

Meeting: **Audit Committee**

Agenda Item:

Portfolio Area: All

Date: **8 June 2021**

2020/21 Annual Governance Statement and Local Code of Corporate Governance

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1. PURPOSE

- 1.1. To advise Members of the Audit Committee on the content of the Council's Annual Governance Statement for 2020/21 and approve the changes to the Council's Local Code of Corporate Governance.

2. RECOMMENDATIONS

- 2.1. That Members of the Audit Committee approve the changes to the Council's Local Code of Corporate Governance (Appendix One).
- 2.2. That Members of the Audit Committee recommend the Council's 2020/21 Annual Governance Statement (Appendix Two), for approval by the Statement of Accounts Committee.

3. BACKGROUND

3.1 CIPFA/SOLACE Framework and Guidance

- 3.1.1 In 2006, CIPFA/SOLACE produced a publication called Delivering Good Governance in Local Government: Framework and Guidance. In April 2016, CIPFA/SOLACE published a reviewed Framework and Guidance that reflects the International Framework: 'Good Governance in the Public Sector'. The purpose of the Framework is to support each local authority in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

3.1.2 The 2016 CIPFA/SOLACE Framework identifies seven core principles:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

D: Determining the interventions necessary to optimise the achievement of 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

3.2 Local Code of Corporate Governance

3.2.1 The Local Code of Corporate Governance is a public statement of the ways in which the Council achieves good corporate governance. This is based on the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government: Framework (2016)' and focusses on the above mentioned seven core principles.

3.2.2 The arrangements set out in the Local Code of Corporate Governance and the Annual Governance Statement will allow the Council to move ahead with its corporate planning process confident that it can address the issues for governance and risk.

3.2.3 Within Stevenage Borough Council, Corporate Governance operates to:

- Establish and monitor the Council's vision and objectives
- Facilitate policy and decision making
- Ensure compliance with policies, procedures, laws and regulations
- Ensure the economic, efficient use of resources and secure continuous improvement
- Support delivery of high quality services and effective performance management
- Identify and manage the Council's risks.

3.2.4 The Council's Local Code of Corporate Governance was last reported to this Committee on 9th June 2020. The code has recently been reviewed and is attached

for reference at Appendix A. The changes made as a result of this year's review are summarised in the table below.

Principle	Change
Principle A	Addition of new Anti-Bribery Policy and new Anti-Money Laundering Policy
Principle B	Deletion of reference to Community Strategy. There is no longer a statutory requirement for local authorities to produce a Community Strategy.
Principle B	Inclusion of reference to the Council's Co-operative Inclusive Economy Charter
Principle B	Inclusion of reference to Statement of Community Involvement
Principle B	Added new Shared Procurement Service with East Herts District Council and Hertsmere Borough Council to list of Shared Services
Principle C	Inclusion of reference to Co-operative Commercial and Insourcing Strategy
Principle F	Inclusion of reference to the Council's Health and Safety governance structure and work being carried out to embed this framework.

3.4 Annual Governance Statement

- 3.4.1 The Annual Governance Statement, at Appendix Two, is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. The statement is produced annually following a review of the Council's governance arrangements and includes an action plan to address any significant governance issues identified.
- 3.4.2 The Accounts and Audit Regulations 2015 require publication on the Council's website of the Draft Statement of Accounts and Annual Governance Statement by 31st May and publication of the approved Statement of Accounts and Annual Governance Statement by 31st July.
- 3.4.3 However, in response to the COVID-19 pandemic, the publication date for the 2020/21 draft Statement of Accounts and Annual Governance Statement has moved to 31st July 2021. The publication of the final, audited accounts and approved Annual Governance Statement has been moved to 30th November 2021.
- 3.4.4 Due to this extended timeline there may need to be further revisions to the Annual Governance Statement, to reflect any significant governance updates between now and the date of approval of the Statement of Accounts. These changes will be reported to the Audit Committee which will meet prior to the Statement of Accounts Committee in November 2021.

3.4.5 The Council has an agreed local framework for compiling the Annual Governance Statement. Arrangements for governance in 2020/21 have been reviewed in accordance with this local framework, as outlined below:

- Review existing governance arrangements against the CIPFA/SOLACE Framework.
- Update the Council's Local Code of Governance in accordance with this review.
- Identify systems, processes and documentation that provide evidence of compliance.
- Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed.
- Identify the individuals who will be responsible for undertaking the actions required and plan accordingly.
- Prepare the 2020/21 Annual Governance Statement.
- Consideration of Annual Governance Statement by senior management prior to consideration by Audit Committee. The Annual Governance Statement was considered at the Senior Leadership Team meeting on 4th May 2021.
- In year monitoring of the Council's status of corporate governance carried out by Corporate Governance Group which is chaired by the Strategic Director (Chief Finance Officer).

3.4.6 Actions to enhance governance arrangements as a result of the above review were reported to Audit Committee at its meeting on 19th March 2021.

3.4.7 Actions identified which are recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service, or are considered important in the management of 'very high/high level' strategic risks, are set out in the Annual Governance Statement on pages 30 to 33. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and associated delivery of priority outcomes should be addressed.

3.4.8 Actions included in the Annual Governance Statement (pages 30 to 33) for 2021/22 are:

- Implementation of the key actions identified in the General Fund Asset Management Strategy Action Plan to undertake Local Asset reviews of the Council's land and buildings.
- Continue to ensure good governance of the key regeneration projects and ensure contracts, business cases and adequate funding is available to carry out the regeneration work as planned.
- Respond as required to the Government's Local Government Reform and Devolution White Paper.
- Delivery of the Council's Commercialisation Strategy and Action Plan.

- Ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property by implementing new Asset Management systems and governance arrangements
- A programme of work in response to the COVID-19 pandemic to enable recovery from the effects of the virus in the town.
- The Shared IT service to continue to implement a programme of activity to enhance the Council's IT infrastructure, cyber security, governance arrangements, policy framework and resilience.
- Continue to further enhance Health and Safety arrangements to ensure health and safety compliance and performance across the Council.
- Implementation of a transformation programme to deliver a productive and resilient Council which can deliver the Council's strategic priorities, protect outcomes for residents and provide excellent customer experiences.
- Implement a programme of activity to minimise the socio-economic impacts of welfare reform, the Covid-19 pandemic and an economic downturn.
- Enhance compliance with Payment Card Industry Data Security Standards
- Continue to work with the Council's leisure contractor to ensure the recovery of leisure services from the Covid-19 pandemic.

3.4.9 Corporate Governance Group will monitor the delivery of governance actions, including the actions mentioned above.

3.4.10 The signatories to the Annual Governance Statement (The Leader of the Council and the Chief Executive) must be satisfied that the Council's governance arrangements continue to be fit for purpose and that significant actions identified to enhance governance arrangements are being addressed.

3.5 Corporate Backbone

3.5.1 The Council's corporate governance arrangements are evidenced by a number of policies, plans, processes and monitoring arrangements which are referred to as 'The Corporate Backbone' of the Council. The Corporate Backbone is attached as Appendix Three for reference.

3.6 2020/21 Audit Opinion

3.6.1 The Shared Internal Audit Service (SIAS) has assigned 'Satisfactory' assurance for both financial systems and non-financial systems for 2020/21: meaning the internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.

3.7 Service Assurance Statements

3.7.1 All Assistant Directors have completed a Service Assurance Statement. The Service Assurance Statement provides assurance that governance arrangements operated

effectively during 2020/21 in respect of the business units for which the Assistant Director has responsibility. Actions which have been identified to improve governance arrangements in business units are outlined in Appendix Four together with progress of the actions identified last year.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The Council's Local Code of Corporate Governance (Appendix One) has been updated to reflect changes to the Council's governance arrangements since its last review in June 2020 and Audit Committee is required to agree the revised Local Code of Corporate Governance.
- 4.2 The Annual Governance Statement (Appendix Two) must be considered by the Audit Committee before accompanying the Statement of Accounts.
- 4.3 The Annual Governance Statement is intended to provide public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. The document is an important public expression of the arrangements the Council applies to achieve good business practice, high standards of conduct and sound governance.

5. IMPLICATIONS

5.6 Financial Implications

- 4.1.1. Robust scrutiny of the Council's Annual Governance Statement and Framework applied in line with best practice will further strengthen the Council's sound base of strong financial management and assist in reducing risk.

4.2. Legal Implications

- 4.2.1. It is a requirement of the Accounts and Audit (England) Regulations 2015 that the council publishes an Annual Governance Statement.

4.3. Risk Implications

- 4.3.1. A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.
- 4.3.2. Without robust governance arrangements, there are potential service continuity and reputation risk implications.

4.4. Equalities and Diversity Implications

- 4.4.1. Officers responsible for the delivery of any improvement actions identified will also be responsible for completion of any relevant Equality Impact Assessments.

4.5. Other Corporate Implications

- 4.5.1. All aspects of the work of the Council are affected by its corporate governance arrangements, as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies in particular,

need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded.

5. BACKGROUND DOCUMENTS

- CIPFA/SOLACE, 'Delivering Good Governance in Local Government (2016 Framework and Guidance)
- CIPFA/IFAC International Framework 'Good Governance in the Public Sector (published August 2014)
- Stevenage Borough Council's Local Framework for compiling the AGS

6. APPENDICES

- Appendix One – Local Code of Corporate Governance (June 2021)
- Appendix Two – 2020/21 Annual Governance Statement
- Appendix Three – Corporate Backbone
- Appendix Four – Service Assurance Report