mitigating actions which were put in place previously had to be reassessed and additional steps were taken.</p> <p>There were ongoing conversations with the supplier to rectify issues and a new contract negotiated and monitored.</p> <p>A post implementation review which was carried out by Internal Audit later in 2020/2021.</p>	<p>Working with the supplier the majority of the issues with the system have been addressed, though some work continues. A consultant is currently working with Finance to resolve some of the financial reporting issues.</p> <p>This is now no longer considered to be a significant issue.</p>

## **SIGNIFICANT GOVERNANCE ISSUES 2020/21**

Internal controls across the authority were generally found to be sound.

There are no significant governance issues to report.

## **STATEMENT**

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Standards Committee and that, subject to the actions identified above, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Lewes District Council:



Leading Member

Date: 7 October 2021



Chief Executive

Date: 28 September 2021