

ROTHER DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Rother 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. Rother District 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, Rother District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Rother 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 or can be obtained from Head of Corporate Services, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787716. This statement explains how Rother District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

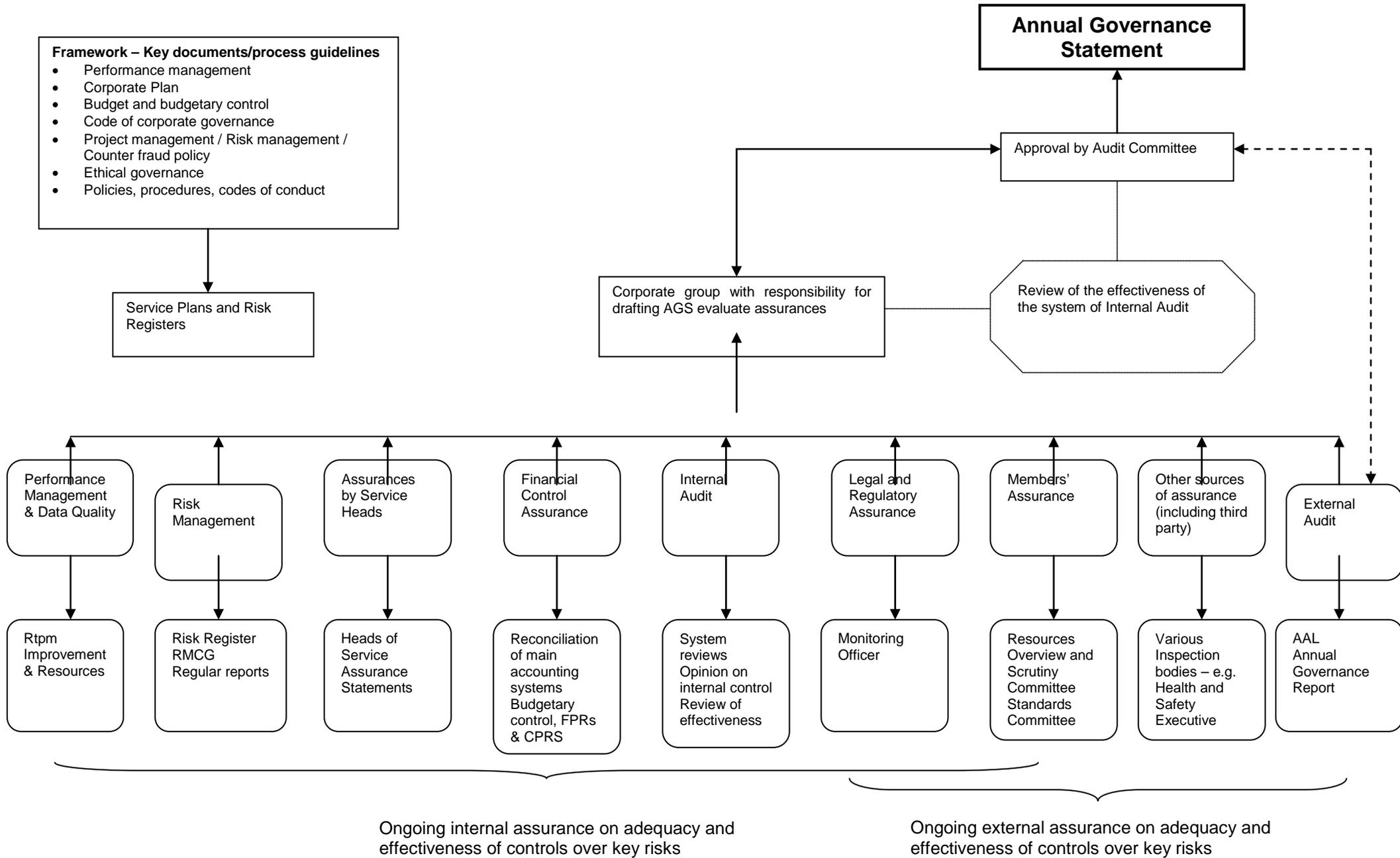
The purpose of the governance framework

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 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, cost-effective services.

The system of internal control is a significant part of that framework and is designated 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 Rother'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 Rother for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE FRAMEWORK



Review of effectiveness

Rother 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Services' annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Performance Management and Data Quality

The Rother Sustainable Community Strategy sets out the vision for the district and a number of priority areas for improvement in local quality of life. These are picked up in our ten-year Corporate Plan. The Corporate Plan is delivered through a programme of projects, which are project managed against well-defined plans and monitored by a Programme Board. The Corporate Plan is regularly monitored by Members and is reviewed through a biennial Corporate Plan Review.

Rother District Council's performance management framework is set out in its Annual Performance Plan, published on 30 June each year. Objectives and targets are set against the Council's corporate aims:

- Putting Customers First
- Delivering Value for Money
- Building Stronger, Safer Communities
- Working in Partnership

Performance is monitored against a series of measures including in 2010/11 the National Indicator Set (NIS) measures. Benchmarking against national quartiles has been a key aspect of performance management. Strategic Management Team and the Resources Overview and Scrutiny Committee routinely carry out high-level oversight of performance. The Committee receives detailed quarterly reports against which actions and resource allocation recommendations are determined for action by Cabinet.

Rother District Council is the reference site for a specialised real time performance management system, branded locally as RtPM, which captures and analyses data not only for the Council but also for its strategic partners across the district. This management information incorporates robust data quality features. Data quality is also managed through a Member Champion and service representatives across the organisation. Quality control processes include Head of Service sign off, risk assessment and internal auditing of measures and their data.

Risk Management

Rother District Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and Officers have in the identification and minimisation of risk. Training has been provided for both Members and staff and a programme of risk assessments continues. Progress

has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of the quarterly meetings of the Councils Heads of Service. This group consists of all Heads of Service from within the organisation and is chaired on a rotational basis. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but further work needs to be undertaken to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services. A copy is on our web site or can be obtained from the Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX.

Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive, regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of both roles is the vetting of the agenda, reports and minutes of all meetings.

From June 2010, the role of Monitoring Officer has been transferred to the Head of Corporate Services, previously being carried out by the Democratic Services Manager. The Council's Legal Services Manager is the appointed Solicitor to the Council.

Members' Assurance – Resources Overview and Scrutiny Committee

Council has delegated responsibility for internal control to the Resources Overview and Scrutiny Committee. This role had been undertaken by the Audit Committee which was in place for the entirety of 2010/11. Following a review of the Council's committee structure, the role and responsibilities of the Audit Committee transferred to the Resources Overview and Scrutiny Committee from 2011/12.

During 2010/11 the Audit Committee, received and scrutinised quarterly reports from the Head of Corporate Services on the reviews carried out and progress against the plan and the year end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

Members' Assurance – Standards Committee

The Standards Committee comprises six District Councillors (currently two Conservatives, two Liberal, one Labour and one independent), three independent lay members and three Town & Parish Councillor representatives, and meets quarterly. In discharge of the responsibilities placed upon it by statute (promoting and maintaining the highest standards of conduct, assisting Members to observe the Code of Conduct, monitoring the operation of the Code and advising and training Members on matters relating to the Code), the Committee receives regular reports

from the Monitoring Officer. These include details of all complaints received now that the Committee itself is responsible for dealing with all complaints in connection with potential breaches of the Code of Conduct of the Council or any Town and Parish Council within the Rother area, Standards Board England publications, training undertaken, annual audits of registration regimes and requests made for dispensations. The Committee has also set out a work programme to ensure its policies and procedures are kept up to date and fit for purpose and reviews the annual report that now has to be submitted to Standards for England. The Committee has also undertaken a programme of visits to all Parish and Town Councils within the area to raise awareness of the requirements of the Code and to assist Parishes in complying with those requirements. Training has been organised for all Members of the Standards Committee and an opportunity is afforded at the end of each quarterly meeting to share any learning from the operation of the new system for the local determination of complaints. In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives regular quarterly reports and an annual report on the Council's whole year performance.

Assurances by Heads of Service

In addition to the Internal Audit reviews, Heads of Service are required on an annual basis to complete a Managers Assurance Statement covering internal control within their Service.

Other Sources of Assurances

Apart from the work of internal and external audit, there were no other inspections which raised any governance issues for the Council.

Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to Cabinet. The quality of reporting is continually under review by Finance and budget managers and improvements have been made this last year.

Internal Audit

Each year an Internal Audit plan of work is agreed by the Strategic Management Team and Section 151 officer and the Audit Committee. Progress against the amended Plan was 94%. All core financial audits were completed together with the audits that had been categorised as high risk within the Plan.

The Head of Corporate Services reports quarterly to the Audit Committee, on the audit reviews that have been undertaken highlighting any significant recommendations that have been made. In addition the Strategic Management Team and Section 151 Officer review the effectiveness of Internal Audit annually.

External Audit

External audit provide the Council with an Annual Audit letter and an Annual Governance report, which reports on the Council's financial performance, value for money and a review of the effectiveness of the governance arrangements.

Significant governance issues

In terms of internal control there have been areas where weaknesses have been identified through the Managers Assurance Statements, Internal Audit, External Audit and the work of the Standards Committee and these are commented on below. In addition there are areas where due to external factors these have potential to adversely impact on the Council.

- (i) Business continuity plans require further testing to ensure they are deliverable in the event of a major incident.
- (ii) Compliance with Financial Procedure Rules on procurement needs improving. Work is in progress to provide simplified guidance for officers involved with procurement.
- (iii) Housing Benefit and Council Tax Benefit processing times
- (iv) Planning application processing times
- (v) Debt management performance (not recovery performance but management of the debt portfolio) needs to improve, particularly the interface between Finance and Legal Services. Progress has been made to improve performance in 2010/11 but further work is required to ensure an efficient debt recovery service is delivered across all aspects of debt.
- (vi) Contract management on the major service contracts needs to be kept under review.
- (vii) The NNDR review of mandatory reliefs needs to be completed to ensure that excess relief has not been granted. Whilst not currently a direct impact on the Council's finances as any loss is met from the National Non Domestic Rate Pool, it will impact from April 2013 with the introduction of the Business Rate retention scheme.

Issues for 2011/12

- (viii) For 2011/12 and 2012/13, the Government has significantly reduced funding for local government. Rother has seen a reduction of £1m and £0.7m respectively. Beyond these years the indications are that funding will continue to be under extreme pressure as the current Government seek to reduce public spending. In response, to meet this challenge the Council has embarked on a programme of service resetting which aims to ensure the Council can continue to balance its budget whilst retaining an appropriate level of reserves. Measures taken include voluntary redundancies, thereby reducing the size of the workforce. The proposed return of Business Rates to a degree of local control, presents further risks to the Council in maintaining income in a depressed economic climate. As a consequence there is risk of

challenge to the Council if service performance deteriorates and/or non statutory services cease to be delivered.

- (ix) The cuts in funding in the public sector also present risks to working with partner organisations, particularly public and voluntary partners. Partners are likely to have to review and change priorities which could impact on the continuation of services. Maintaining good communication links with partners is therefore essential to the management of service risks.
- (x) The Council is working on delivering a number of joint services including a joint waste contract with Wealden, Hastings and Eastbourne Councils, joint legal and internal audit services with Wealden District Council and has implemented in September 2011 a joint Building Control service with Hastings Borough Council. Governance of these partnerships has and will form part of inter authority agreements but will need to be reviewed and tested periodically.
- (xi) The Council is carrying out a restructure of internal departments following the departure of two Heads of Service and a number of officers through the voluntary redundancy scheme. Clearly this has the potential to distract officers from service delivery and also the increased pressure and workload on remaining officers could also impact on service delivery. Issues concerning segregation of duties will also need to be considered. Robust monitoring of individual and service based performance will be key in identifying failing areas within the Council over the coming two years.
- (xii) The Council is undertaking a major upgrade to its core accounting system with its partners Lewes District Council and Hastings Borough Council during 2011/12. Proper arrangements and resources have been provided to manage the project which is due to complete in October 2012. Clearly any failure in the upgrade could adversely impact on the Councils business and contingency measures are in place.

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.



Cllr Carl Maynard
Leader of the Council
On behalf of Rother District Council



Derek Stevens
Chief Executive
On behalf of Rother District Council