

AUDIT AND ACCOUNTS COMMITTEE

25 JUNE 2020

Annual Governance Statement 2019-20

**STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2019-20**

1. Scope of Responsibility

- 1.1 Stafford Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which require all relevant authorities to prepare an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Annual Governance Statement.
- 2.4 At the point that the national lockdown came into effect, the Council had to make a number of changes to its normal governance arrangements. However, the modified arrangements have adequate controls in place and all urgent decisions are documented.

3. The Governance Framework

- 3.1 The Council has adopted a local Code of Governance, which can be found on the Council's website. The Code is comprised of 6 key principles:
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.
 4. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 5. Managing risks and performance through robust internal control and strong public financial management.
 6. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.2 The key components of the Governance Framework are summarised in the diagram at Annex 1.
- 3.3 A key element of the Council's governance arrangements concerns safeguarding. Stafford Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services. We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:

- Completion of the statutory annual Section II Audit
- Having a Child & Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
- Having child & adult protection processes which give clear, step-by-step guidance if abuse is identified
- Safeguarding training programme in place for staff and members
- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board & Staffordshire & Stoke-on-Trent Adult Safeguarding Partnership

4. Review of effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by the Head of Governance who has responsibility for the development and maintenance of the Code of Governance. The review is informed by the work of Members, the senior officers within the Council and also by comments made by the External Auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.
- 4.2 **The Authority** - the Head of Governance and the Monitoring Officer, on behalf of the Council, undertake reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Governance, reviews of the Constitution, Financial Regulations, the Scheme of Delegation and policies, processes and practices throughout the year. No new issues have been identified in 2019/20.
- 4.3 **The Executive** - the Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and strategic risk management reports. Individual Cabinet members receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet.
- 4.4 **Overview and Scrutiny committees** - the Council has 3 Scrutiny Committees. The Scrutiny Committees review decisions made by Cabinet and areas of concern. They can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Scrutiny Committees:
- (i) determine their own work programme at the beginning of each year and this includes the provision of updates, briefings and reviews of services/activities; and

- (ii) consider regular performance management information from senior management.

4.5 **The Audit & Accounts Committee** - is responsible for overseeing the Council's governance arrangements.

The Committee monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud & corruption arrangements throughout the year. The Audit & Accounts Committee receives quarterly reports on:

- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and
- updates on the management of the Council's strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly

4.6 **The Standards Committee** - is responsible for the ethical framework of the Council. The Committee works closely with the Monitoring Officer in dealing with complaints about Members conduct and promoting high standards of conduct.

4.7 **Internal Audit** – is responsible for reviewing the effectiveness of the Council's governance arrangements, including the system of internal control, and reporting on its adequacy. Internal Audit is a key source of assurance for the Annual Governance Statement and operates in accordance with the Public Sector Internal Audit Standards. Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work undertaken on the annual audit plan for 2019-20 has been used to provide an independent view on the adequacy of the governance framework.

In the annual report to the Audit & Governance Committee, the Chief Internal Auditor has independently assessed the Council's internal control environment and given a "**partial assurance**" opinion that the Council's governance arrangements were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy. The Chief Internal Auditor has not identified any issues for inclusion in the Annual Governance Statement. Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

4.8 **Risk Management** - during 2019-20 the Audit & Accounts Committee received regular progress reports regarding the management of strategic risks.

The pandemic has increased the risks that the Council is facing and as a consequence there are currently 4 red risks for inclusion as significant governance issues:

- The Council's financial stability is adversely affected in the short and medium term;
- The economy of the Borough is adversely impacted limiting the ability to deliver the Economic Growth Strategy for the Borough
- The Council's key contractors are adversely affected by lockdown and cease to operate
- The Council doesn't have sufficient officer capacity or financial resources to sustain delivery of essential services, key projects and support work on recovery

4.9 **Assurance from the Statutory Officers** - assurances have been sought, through discussions with the Head of Paid Service (ie Chief Executive), the Monitoring Officer (Head of Law & Administration) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance.

- The Head of Paid Service has overall responsibility for the organisation, appointment and management of staff.
- The Chief Financial Officer (s151 Officer) has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with.
- The Monitoring Officer has overall responsibility for:
 - reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 - matters relating to the conduct of Members and officers; and
 - the operation of the Council's constitution.

The Statutory Officers have identified the following as significant governance issues:

- Planning for recovery for the Borough and the Council;
- Financial pressures as a result of the pandemic;
- Capacity issues in trying to maintain the delivery of essential services and plan for recovery for the Borough; and
- The need to return to normal democratic processes.

4.11 **External Audit / Other Review Agencies** - during the year the Council received the following key reports:

- (i) Audit Findings (dated 30 July 2019 and reported to Audit & Accounts Committee 30 July 2019); and
- (ii) Annual Audit Letter (dated 13 August 2019 and reported to Audit & Accounts Committee 14 January 2020).

The reports offered an unqualified opinion on the Council’s financial statements and its arrangements for value for money and effective use of resources. No significant concerns were identified.

4.12 **Leadership Team** – due to the COVID-19 pandemic, it has not been practical to seek written assurance from Heads of Services. However, the Leadership Team has been consulted on the draft annual governance statement and the significant governance issues that should be included within it.

5. Opinion on the Governance Framework

5.1 The review of the effectiveness of the governance framework show that the arrangements continue to be fit for purpose and **reasonable assurance** can be given that the framework is operating adequately in practice.

5.2 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and its operation in practice.

5.3 Whilst the governance framework is considered to be adequate a number of issues have been identified that need to be addressed to further enhance the Council’s governance arrangements. These are outlined in section 6 together with the actions to be taken.

5.4 The Audit & Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the Council's governance framework.

6. Significant Governance Issues

6.1 The Council’s key governance issues are outlined in the action plan below. This includes a number of items that are ongoing from the previous AGS.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Development of Recovery Strategy re Coronavirus Pandemic</p> <p>A Recovery Strategy is being prepared to deal with the effects of COVID-19 on the Borough. The strategy will focus on 4 key areas:</p> <ul style="list-style-type: none"> • Economic; • Financial; • Community; and • Organisational. 	Leadership Team	Ongoing

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Financial Stability</p> <p>The Council has incurred both additional expenditure and a material loss of income from fees and charges etc. Despite receiving some additional grant funding, the pandemic is likely to have a significant impact on the Council's finances both in the current year and for the foreseeable future particular as a result of the impact on the Local Economy. This compounds the ongoing financial uncertainty regarding the future funding regime for local government.</p> <p>This will be addressed by:</p> <ul style="list-style-type: none"> • Monitoring the Financial Impact of COVID-19 • Implementing an Interim Financial strategy • Refreshing the Medium Term Financial Plan • Determining a Financial Recovery Strategy 	<p>Chief Executive / Head of Finance</p>	<p>Ongoing</p>
<p>The economy of the Borough and delivery of the Economic Growth Strategy</p> <p>The pandemic will have a considerable impact on the economy of the Borough and the Council's plans will need to be reviewed to reflect this. The key actions are:</p> <ul style="list-style-type: none"> • Complete an Economic Recovery Strategy • Complete a review of the Economic Growth Strategy Delivery Plan • Continue with major projects as programmed 	<p>Head of Development</p>	<p>Ongoing</p>

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>The Council's Key Contractors</p> <p>The Council's key contractors have been adversely affected by lockdown and depending on easing arrangements they may not recover.</p> <p>The Council is working to support them during lockdown, providing financial assistance and in implementing their recovery plans.</p>	Head of Operations	Ongoing
<p>Officer Capacity & Financial Resources</p> <p>With the delivery of essential services, key projects and work on recovery resources are stretched. This is being managed through:</p>	Chief Executive	
<ul style="list-style-type: none"> • A planned review of the Corporate Business Plan to reassess objectives for the next 3 years 	Corporate Business and Partnerships Manager	
<ul style="list-style-type: none"> • The Operational Recovery work stream is providing a co-ordinated approach to operational and transformational recovery taking into account service delivery priorities, timescale and capacity to deliver 	Head of HR & Property Services	Ongoing
<ul style="list-style-type: none"> • Continued monitoring of the impact on the health and wellbeing of staff 	Head of HR & Property Services	Ongoing
<p>The return to normal democratic processes</p> <p>The lockdown affected the normal committee meeting cycle, with a number of meetings cancelled/postponed, and led to the introduction of virtual meetings. A settled calendar of meetings will be re-instated as lockdown is lifted. This includes consideration as to holding the Council's AGM and supporting other functions such as Scrutiny. This will link into the Organisational Recovery work stream.</p>	Head of Law & Admin	Ongoing

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Implications arising from EU Exit</p> <p>There is uncertainty about the terms on which the UK will exit the EU and the effects on the Council.</p> <p>The effects of Brexit on legislation and how it affects the Council will be monitored and appropriate action taken to ensure continuing compliance.</p>	Leadership Team	Ongoing

6.2 There are a number of key governance issues outstanding from the 2018-19 Annual Governance Statement that have not yet been fully addressed. These have been re-assessed and a number of actions have been deferred until 2021/22 to allow resources to be focussed on planning for recovery from the effects of the pandemic. The issues which have been assessed as a priority have been included in the table at 6.1 and the remainder are set out in the table below.

ISSUE & ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been completed. The revised Code has been agreed with Leadership Team. Managers and the Trade Unions need to be consulted before the Code is passed to Council for approval.</p> <p>The Code will be reviewed in light of the impact of COVID-19 to see if any changes need to be made before it is consulted on and passed to Council for approval</p>	Head of Human Resources, Head of Law & Administration and Head of Governance	2021/22
<p>Information Governance</p> <p>An Information Governance Framework has been drafted to complement the existing policy documents. The next stage is for this to be considered by Leadership Team</p> <p>The revision of the Retention of Documents Schedule needs to be completed and all employees made aware of it.</p>	Head of Law and Administration	2021/22

Signed:

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Chair of the Audit & Accounts Committee

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Date

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Leader of the Council

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Date

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Chief Executive

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Date

on behalf of Stafford Borough Council