

## Draft Annual Governance Statement & Local Code of Corporate Governance

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 This report requests that the Committee note the contents of the draft Annual Governance Statement (AGS) for 2020/21 which is a key component of the Council's governance arrangements. It is required to meet the statutory requirement for the Council to approve an AGS alongside its published Statement of Accounts (SoA) for 2020/21. Due to the temporary change in the regulations covering the reporting deadlines for the draft and audited statement of accounts a draft version of the AGS is being presented to members which will be published alongside the draft statement of accounts which will then be subject to a review by external audit. A final version will then be produced for formal sign off.
- 1.2 The report also seeks Committee approval of the revised Local Code of Corporate Governance

### 2 Recommendations

#### That Committee:

- 2.1 **Note the Council's draft Annual Governance Statement (AGS), as set out in Appendix A to this report;**
- 2.2 **Approve the revised Local Code of Corporate Governance as set out in Appendix B to this report**

### **3 Reason for Recommendations**

- 3.1 A draft AGS is being presented to this Committee to enable members the opportunity to consider and provide any relevant comments before it is published as a draft alongside the draft statement of accounts submitted to external audit for review. It is common practice for the AGS to be presented alongside the internal audit annual report. The draft statement of accounts would also generally be submitted however as a result of changes to the regulations the deadline for the production of these has been delayed.
- 3.2 In February 2021 CIPFA released a guidance note (bulletin 6) in relation to the Application of the Good Governance Framework 2020/21. The guidance concerns the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of Delivering Good Governance in Local Government Framework 2016 - CIPFA and Solace ("the framework). It takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. The guidance was particularly relevant for the annual review of the system of internal control and publication of the AGS that are requirements under the regulations issued by Government. In light of this guidance the Local Code of Corporate Governance was reviewed alongside the AGS to ensure it is compliance with the guidance and relevant regulations and is being presented to the Committee for approval.

### **4 Background**

#### **Annual Governance Statement**

- 4.1 The Council is responsible for and fully committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 4.2 The Accounts and Audit (England) Regulations 2015 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements. In discharging this overall responsibility members and senior officers are responsible for putting in place proper arrangements (known as the governance framework) for the governance of the Council's affairs and facilitating the effective exercise of its functions. This includes:
- 4.2.1 setting the strategic direction, vision, culture, and values of the Council;
  - 4.2.2 the effective operation of corporate systems, processes and internal controls;
  - 4.2.3 engaging with and leading the community;
  - 4.2.4 monitoring whether strategic priorities and outcomes have been achieved;
  - 4.2.5 ensuring that services are delivered cost-effectively;
  - 4.2.6 maintaining appropriate arrangements for the management of risk; and

#### 4.2.7 ensuring the Council complies with the Statement on the role of the Chief Financial Officer in Local Government

- 4.3 The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, so as to give assurance of their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.
- 4.4 CIPFA's proper practice requires the most senior officer (the Chief Executive) and the most senior member (the Leader of the Council) to sign the AGS. Accordingly they must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about all corporate controls and is not just confined to financial issues
- 4.5 The Council has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, that public money is safe-guarded, properly accounted for and used economically, efficiently and effectively. In discharging these overall obligations, the Council is responsible for putting in place appropriate arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions and includes arrangements for the management of risk. The overall system of controls across the Council contributes to the effective corporate governance of the organisation.
- 4.6 Governance reporting has been a requirement within local government since 2001, when CIPFA/SOLACE produced a joint publication on Corporate Governance in Local Government. An updated version was published in 2007, the CIPFA/SOLACE Framework Good Governance in Local Government. This replaced the requirement for Councils to produce an annual Statement of Internal Control (SIC), with a duty to publish an Annual Governance Statement (AGS) against which they will be judged.
- 4.7 The framework is a discretionary code and provides a framework with seven core principles of good governance.
- 4.7.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - 4.7.2 Ensuring openness and comprehensive stakeholder engagement.
  - 4.7.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - 4.7.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - 4.7.5 Determining the entity's capacity, including the capability of its leadership and the individuals within it.
  - 4.7.6 Managing risks and performance through robust internal control and strong public financial management.
  - 4.7.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 4.8 The principles focus on the systems and processes in respect of the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The framework emphasises that good governance should be embedded throughout the authority and that, as a result, the statement should be corporately owned.
- 4.9 An important element of the process of assurance is the need for continuous monitoring and annual reviews of our corporate governance arrangements. This results in the Council reviewing the Local Code of Corporate Governance, agreeing an Annual Governance Statement (AGS) and agreeing a new action plan to further strengthen our governance arrangements. This annual review process is designed to ensure that the ethos of excellent Corporate Governance is embedded in all decisions made by the Council.
- 4.10 Whilst this process of review is co-ordinated corporately and ultimately approved by the Chief Executive and Leader of the Council, Directors, Assistant Directors and Service Managers have a responsibility to ensure their own governance arrangements are adequate and operating effectively. Each Director is required to make an annual statement confirming this is the case.

## **Local Code of Corporate Governance**

- 4.11 The Council's revised Local Code of Corporate Governance for 2020/21 has been prepared and reviewed by the Senior Leadership Team and is available at appendix b.

## **5 Main Considerations**

### **Annual Governance Statement**

- 5.1 The AGS is set out at Appendix A and follows CIPFA/SOLACE guidance using a best practice format as set out in the CIPFA guide – 'Delivering Good Governance in Local Government Framework'.
- 5.2 The AGS is a dynamic document, reflecting improvements to the Council's governance arrangements as and when these are made. As such, it therefore forms a key part of those governance arrangements, as it can be used to give assurance to stakeholders that the Council is properly and effectively managed
- 5.3 This is a draft statement to be approved for publication alongside the draft financial statements. The Framework provides guidance on what the statement should contain including:
- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
  - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
  - a brief description of the key elements of the governance framework, including reference to group activities where these are significant;

- a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process;
- an outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.

5.4 To enable us to produce the AGS, a robust in year and year-end review process has been developed. As previously, effective management of key risks to achievement of corporate objectives (and demonstration of this) underpins the assurance process. The following sources of assurance are used to help prepare the Annual Governance Statement:

5.4.1 Internal Audit reports

5.4.2 External Audit reports (including the Annual Audit Letter)

5.4.3 Director/Manager Assurance

5.4.4 Local Government Ombudsman Reports

5.4.5 Performance Management

5.5.5 Financial control assurance

5.5.6 Risk registers and action plans

5.5.7 Other inspection reports

5.5.8 Legal and regulatory assurance

5.5.9 Other sources of assurance (e.g. third party)

5.5.10 Member's assurance (e.g. standards)

5.5 At the end of the AGS it sets out areas for improvement, addressing these areas will be a priority for a number of Officers during the coming months. Progress will be monitored through the Council's performance monitoring arrangements.

## **Local Code of Corporate Governance**

5.6 The overall conclusion from this annual review is that the Council continues to have effective arrangements in place to protect the Council's interests and promote good governance.

5.7 The format of the Local Code of Corporate Governance provides a streamlined approach, removed unnecessary duplication and provides a more robust evidence base against each of the general principles.

## **6 Options Considered**

6.1 The council is required to approve and publish an AGS annually.

## **7 Consultation**

- 7.1 The Senior Leadership Team have been consulted on the detailed documents that underpin this process as part of the drafting process as well as the Head of Internal audit. All comments have been incorporated
- 7.2 The council's external auditor will review the AGS as part of the annual audit and their comments will be incorporated.

## **8 Next Steps – Implementation and Communication**

- 8.1 The draft AGS will be subject to external audit which might result in changes being made. The final version will be presented to this Committee alongside the SoA and the external audit report. The timescale for this will be informed by the timing of the external audit which has yet to be scheduled. Once the final version is approved the statement will be signed by the Chief Executive and Leader and published on the website alongside the Statement of Accounts.

## **9 Financial Implications**

- 9.1 There are no direct financial implications associated with this process.

**Financial Implications reviewed by: Dawn Garton, Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 The Accounts and Audit (England) Regulations 2015 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements.

**Legal Implications reviewed by: Kieran Stockley, Monitoring Officer**

## **11 Equality and Safeguarding Implications**

- 11.1 There are no direct implications arising.

## **12 Community Safety Implications**

- 12.1 There are no direct implications arising.

## **13 Environmental and Climate Change Implications**

- 13.1 There are no direct implications arising.

## **14 Other Implications (where significant)**

- 14.1 There are no other implications arising.

## 15 Risk & Mitigation

- 15.1 The AGS considers the various risks facing the council as a key piece of information informing the review.

## 16 Background Papers

- 16.1 Guidance – CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21

## 17 Appendices

- 17.1 Appendix A - Annual Governance Statement  
17.2 Appendix B – Local Code of Corporate Governance

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