

ANNUAL GOVERNANCE STATEMENT 2022-23

1. SCOPE OF RESPONSIBILITY

Sedgemoor District Council (SDC) is responsible under the Local Government Act 1999 for ensuring the following;

- that its business is conducted in accordance with the law and proper standards,
- that public money is safeguarded and properly accounted for and
- for ensuring that all money expended is used economically, efficiently and effectively and in so doing ensures continuous improvement in the ways its services are delivered.

In discharging this overall responsibility, SDC, through its members and officers is also responsible for ensuring that there is a *sound system of internal control* in the delivery of its services and the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve priorities and objectives. It can provide only reasonable assurances that assets are safeguarded and that transactions are authorised and recorded properly & not absolute assurance of effectiveness.

The system of internal control is based on a framework of regular management information, standing orders, financial regulations, administrative procedures and processes, management supervision and a system of delegation and accountability. Development and maintenance of this system is undertaken by officers within the Council. The system of internal control is based on an ongoing process designed to identify, control and mitigate risks that may inhibit the delivery of the Council's main aims and objectives.

This system is currently in place for the year 2022/23 and will end with the end of Sedgemoor DC on 31st March 2023.

It comprises the following key elements –

- Compliance with established policies, procedures, laws and regulations
- Code of Corporate Governance
- Ensuring the economical, effective and efficient use of resources in achieving the Council's priorities
- Comprehensive financial and service planning process
- A corporate approach to risk management and equalities.

THE INTERNAL CONTROL ENVIRONMENT

3. COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS

The statutory framework within which local authorities are required to operate is strictly adhered to by the Authority in all its business. The financial management arrangements are reviewed on an annual basis to ensure that they conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer and Monitoring Officer are members of Management Team and involved in all key decisions and both are required to make comments on all reports submitted to committees to ensure compliance in all decisions taken. The legal section closely monitors all legislative and regulation changes and circulates regular updates to managers. The Monitoring Officer meets regularly with the Chief Executive and Chief Financial Officer (Section 151 Officer) specifically to discuss any legal or regulatory issues that may be of concern.

SDC has established whistle-blowing and fraud and corruption strategy and policy, details of which are published on the Council's intranet, which is accessible by all staff. The anti-fraud, theft, bribery and corruption policy and whistle-blowing policy have clear processes for officers to follow and are reviewed annually to ensure they are still up to date and fit for purpose. The Section 151 Officer has the Audit Client role and is responsible for commissioning investigations, if a potential fraud is suspected.

4. THE COUNCIL'S CONSTITUTION AND DECISION MAKING PROCESSES

The following bodies govern the Council.

SDC has a published Constitution that sets out its decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. The Council in response to the Covid 19 pandemic introduced virtual meetings to ensure the democratic process could continue. The Government provided guidance on how meetings should be conducted virtually until such a time as face to face meetings could resume. This Council implemented processes to ensure the decisions were still made following the requirements of the constitution. The temporary legislation brought in during the Covid pandemic ended 6th May 2021 and as such the Council has resumed face to face meetings where required for decision making.

There is also a robust budget and policy framework, and detailed financial regulations and contract procedure rules, which are monitored by the Section 151 Officer and Monitoring Officer. The constitution, financial regulations and contract procedure rules are reviewed annually, and considered by members of the Audit & Standards Committee and Council.

All reports are reviewed for legal and financial considerations, human resource implications, equality impact assessments, environmental and community safety implications, economic development implications and risk management, along with the link to the Council's corporate priorities prior to being presented to members for formal decision-making. The Section 151 Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for Member decision comply with the budget and policy framework, in addition to compliance with legislation and regulations.

The Council

The Council is the body that collectively agrees the policies for the Authority, contributing to good governance and encouraging community participation and citizen involvement in decision-making

The Executive

The Executive is the committee charged with Governance within the Council. It has a published Timetable and Notice of Proposed Key Decisions to be taken and meets in public three times during an eight week period. This, together with an appropriate level of delegation to senior managers enables speedy decision-making. In addition to the regular Executive meetings a specific performance Executive is held quarterly. The Executive also has a Sub-Committee known as the Property Investment Board which makes decisions on the acquisition of Investment properties in line with the Council's Property Investment Strategy.

The Scrutiny Committees

Scrutiny of Executive decisions and performance is carried out through two scrutiny committees. Community Scrutiny primarily considers external issues impacting on the community, and Corporate Scrutiny focuses on internal issues. These committees can call in decisions made by the Executive before implementation; they also have the freedom to make recommendations on future policy options, and to

review the general policy and service delivery of the Council. A joint meeting of the members on the Scrutiny committees is held annually to review the Leaders High Level budget proposals.

The Audit and Standards Committee

The Audit & Standards Committee considers all internal and external audit reports, approve the Statement of Accounts and deal with regular governance issues. This committee has specific responsibility for risk management, equalities and treasury management. The committee will also have responsibilities regarding the operation of the Council's adopted Member Code of Conduct, for training Members in respect of the Code and assessing and investigating complaints against members of Sedgemoor District Council and Parishes in Sedgemoor. It also deals with various other matters designed to ensure that high ethical standards are maintained and promoted.

The Management Team

The Management Team includes the Chief Executive (Head of Paid Service), Deputy Chief Executive, Strategic Director (Section 151 Officer), Monitoring Officer, Corporate Relations Officer and six Assistant Directors. The team meets every week and provides the strategic direction of the Council in delivering Members' requirements. The Authority's performance is monitored against the items on the corporate dashboard. This includes high-level actions, operational actions, audit recommendations and performance indicators, all of which are also monitored on the Council's performance management system Pentana Performance. They have regular reports on the Council's strategic risk register and an annual report on the council's approach to delivery of it's equality objectives and responsibilities.

Wholly owned Companies

The Council also fulfils a governance role in relation to three companies that it wholly owns namely:-

Homes in Sedgemoor – A council wholly owned arms length management organisation which manages the Councils housing stock. The Company is a private company limited by guarantee without share capital. The Council has a Management Agreement with the Company which is overseen by the Council's Executive. In addition, the Board has three Council member representatives.

Aspen Housing and Development Limited – A Council wholly owned private limited company which manages private sector housing. The Company is overseen by the Executive and has three Council officer representatives on the Board.

Sedgemoor Group Limited - A Council wholly owned private limited company which is the parent company of Aspen Housing. The Company is overseen by the Executive and has two Council officer representatives on the Board.

5. CODE OF CORPORATE GOVERNANCE

The Code as approved in March 2016 is based on the Delivering Good Governance Framework which suggests that Authorities have 4 key roles:

- To engage in effective partnerships
- To ensure the delivery of high-quality local services whether directly or in partnership or by commissioning
- To perform a stewardship role which protects the interests of local people and makes the best use of resources
- To develop citizenship and local democracy

The Council recognises that the six core principles of Good Governance are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

6. ENSURING THE ECONOMICAL, EFFECTIVE AND EFFICIENT USE OF RESOURCES IN ACHIEVING THE COUNCIL'S PRIORITIES

The Council last updated its Corporate Strategy in September 2021. Sedgemoor still remains determined to keep Council Tax low, it is committed to addressing the economic challenges that face the residents and businesses in the district, and is a performance led organisation that delivers good public services, good value for money and effective leadership. The strategy is based on delivery of programmes being, Customers & Efficiency, Housing, Health and Wellbeing and Growth and Infrastructure. The Corporate Strategy gives a clear lead for financial and service planning decisions. The priorities identified in the strategy are:

Customers & Efficiency

We will do all we can to ensure our activities are managed effectively and efficiently, in order to keep standards high and protect the essential services people of the district value. We remain committed to low Council Tax and high performance.

Housing, Health & Wellbeing

Housing is a real challenge for Sedgemoor - we will work hard to provide affordable and decent housing through a planned development programme working with partners to maximise the outcomes. This priority along with the overall Council aspirations supports improved health and quality of life for every resident in the district.

Growth & Infrastructure

We are committed to working with residents and businesses to grow the local economy to ensure the district can benefit and prosper from the growth. This priority theme includes working with external partners to deliver the Hinkley programme, Parrett Barrier and to secure sustainable funding for the flooding issues.

7. COMPREHENSIVE FINANCIAL AND SERVICE PLANNING

The Corporate Strategy is the Council's key planning document which is intrinsically linked to the Medium Term Financial Plan and the Housing Revenue Account Business plan.

All performance targets, priority outcomes, operational actions, service standards, key programme actions and audit actions are now managed by use of the Council's adopted computerised performance management system (Pentana), which allows officers and members to interrogate and report on their targets at any time. Reporting functionality within this system allows senior managers and members to track performance within their services and identify where specific projects or performance targets assigned to specific staff have slipped.

The Council produces an initial Medium Term Financial Plan (MTFP) in September and a full MTFP in November. This provides the parameters within which budgets will be set and managed over a five year period. The plan takes account of anticipated changes to funding, legal requirements and performance targets along with the local aspirations as captured within the Corporate Strategy and gained through annual budget consultation. This Council has continued with the managed use of balances strategy approved in 2012 in order to deliver a balanced budget in the medium term. To mitigate the impacts of the economic climate and significant reductions in Government funding Sedgemoor built up its general fund balances in excess of the minimum £1.5 million. This has assisted with the managed use of balances strategy which spreads the reductions over a five year period rather than significant reductions in one year. When the budget is approved it includes a five year plan of reductions/increased income needed to deliver a sustainable medium term budget. The Council has continued with these initiatives and the plan along with the figures have been updated where appropriate.

The Government's decision to create one unitary Council for Somerset was announced in July 2021, this has an impact on the production of the MTFP. The final plan for Sedgemoor District Council has been produced for the period up to 31st March 2023

The Council produces a five-year capital strategy, which sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. As from 1 April 2018 the Prudential Code for Capital Finance in Local Authorities introduced a framework requiring capital expenditure plans to be affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and full understanding of the risk. The Capital Strategy is the overarching document which is supported by the Treasury Management strategy and these documents were approved by Council in March 2022.

8. A CORPORATE APPROACH TO RISK MANAGEMENT

The Risk Management Strategy is reviewed every 2 years. The policy is designed to set the approach the Council will take identifying, scoring and managing the risks of the Council. The strategy clearly sets out roles and responsibilities across the Council as follow

- Operational Management Team - responsible for strategic risks, which is a risk score of 16 or above, across the Council as a whole. These are reviewed every month in line with the Strategy.
- Assistant Directors - responsible for the operational risks, which are risks with a score of 15 or less within their service area. These are reviewed every quarter in line with the Strategy
- Audit and Standards Committee - oversee the risk registers of the Council, and receive a 6 monthly report on the registers, the updated strategy and any other relevant information
- *Staff – responsible for raising issues, which upon investigation, could become a risk for the Council*

The Risk Management Strategy was last reviewed by Sedgemoor in September 2021, with the new Somerset Council strategy being signed off in December 2022.

All committee reports are required to include a risk management matrix detailing the impact, probability, implications and mitigating actions, as are bids for additional funding or proposals to reduce costs. The Council has made significant progress in this area and a risk-based approach is used for all decision-making and service delivery. The Council has also developed a robust approach to risk management at programme level. There are now monitored risk registers for both Customer Access and Hinkley with ongoing work to develop one for the housing programme board.

All risks are monitored through the Council's performance management systems, Pentana and by using this system we have been able to build a history of the risks the council has faced and continue to face.

The internal audit plan was developed by the Council's internal auditors, South West Audit Partnership

(SWAP) along with the Section 151 Officer and Operational Management Team using a risk based approach.

9. REVIEW OF EFFECTIVENESS

The Section 151 Officer has the responsibility for conducting on behalf of SDC, at least annually, a review of the effectiveness of the system of internal control. This is reported to members of the Audit & Standards Committee who are responsible for both internal and external audit issues. This review is informed by:

- Internal Audit's annual opinion report
- the internal audit review;
- external auditors' reports;
- Annual Governance Review – Senior Managers Assurance Statements; and
- reports to the Audit & Standards committee during the year;

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes;

- The Monitoring Officer has a duty to monitor and annually review the Constitution.
- The Section 151 Officer has the responsibility for reviewing the financial regulations and reporting annually to members.
- The Council has a call in process, which allows any decision made by the Executive to be called in before implementation. This does however need to be in line with the Constitution.
- The Audit & Standards Committee approves the Annual Statement of Accounts, the Annual Governance Statement and the Review of Internal Audit. It receives regular reports from both internal and external audit.
- The Council's internal audit function is provided via an agreement with SWAP. The internal audit function operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate the audit plan, it is put together by the Section 151 Officer and Assistant Director (SWAP) and considered by the Operational Management Team and approved annually by the Audit & Standards Committee.
- A quarterly report is submitted to members of the Audit & Standards Committee. The report includes a brief summary of each audit completed, along with an opinion on the level of assurance granted by the auditor. All internal audit reports are circulated to the relevant Assistant Director, Section 151 Officer and Monitoring Officer. Audit reports include an 'opinion' giving management an independent assurance judgement on the adequacy and effectiveness of internal controls.
- Agreed actions arising from all audits are monitored using the council's performance framework and performance management computer software (Pentana). All overdue audit actions are reported to Operational Management Team on a monthly basis. In addition all overdue actions considered to be High/Medium Risk (1 & 2) are identified on exception reports and subject to examination by the Audit & Standards Committee. Members do call in officers to update on audits with "partial" or "no" assurance and high risk actions which are overdue.
- The work of SWAP is subject to regular review by the Council's external auditors. Where appropriate, the external auditors place reliance on SWAP's work. The external auditors provide an opinion on the annual Statement of Accounts and data quality.

- In order to gain assurance for all areas of the Council, as audits cannot be carried out for each function every year, all members of the Council's Operational Management Team are required to complete a Senior Managers Assurance Statement to review their adherence to the governance framework. Each review is assessed by the Section 151 Officer for compliance and any apparent organisational improvements are included in the action plan.

10. SIGNIFICANT INTERNAL CONTROL ISSUES

During the year the Assistant Director (SWAP Internal Audit Services) as part of the quarterly progress reports has highlighted control issues identified during audits to the members of the Audit & Standards Committee. The opinion of the SWAP Assistant Director is that an overall judgement of 'Reasonable Assurance' should be given, based on the balance of audit work and the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management who have a commitment to address findings and open to requesting audits in high risk areas.

In 2022/23 18 reviews have been delivered 17 are at final stage and 1 in progress. The plan is always flexible so it can respond to the changing environment, due to the impact of LGR, the plan changed with a number of audits dropped to direct resources to additional work. The delivery for 2022/23 included 10 advisory audits which is a higher percentage than in normal years but the findings have been valuable for assisting with areas such as Unitary preparedness, fraud review and advice.

The following levels of assurance were achieved for those audits;

Assurance Level	Number of Audits
Substantial	0
Reasonable	6
Limited	0
No Assurance	0
Advisory/Follow up	11
In Progress	1
Total	18

The advisory work is in addition to the opinion-based work where Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

If any of the Priority 1 or 2 actions become overdue they will be reported to the members of the Audit & Standards Committee. All overdue audit actions are reported to Management Team who monitor them quarterly. The process in place for audit actions ensures that actions continue to be monitored closely until they are complete. All audits have an agreed action plan and all actions are monitored through the performance management system. All audits receiving a limited assurance will have a follow up audit within 6 to 12 months and this is built into the 2022/23 audit plan.

Progress on Actions in 2021/22 Annual Governance Statement

Issue/Project	Owner	Progress
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Ensure all Documents are stored in compliance with GDPR	Melanie Wellman	Ongoing
Development of the Enterprise Zone (Gravity), including Business Rates Retention and implementation process	Stuart Houlet	Complete
Assess and put in place resource requirements for delivering single unitary and maintaining business as usual.	Bob Brown	Complete
Continue to monitor the service and performance provided by the Waste and Recycling Contractor along with SWP	Sarah Dowden	Ongoing

The Government approved the business case for a single unitary in Somerset in July 2021. Since that decision was made Sedgemoor District Council have been working with the other four councils in Somerset to ensure the New Council is delivered by vesting day 1st April 2023. As such the attention has been on delivering LGR and maintaining Business as Usual. The LGR Programme has involved a significant number of officers from all 5 Councils working within workstreams to deliver a safe and legal unitary Council commencing 1st April 2023.

Signature of the Chief Executive (Bob Brown)

Date 24th March 2023



Signature of the Leader of Council (Duncan McGinty) Date 24th March 2023

