

Meeting: **Audit Committee**

Portfolio Area: All

Date: **7 June 2022**

2021/22 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 2021/22 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 2021/22 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 8th June 2021. The code has been reviewed and is attached 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 reference to new Fraud Sanctions Policy which was approved by Audit Committee in November 2021. |
| Principle B | Added reference to the Social Value Portal which is now being used to monitor, measure and manage the tendering and delivery of social value through contracts and other business-related activities |
| Principle B | Reflect that Council, Executive and Overview and Scrutiny meetings continue to be recorded and are available via You Tube which means that members and the public can view meetings at a time convenient to them. |
| Principle C | Added reference to the Council's new EDI Policy and that an agreed set of objectives to promote equality, diversity and inclusion across the Council's services, communities and workforce over the next four years have been agreed. |
| Principle C | Changed Leaders Financial Security Group to be Leader's Making Your Money Count Group |
| Principle D | Deletion of reference to the Housing Management Board. A review of resident involvement has been carried out and new arrangements will be implemented in 2022/23. |
| Principle F | Added a reference advising that the Council now has a Senior Information Risk Officer. This is a senior officer with individual responsibility for managing departmental information risks. |

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, there are currently delays in audits nationally. To reflect this, the government has extended the statutory deadline for publishing audited local authority accounts to 30th September from 31st July from 2020/21 for 2 years.
- 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.

3.4.5 The Council has an agreed local framework for compiling the Annual Governance Statement. Arrangements for governance in 2021/22 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 actions which are required to enhance the Council's governance arrangements.
- Prepare the 2021/22 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 17th May 2022.
- 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 28th March 2022.

3.4.7 The actions included in the Annual Governance Statement relate to improvement actions identified by the Shared Internal Audit Service via high audit recommendations or action to manage very high/high level strategic risks. 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 for 2021/22 are:

- Implementation of a Corporate Landlord function to ensure the effective management of the Council's assets.
- To review the Council's finances to ensure the Council has sufficient resources to fund its medium and long term service plans and corporate priorities.
- Delivery of the Council's Co-operative Commercial and Insourcing Strategy and Action Plan to ensure that the Council's Making Your Money Count targets can be met.

- Activity to ensure that the impact on the Council's finances of the Covid-19 pandemic are reflected in the Council's Medium Term Financial Strategies and HRA Business Plan and implement the town wide Covid Recovery Plan.
- Activity to ensure the Council can deliver new Council homes as programmed and continue to ensure good governance of the Housing Development programme.
- Continue with Community Wealth Building and other social value initiatives, complete the review of the Arrears Action Plan, and continue to work with Stevenage Together in response to the socio-economic impact of welfare reform, the Covid-19 pandemic, the economic downturn and the recent rise in the cost of living.
- Continue to work with the Council's leisure contractor to ensure the recovery of leisure services from the Covid-19 pandemic and carry out the procurement process for a new leisure service provider from April 2023.
- To continue to implement a programme of activity to enhance the Council's IT infrastructure, cyber security, IT governance arrangements, policy framework and resilience.
- Continue to monitor and further enhance health and safety arrangements to ensure health and safety compliance across the organisation.
- A programme of work to reduce the backlog in repairs due to the impact of the Covid-19 pandemic and damage to properties caused by the recent storms.

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 at Appendix Three for reference.

3.6 2021/22 Audit Opinion

3.6.1 The Shared Internal Audit Service (SIAS) has assigned 'Reasonable' assurance for both financial systems and non-financial systems for 2021/22: meaning "there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

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 2021/22 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 will be monitored by Corporate Governance Group throughout the 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 2021 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**

5.1 **Financial Implications**

- 5.1.1 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.

5.2 **Legal Implications**

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

5.3 **Risk Implications**

- 5.3.1 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.
- 5.3.2 Without robust governance arrangements, there are potential service continuity and reputation risk implications.

5.4 **Equalities and Diversity Implications**

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

5.5 Other Corporate Implications

5.5.1 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.

6. 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

7. APPENDICES

- Appendix One – Local Code of Corporate Governance (June 2022)
- Appendix Two – 2021/22 Annual Governance Statement
- Appendix Three – Corporate Backbone