

GOVERNANCE & AUDIT COMMITTEE 19 JULY 2022

DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22

(INCLUDING YEAR-END SENIOR MANAGEMENT ASSURANCE STATEMENTS)

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 11.3

Reason for Report

1. The Governance and Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it reflects properly the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
2. Specific components of the AGS reported individually to the Governance and Audit Committee are the biannual Senior Management Assurance Statements (SMAS) and the AGS Action Plan of significant governance issues, following approval by the Senior Management Team. This report provides members of the Governance and Audit Committee with the full AGS for 2021/22 that will sit alongside the Council's Statement of Accounts.

Background

3. The AGS contains three formal opinions namely, Senior Management Team, Governance & Audit Committee and Head of Internal Audit. In addition, the Annual Governance Statement sets out the Governance Framework having considered two core principles and five supporting principles. As noted in the AGS, the core principles run through the supporting principles, but as good governance is dynamic there is a need to evaluate and review against each principle on a continuing and regular basis.

Core principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
- Supporting Principles:

Supporting principles

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4. For the year 2021/22 CIPFA formally adopted the Financial Management (FM) Code,. The focus of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The CIPFA Financial Management (FM) Code supports good practice in financial management and assist Local Authorities in demonstrating their financial sustainability. The Code translates principles of good financial management into a series of standards against which Local Authorities should measure themselves. For 2021/22, the Code requires that local authorities should now disclose compliance with the FM Code in the AGS and identify any outstanding areas for improvement or change
5. Senior Management Assurance Statements (SMAS) assesses governance maturity in application of the 'Delivering Good Governance in Local Government' framework, developed by CIPFA / SOLACE.
6. Through the SMAS, each Director responds to twenty-five good governance statements using a 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. Prior to submitting their returns, each Director obtains underlying assurances from their management teams to support a directorate-wide response to each statement.
7. The draft AGS for the financial year 2021/22 is attached to this report.

Issues

Annual Governance Statement

8. In writing the AGS, there has been consideration of the significant challenges of the pandemic and other economic uncertainty facing the Council. For both 2021/22 and for the current year, these challenges have continued to evolve both in terms of look and severity across the services provided by the Council. The need for effective governance arrangements continues to be one of necessity at a time when circumstances change thus requiring a level of flexibility and adaptability as well.
9. Senior Officers have firmly focussed their attention on effective communication, decision making and control whilst operating in an environment which fluctuated and changed throughout the year. The 2021/22 assurance process therefore needed to consider the way services were delivered during the year and identify any associated changes in the level of assurance.
10. The AGS includes Statements from the Audit Manager, Governance and Audit Committee and Senior Management, respectively. The Senior Management Team has in its considerations determined that whilst the three actions contained within the 2021/22 Action Plan have shown progression there is a need to take them forward into the year 2022/23 to build upon improvements made.
11. The 2021/22 AGS has considered the CIPFA FM Code and identified three areas of improvement which will provide opportunities to further strengthen financial resilience. The three areas cover enhancing the sensitivity analysis surrounding the Medium-Term Financial Plan, the strengthening of the development of Business Cases and enhancing focus on service area spend and delivery of savings proposals.

Senior Management Assurance Statements

12. Following on from the previous year, the 2021/22 process continued to require a comprehensive evidence base to support the assessment of the assurance level. Given the varying degrees of frequency and severity of Covid 19 cases, there was a continual need to ensure that the most appropriate and effective measures were in place when delivering services, responding to spikes in demand or looking to recover services particularly those in relation to income. This increasing demand on some Council services plus the need to change the service operating model combined with the need to close some services (and then restart) for part or the whole of the year required a multi layered approach to governance and assurance.
13. The Senior Management Team re-engaged with the senior management assurance process in full. Each directorate undertook a Half-yearly self-assessment in November 2021 and having reviewed the position at the end of the year. The Chief Executive held Challenge Sessions in November 2021 and May 2022 respectively, with each directorate to consider the merits of the self-assessment, identify progress made against action plans and identify any areas of concern.
14. The end-year 2021/22 self-assessment level for each Directorate and Assurance category is set out in the following two tables.

Directorate / Service	Self-Assurance Level
Economic Development	Strong (lower range of assessment)
Education	Mixed (higher range of assessment)
Governance and Legal Services	Strong (lower range of assessment)
People and Communities	Strong (lower range of assessment)
Planning, Transport and Environment	Strong (lower range of assessment)
Resources	Strong (middle range of assessment)
Street Scene	Mixed (high range of assessment)

Category	Assessments challenged
Risk Management	Strong (lower range of assessment)
Future Generations Act and Collaboration	Mixed (higher range of assessment)
Compliance	Mixed (middle range of assessment)
Programme and Project Assurance	Strong (lower range of assessment)
Budget Monitoring	Strong (lower range of assessment)
Planning and Decision Making	Strong (lower range of assessment)
Internal Control Environment	Strong (lower range of assessment)
Fraud & Financial Impropriety	Strong (lower range of assessment)
Performance Measurement & Management	Mixed (higher range of assessment)

Reason for Recommendation

15. To enable the Governance and Audit Committee to review and comment upon the self-assessed elements of the AGS.

Legal Implications

16. There are no direct legal implications arising from this report.

Financial Implications

17. There are no direct financial implications arising from this report.

Recommendation

18. Governance and Audit Committee to review the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

Christopher Lee
Corporate Director Resources
July 2022

The following Appendices are attached:

Appendix A - Annual Governance Statement 2021/22