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**Meeting:                    Audit Committee**

Portfolio Area:        All

**Date:                      4 June 2024****Agenda Item:**

## **2023/24 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 2023/24 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 2023/24 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 7 June 2023. The code has 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	Changed to reflect new RIPA Policy which was approved by Audit Committee in 2023/24.
Principle D	Changed to reflect the new Commercial and Insourcing Strategy 2023-2026 which outlines the Council's approach to operating more commercially.

### 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.

3.4.5 The Council has an agreed local framework for compiling the Annual Governance Statement. Arrangements for governance in 2023/24 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 2023/24 Annual Governance Statement.
- Consideration of the 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 14<sup>th</sup> May 2024.
- In year monitoring of the Council's status of corporate governance is 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 26th March 2024.

- 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. 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 The Annual Governance Statement actions for 2023/24 are outlined on pages 31-35 of the Annual Governance Statement.
- 3.4.9 Corporate Governance Group will monitor the delivery of governance actions, including the actions mentioned above and a six-month progress update will be reported to Audit Committee in November.
- 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 2023/24 Audit Opinion

- 3.6.1 The Shared Internal Audit Service (SIAS) has assigned 'Substantial' assurance for the Council's financial systems for 2023/24 which means "there is a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the areas audited." SIAS has assigned 'Reasonable' assurance for non-financial systems for 2023/24, 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 complete a Service Assurance Statement each year. The Service Assurance Statement provides assurance that governance arrangements operated effectively during the year in respect of the business units for which the Assistant Director has responsibility.

## 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 2023 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**

3.1.1. 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.

### 3.2. **Legal Implications**

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

### 3.3. **Risk Implications**

3.3.1. 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.

3.3.2. Without robust governance arrangements, there are potential service continuity and reputation risk implications.

### 3.4. **Equalities and Diversity Implications**

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

### 3.5. **Other Corporate Implications**

3.5.1. 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.

## 4. **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

## **5. APPENDICES**

- Appendix One – Local Code of Corporate Governance (June 2024)
- Appendix Two – 2023/24 Annual Governance Statement
- Appendix Three – Corporate Backbone