

Mendip District Council

Annual Governance Statement 2016/17

The undersigned are satisfied that the assessment is accurate, and indicates that appropriate governance arrangements are in place at Mendip District Council. We will ensure that steps to address matters raised in the assessment to further enhance our governance arrangements will be taken over the coming year.

Signed: Date:

Chief Executive on behalf of Mendip District Council

Signed: Date:

Chair of Audit Committee on behalf of Mendip District Council

Version Control

Version 1	05/06/2017	Working Draft for initial consideration by Grant Thornton
Version 2	03/07/2017	Updated to reflect new reporting requirements
Version 3	26/07/2017	Updated following feedback from Audit Committee

Introduction to Governance

1.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled. 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 governance framework has been in place at Mendip District Council for the year ended 31st March 2017 and up to the date of approval of the Statement of Accounts.

1.2. As a public body Mendip District Council is responsible for providing services to nearly 110,000 residents, thousands of varied businesses and hundreds of thousands of visitors per year. It therefore needs to have a strong governance framework that ensures that:

- Its business is conducted to the highest standards;
- Resources are directed in accordance with agreed policy and according to priorities whilst having regard to economy, efficiency and effectiveness;
- There is sound and inclusive decision making, conducted in accordance with the law and proper standards;
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities;
- Public money is safeguarded and properly accounted for;
- Continuous improvement is achieved in the way in which its functions are exercised.

1.3. The Corporate Plan sets out the priority areas for Mendip District Council and is reviewed regularly to ensure the strategic objectives meet the needs of the community. Through the activities for which it is accountable for, the authority engages with and leads the community. Our residents and businesses are central to everything we do and we are committed to improving the health, wellbeing and prosperity of our community. We believe that this plan will help us to target our resources and services more effectively to local needs. To deliver the vision and provide focus we have established the following key priorities:

1 To improve the health and wellbeing of the residents and communities of Mendip

2 Supporting economic development and growth

1.4. As part of ensuring the highest standards are set and maintained, the Council regularly reviews its governance arrangements. This statement reflects how Mendip District Council has met those standards in 2016/17 and ongoing actions it is taking to maintain and improve its governance arrangements.

2. The Annual Governance Statement

2.1. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2016/17. This will be signed by the Council's Chief Executive and Chair of Audit Committee after final approval by the Audit Committee on 26 July 2017. The AGS will form part of the Annual Statement of Accounts for 2016/17.

2.2. The AGS is drafted by those who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies. The governance of the Council will continue to be monitored by Cabinet, other councillor committees and the Council's Senior Leadership Team.

2.3. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2016/17, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts in July 2017. The AGS should outline the actions taken or proposed to address any significant governance issues identified.

2.4. Evidence of how the Council has assessed itself in line with the seven core principles of good governance set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering good governance', listed below, is detailed in Sections 5 -11.

- Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law;
- Ensuring openness, transparency and comprehensive stakeholder engagement – delivering accountability;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of intended outcomes;
- Developing capacity, including the capacity of the Council's leadership and the individuals within it;
- Managing risks and performance through robust internal controls and strong public financial management;
- Implementing good practises in transparency reporting and audit to deliver effective accountability.

2.5. The AGS also requires the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if the issue has:

- Seriously prejudiced or prevented achievement of a principal objective;
- Resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Led to a material impact on the accounts;
- Required the audit committee, or equivalent, to be advised;

- Been reported by the Head of Internal Audit in the annual opinion on the internal control environment;
- Has attracted significant public interest or has seriously damaged the reputation of the organisation;
- Resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

2.6. The Council's internal auditors have given an overall audit opinion of "Reasonable Assurance" on the effectiveness of the Council's control environment for 2016/17.

3. Governance responsibility

3.1. Elected members are collectively responsible for the governance of the Council. The full Council's responsibilities include:

- Agreeing the Council's constitution, comprising the key governance documents, including the executive arrangements, and making any necessary changes to ensure that the Constitution remains fit for purpose and reflects legislation and best practice.
- Agreeing the budget and policy framework, including key strategies
- Appointing the head of paid service
- Appointing members to committees responsible for scrutiny functions, audit, standards and regulatory matters.

3.2. The decision making structure of the Council is available on the link ([here](#)).

3.3. The Council operates a leader and cabinet executive model in accordance with the Localism Act 2011. Under these arrangements the Cabinet carries out all of the Council's functions which are not the responsibility of any other part of the Council. Cabinet meets monthly and its decisions in 2016/17 can be found on the Council website ([here](#)).

3.4. The Cabinet is held to account by Scrutiny Board whose function is to review and/or scrutinise decisions made or actions taken in connection with the discharge of the Council's functions and assist with policy development.

3.5. A new sub-committee of the Cabinet, named Phoenix Board, was created in year as it is recognised that transformational success will be driven by a strong, empowered yet flexible and timely governance structure. Thus, at a strategic level, the Phoenix Board will shape and drive the Transformation Programme ensuring it is delivered effectively and efficiently, and that it meets the financial and corporate objectives of the Council.

3.6. The Phoenix Board, which was constituted by Cabinet in August 2016, is a cross party Member Board chaired by the Leader. In addition to the Leader, the Board comprises the Deputy Leader, the Portfolio Holder for Transformation and the Leader of the Opposition. To enable it to fulfil its objectives the Phoenix Board has delegation from Cabinet to make key decisions.

3.7. The Phoenix Board will provide support and assurance to the Council on the effective delivery of the transformation agenda, and will provide Programme updates to Cabinet on a regular basis.

4. Internal Control

4.1. The system of internal control is a significant part of the governance 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;
- Evaluate the likelihood of those risks being realised and the impact should they be realised;
- Manage the risks efficiently, effectively and economically.

4.2. The process that has been applied to maintaining and reviewing the effectiveness of the governance frame work includes:

- The Monitoring Officer has a duty to monitor and review the operation of the constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.
- The Council's Section 151 Officer (S151 Officer) has confirmed the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Council has a Scrutiny Board that can call in any decision made by Cabinet before implementation. This enables them to consider whether or not the decision is appropriate.
- The Audit Committee reviews the Annual Statement of Accounts, the review of the Effectiveness of Internal Audit and the Annual Governance Statement. It has a call in role for any service that receives a "partial" or "no assurance" audit opinion and monitors the action plans to ensure they are completed. It monitors the performance of internal audit at each meeting and agrees the annual internal and external audit plans.
- Internal Audit, delivered for the authority through the South West Audit Partnership Ltd (SWAP), is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit service has a Charter approved by the Audit Committee and there are no restrictions on the scope of their work. A risk model is used to formulate the plan which is then approved by the Corporate Management Team. The reporting process for internal audit requires a report of each audit to be submitted to the relevant Group Manager and Senior Manager with copies to S151 Officer and the Monitoring Officer.
- Most audit reports include an 'opinion' that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action

plan that is agreed with the relevant officer. Other non-opinion audits tend to cover a single function across a number of member authorities and are used to highlight differences in approach and to share good practice.

- Internal Audit (SWAP) is subject to the Public Sector Internal Audit Standards (PSIAS). This includes an external inspection at least every 5 years. Regular inspection is also carried out by the Council's external auditors who place a degree of reliance on the work carried out by Internal Audit.
- The Council's Financial Procedure Rules are kept under review and revised periodically.

Mendip District Council's Annual Governance Statement 2016/17

The following sections set out how Mendip district council delivers good governance, how it performed in that role in 2016/17 and what it is doing to continually improve.

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

- 5.1. Mendip district Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable. The Constitution is reviewed on an ongoing basis, for example in 2016/17 there were specific reviews following the restructure leading to changes to the constitution. This practice ensures that the Constitution remains fit for purpose and is updated for national and local changes in circumstances.
- 5.2. The Constitution, published on the website ([here](#)), includes the Members' Code of Conduct, which makes clear the obligation of elected members in promoting and maintaining high standards of conduct and ensuring the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are adhered to. Pecuniary and non-pecuniary interests are registered in accordance with the requirements of the Code of Conduct and the underlying legislation.
- 5.3. The Council has a policy and register of interests, gifts and hospitality for staff. This is also reviewed regularly by the Council's Monitoring Officer. The reports to Standards Committee regarding the registers are available for public scrutiny via the website ([here](#)).
- 5.4. There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of councillors and staff, and upheld by the senior leaders. Where any resident feels the Council has not acted properly the Council has a robust process for dealing with complaints with quarterly reporting to Cabinet and Scrutiny Board Meetings on the performance of each service in responding to feedback as well as the nature of the feedback received, the actions that have been taken and the lessons that have been learnt. If residents are not satisfied with the response to their complaint they may complain to the Local Government Ombudsman.
- 5.5. The Council publishes and promotes a code of conduct for its staff that details what is expected of all employees. The performance coaching review scheme provides an opportunity for manager and post holder to come together to talk about performance, competency targets and personal development. The review discussion will be complemented by regular one-to-one meetings which are held throughout the year. Effective performance and continual improvement are essential parts of the Council's service delivery.
- 5.6. The Council has provided a comprehensive induction programme for newly elected councillors including an internal "buddy" system using the experience of long service councillors. Training is given on the decision making framework, standards of conduct, safeguarding, overview and scrutiny and the discharge regulatory functions. Further

training will be provided on an ongoing basis. These measures ensure that elected members have every opportunity to use their expertise.

- 5.7. The Council has established recruitment policies to ensure that appointments to the Council are fair and ethical and meet the requirements of equalities legislation and takes account of the need to ensure diversity. Any applicant who has identified themselves as disabled and who meets the essential requirements of the person specification will be automatically shortlisted. This policy is part of the Council's wider Equality and Diversity Policy that ensures all appropriate decisions are taken with issues of equalities in mind. Ethical considerations are also evident in the Council's Procurement Strategy where Social and environmental factors are a key feature.
- 5.8. The Council operates an Anti-Fraud and Corruption Policy ([here](#)) which operates as part of the governance framework to ensure the Council operates within the law. During 2016/17 a fraud incident was detected by monthly budget monitoring identifying a fall in income and the subsequent investigation swiftly identified the cause as theft by a council employee. The employee confessed to stealing and resigned after which the matter was referred to the police. At the magistrate's court the former employee was sentenced to community service and ordered to repay costs and £3,500, the estimated loss to the council.
- 5.9. The Council also has policies on Whistleblowing ([here](#)), Complaints and other Human Resources Policies that are available on SharePoint to all employees.
- 5.10. The Council has appointed independent external auditors (Grant Thornton LLP) and the South West Audit Partnership Limited (SWAP) who provide an internal audit function. Grant Thorntons's and SWAP's Annual reports and interim reports were considered during 2016/17 by the Council's Audit Committee (Link). No significant governance issues were raised.
- 5.11. The Council appoints an Independent Remuneration Panel when required to advise and make recommendations to the Council on the setting of member allowances in accordance with the Local Authorities (Member Allowances) (England) Regulations 2003.
- 5.12. The Council has developed numerous partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. These have their own governance arrangements, including:
- Somerset Waste Partnership
 - Shape Mendip
 - Legal Shared Service
 - Somerset Building Control Partnership
 - SWAP
 - Five Councils Partnership- 5C Partnersip

6 Ensuring Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability

6.1 The Constitution sets out the legal and constitutional framework for good decision making, including the principles of decision making, schemes of delegation, recording of decisions and access to information relating to decisions. All Council, Cabinet and Committee report templates include a section on legal and financial considerations. These can be seen in all decisions made.

6.2 The Council publishes a rolling forward plan which is updated weekly that provides details of key decisions to be made by the Council and its committees for at least three and typically four months ahead. Also included is detail of other business to be considered during the period of the plan. This provides an open culture by demonstrating, documenting and communicating the Council's commitment to openness. Reports are written on standard templates providing clear reasoning and evidence for decisions. Both formal and informal consultation and engagement as appropriate is used to determine the best course of action.

6.2 The Council has established a range of committees as detailed in section 1 overview of the constitution ([here](#))

6.3 The Council's scrutiny arrangements consist of a Scrutiny Board. Most scrutiny work is done by small groups of elected members who meet to review single issues in detail. Interested parties including consultants and contractors are often invited to contribute to this work. The group then produces a report presenting their findings and recommendations to Cabinet and others as necessary on how the issue or service could be improved.

6.4 These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and Officers to public account for their executive policies, decisions and actions and serves to make sure that decisions are taken based on sound evidence and are in the best interests of the people of Mendip.

6.5 In 2016/17 Scrutiny Committees consider a wide range of subjects and the latest Forward Plan can be found on the website ([here](#)).

6.6 The Council consults appropriately in line with its consultation policy and legal requirements in order to inform its decision making. During the year the Council carried out several public consultation whose feedback was reported to Cabinet as part of informing their decision making, including:

- Wells Recreation Ground Trust
- Street trading

Consultation also takes place with the Council's partners to enable more effective partnership communication and consultation. The Local Government peer review noted Mendip's proactive attitude and very positive partnering arrangements, where Mendip was often the partner of choice

6.7 For many years, Mendip has undertaken a General Residents Opinion Survey measuring public perception of the council. Originally under the statutory BVPI and Place Survey requirements, and then voluntarily at three year intervals. The council is aware a number of other local authorities and partners also undertake such an exercise. A refresh of the survey is due and the council will consider the need and format going forward as part of its assessment of governance arrangements in 2017/18.

6.8 The Council makes available a range of important information on its website including its strategic aims and ambitions in its published Corporate Plan. Further information is available on request and through the council's arrangements for dealing with requests under Freedom of Information (FOI) legislation. In 2016/17 there were 652 FOI requests, with responses included on the website ([here](#)) on a monthly basis.

7 Defining Outcomes in terms of Sustainable Economic, Social and Environmental Benefits

7.1 Mendip District Council operates a five year planning cycle. However, the Council is in the process of consulting on its draft Corporate Plan for 2017 – 2020. It continues to build on and extend the vision, goals and achievements from the previous corporate plans and has been prepared to reflect both the significant external challenges and changes that the council will have over the coming years as well as the changes to the way the council will have to operate to manage these challenges.

7.2 Part of the building of communities involves capital developments of buildings, and other such infrastructure. The Council sets out a five year Capital Programme as presented to full council in February 2016 tied into its Corporate Plan. This strategy is seen as a key strand of the future delivery of the Council's business. The Council's decision making framework has ensured that all of these decisions are reported through Cabinet and approved by Full Council.

7.3 Ethical considerations are evident in the Council's corporate procurement strategy where contributing to social economic and environmental impact. The Council is committed to achieving sustainable outcomes through skilful management of the procurement process and will endeavour to accompany this with value for money. The council will consider the impact of its procurement by involving the community where possible and practical. Also, Mendip will investigate new ways to deliver services which will enhance the local environment and promote social inclusion

7.4 The Council considers and balances the combined economic social and environmental impact of policies and plans when making decisions about service provision. It receives periodic reports on the combined economic, social and environmental impacts of its policies.

8 Determining the interventions necessary to optimise the achievement of intended outcomes

8.1 In 2016/17 the Council refreshed its 5 year Medium Term Resource Strategy (MTRS) as part of a four year financial settlement with the Department for Communities and Local Government (DCLG) As part of that and in setting the 2016/17 budget the Council has identified several key programmes of transformational activity intended to improve outcomes for its residents and to generate new income streams to replace reduced government funding under its Income Generation strategy.

8.2 The Corporate plan is being revised and a new one is being developed for 2017/18 with revised priorities: Transformation and Growth. It has a clear vision of the organisations purpose and intended outcomes with appropriate performance indicators.

8.3 Oversight of corporate projects is undertaken by the Senior Leadership Team SLT, supported with advice from Finance, Legal HR and Procurement teams. During 2016/17 the majority of projects were delivered or progressed according to schedule. Monthly reports were provided to SLT with appropriate actions taken.

8.4 Regular Performance and financial updates are reported to senior officers and councillors, including Scrutiny Board. The management accountants undertake monthly forecasting with Group Managers and the resulting reports are then reviewed by the S151 Officer. Monthly updates are provided to the Senior Leadership Team with quarterly updates reported publically through Cabinet.

8.5 The Council has established and robust planning and control cycles that cover strategic and operational plans, priorities and targets. The Council actively engages with internal and external stakeholders in determining how services should be delivered. Budgets are prepared in accordance with objectives, strategies and the MTRS.

9 Developing capacity, including the capacity of the Council's leadership and the individuals within it

9.1 In order to deliver the council's priorities within a strong governance framework the Council requires a workforce that is appropriately skilled and qualified. Because of the shifting requirements of local government and the changing demands put on the Council, it's essential that the capacity of the Council's workforce is reviewed and updated.

9.2 The Council looks for good practice from other areas and other authorities in order to help improve its leadership and delivery identified from senior management. Following the management restructure, the Council has invested heavily in staff training across a range of areas included personal coaching using the South West Councils scheme, undertaking Team Management Systems (TMS) profiling across the Senior Management and Politicians. Following this, a renewed organisational development strategy is being developed across both staff and politicians.

Succession planning is encompassed by the creation of Cabinet and Group Manager Assistants – fixed terms roles for those interested to gain more experience at senior roles.

- 9.3 The Council also makes use of external reviews of its practice in order to deliver better outcomes. In 2016/17 a key peer reviews was undertaken by the LGA. The peer review commented that "... The Council benefits from exceptional joined up political and managerial leadership. The style of leadership within the officer group is empowering."
- 9.4 The Council must position itself to deal with the impact of changes in National policy and legislation. Such changes could be resource hungry and to this end the Council has maintained a robust level of general balances and also earmarked funds for both corporate capacity issues. These reserves along with the revenue contingency budget provide financial resilience for the organisation.
- 9.5 SWAP have recently completed a non-opinion audit into the Councils preparations for GDPR (General Data Protection Regulation). This report is currently in draft form, but SWAP have recommended that they complete a follow-up ahead of the May 2018 GDPR implementation data to ensure that the council has taken the steps necessary to reduce the risk of non-compliance with the regulation.
- 9.6 Working in partnerships is increasingly important to the Council and is used as an additional method of improving and growing the skills base for delivering the Council's objectives.

10 Managing risks and performance through robust internal controls and strong public financial management

- 10.1 Performance management is a key component of the Council's approach to achieving its stated outcomes. Part of this process involves identifying and, where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with additional rigorous processes to ensure sound financial management.
- 10.2 The Council has in place a performance management framework which covers performance against corporate priority objectives and service level performance. Each corporate priority, as set out in the Corporate Plan, has a number of supporting objectives which in turn translate into projects and service level actions. The Council reports publicly on performance against objectives through quarterly reports to Scrutiny and Cabinet. The reports also include a number of metrics including Freedom of Information requests and HR data. There is also a summary of financial data and work is underway to align the objectives of the emerging new Corporate Strategy more closely with the MTRS. At a service level, each group has in place a business plan and regularly reports on performance against this plan to relevant Portfolio Holders.
- 10.3 During 2016/17 there were quarterly budget monitoring updates to councillors, via Cabinet, and monthly updates highlighting any significant variances to senior officers.

Group Mangers produce monthly revised forecasts and any issues are highlighted on the corporate summary. Any identified potential under or overspends, were flagged and appropriate action was taken where required. This year effective management meant that a small surplus was delivered by year end. The issues relating to the Council's longer term financial position are recorded in the Corporate Risk Register. The Council also undertook robust scrutiny of the 2017/18 budget and this was set at Full Council in February 2017 ([here](#)).

- 10.4 Managing risks is the responsibility of the whole organisation. Risk management is the process of identifying significant risks to the achievement of the Council's strategic and operational objectives, evaluating their potential consequences and implementing the most effective way of mitigating them. The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur. It is also about considering opportunities (positive risks) as well as negative risks (threats) and using these to assist innovation in Council services. Further detail is available in the Council's Risk Management Strategy. High level risks are included on the Strategic Risk Register with the register reviewed by Group Managers, the Senior Leadership team and the Corporate Governance Group. The Corporate Governance Group which includes SWAP as a member meets four times a year to conduct the review.
- 10.5 Whereas management of lower level risk is recorded and monitored by services at various levels in the organisation, including by the Group Managers.
- 10.6 Each service area and project holds its own risk register which define the risks related to their service areas and assign individuals to be responsible for their management. All services risks are scored on the same basis of likelihood and impact and high scoring service risks are escalated, through a set policy, to Corporate Management Team for consideration of whether they should be included on the Strategic risk register.
- 10.7 Service risks that are high scoring or appear on, or are referenced on, the strategic risk register require a greater focus on mitigating action planning with those actions assigned a time scale and an owner. The Council recognises that in order to seize opportunities and make successful changes some risk is inevitable and must be effectively managed.
- 10.8 The Council's risk management arrangements are reviewed by the Audit Committee who are supplied with the Strategic Risk Register. In 2016/17 the main changes were three High level risks were closed, two relating to the setup of the 5 councils partnerships and one concerning the prevention of corruption.
- 10.9 Four risks were added to the Strategic Risk register in 2016/2017, one relating to ensuring that investments help to close the budget shortfall and limit risk to the authority. Three of the new risks relate to the 5 councils partnership setup, management and communications.

11 Implementing good practises in transparency reporting and audit to deliver effective accountability

11.1 A Forward Plan is prepared giving details of all the Key Decisions likely to be taken by the Cabinet or other decision making body over at least the next four months, and where reasonably practicable, over a period of twelve months. This will be updated on a monthly basis, with a new Forward Plan being produced at least 14 days before the start of the period which it covers. The current plan will be included as an agenda item for information at each meeting of Cabinet.

Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 defines a key decision as an executive decision which is likely:

- (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or
- (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

The Council has decided that the relevant threshold at or above which the decision is significant will be £100,000 for capital /revenue expenditure or savings.

11.2 Writing and communicating decision reports for the public and other stakeholders are completed in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. The council strives to provide the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

11.3 Performance and financial information is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

11.4 Mendip's S151 Officer or Chief Finance Officer has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function.

11.5 In 2016/17 an internal audit schedule that focussed on areas of risks identified by services along with those identified by SWAP themselves using its wider partnership connections was agreed. 24 reviews were undertaken and their findings, including any significant risks, along with the agreed management action were reported to Audit Committee who in turn ensure recommendations are acted upon.

11.6 With the increase in working in partnership, the Council ensures that arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

12 Significant governance issues

12.1 In addition to the specific areas highlighted through the audit process, there were a number of issues highlighted in 2014/15 and continued in 2015/16 that were likely to impact on the Council's governance arrangements and therefore were included in the relevant AGS as separate actions. These actions along with the new actions for 2016/17 and current progress are listed in Appendix 1. Any actions not complete will stay in the 2017/18 AGS and continue to be monitored.

Appendix 1 – SIGNIFICANT GOVERNANCE ISSUES**Ongoing Issues/Projects identified during 2014/15**

Issue/Project	Owner	Progress	Risk
Local Plan	T Aarons	In progress	<p>The risk of not delivering the local plan is that the Development Plan would potentially be classed as 'out of date' and a general presumption in favour of sustainable development would apply. This essentially means our local planning policies may no longer apply and planning applications would need to be approved in all cases except where there were significant and demonstrable adverse impacts.</p> <p>Accordingly, local communities would not have certainty over where and when development might take place and it would become more difficult to plan the provision of new infrastructure to support cumulative new development.</p> <p>Over time, this could lead to detrimental impacts on local roads, schools, health services etc.</p>
5 Councils	P Deal	Working towards transition.	<p>The 5C partnership fails to act as a single client through the transition phase(s). Failure to identify and correctly assign skills, knowledge and experience required for the 5 council pool may leave the 5 councils ill equipped to achieve efficiencies.</p> <p>As a consequence expected savings are lower than budgeted and some renegotiation of the contract is required.</p>
Politics	S Brown	Ongoing	<p>Change in Political make up at local levels within Somerset County and the council itself or at national level leading to adjusted priorities and funding .Also the Devolution agenda could result in a change to the structure of local government.</p>

Additional Issues/Projects identified during 2015/16

Project/Issue	Owner	Progress	Risk
Growth Agenda	SLT	In progress	<p>Failure to Work with businesses to deliver the ambitions of our Economic Strategy and increase the economic vibrancy of the Mendip area. In addition not using our position as a community leader to influence partners to deliver outcomes that improve the wellbeing of Mendip residents.</p> <p>An inability due to time; or financial constraints to take an active role in improving the health of our communities.</p>
Business Rates Retention	SLT	In progress	The new 100% Business Rates Retention regime lacks critical detail from government to assess the impact of the new policy .The impact of the final scheme may cause significant additional budgetary pressure on Mendip

Additional Issues/Projects identified during 2016/17

Project/Issue	Owner	Progress	Risk
Transformation Agenda	SLT	In progress	<p>Risk of new income streams not being delivered such as the innovation hub. Lack of resource and co-operation from partners to develop and deliver strategic options for the delivery of good quality services and integrate services focused on client groups to improve customer experience and reduce duplication.</p> <p>Inability to grow the Shape Mendip brand which fails to represent public sector best practice as envisaged and not delivering a marketing strategy to enhance our reputation as a vibrant place to live and work.</p> <p>Failure due to time constraints etc. to develop and train our staff and councillors to have the right skills and competencies to deliver our ambitious corporate strategy and build an organisational culture of innovation and collaboration.</p>
Housing Company	T Aarons	In progress	<p>Potential conflicts of interest between Board of Housing company and Council. Financial risk of budgetary control with possibility for overspends and impact of any decline in the housing market, resulting in sales not proceeding or selling at a loss</p> <p>The Council is potentially vulnerable through its lack of experience and skills in house building and marketing, so will be reliant on Partner/Project manager. Also the difficulty of obtaining suitable sites to build on at an economic price commensurate with generating profits.</p> <p>Issues with funding are similar to those discussed below in Commercial acquisitions</p>

<p>Commercial Acquisitions</p>	<p>D Nolan</p>	<p>In progress</p>	<p>Inability to provide an adequate, realistic and attainable investment strategy. In terms of financial-risk any market decline; or tenant default/ unexpected maintenance/ dilapidations not recoverable from the tenant post purchase.</p> <p>As the purchases will be funded by borrowing, recognising the need to, adhere to prudential indicators.</p> <p>Potential risk of withdrawal of Public Works Loan Board PWLB funding and establishing and selecting the best type and length of loans for the assets purchased.</p>
<p>Strategic Developments</p>	<p>D Nolan</p>	<p>In progress</p>	<p>Financial risk of returns being low on strategic developments for the benefit of the community and the timescale long to completion.</p> <p>Development itself is inherently risky and will require close co-operation with external partners.</p> <p>Establishing the correct form of borrowing, for the most efficient and economical length of time.</p>