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| **REPORT TO** | **DATE** |
| **Governance Committee** | **16 June 2020** |
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| **TITLE** | **PORTFOLIO** | **REPORT OF** |
| **Annual Governance Statement 2019 and 2020** | **Leader of the Council** | **Director of Governance / Monitoring Officer** |

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| Is this report a key decision? (i.e. more than £100,000 or a significant impact on more than 2 Borough wards)  Is this report confidential? | **No**  **No** |

**PURPOSE OF THE REPORT**

1. To present the Annual Governance Statement covering the financial years 2018/19 and 2019/20.

**RECOMMENDATIONS**

1. That the Annual Governance Statement be approved in draft form for consideration by External Audit.

**CORPORATE OUTCOMES**

1. The report relates to the following corporate outcomes:

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| Excellence, Investment and Financial Sustainability | ✓ |
| Health, Wellbeing and Leisure |  |
| Place, Homes and Environment |  |

Projects relating to People in the Corporate Plan:

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| Our People and Communities |  |

**BACKGROUND TO THE REPORT**

1. The council is required to ensure that it has in place a sound system of governance, that it regularly reviews the effectiveness of that system and the it continuously seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).
2. The Annual Governance Statement is developed alongside the Statement of Accounts but assesses the governance framework for the whole council and all of its activities. The form of the AGS and the approach taken to its development is based on guidance that is produced by CIPFA and SOLACE.
3. The Annual Governance Statement for 2018/19 was not signed off as significant governance failings that predated the submission of the AGS to Governance Committee in May 2019 were identified. As a result, it was clear that the statements within the AGS as presented were incorrect and did not accurately reflect the position of the council as regards the maintenance of and compliance with a robust governance framework. Following discussions with the council’s external auditors, and because the AGS is supposed to reflect the point at which it is agreed, this statement covers the 2018/19 and 2019/20 financial years.

**OVERVIEW OF THE ANNUAL GOVERNANCE STATEMENT**

1. The guidance from CIPFA and SOLACE sets out that councils are obliged to

* Develop and maintain an up to date local code of governance consistent with the ‘core principles’ set out in the framework
* Review their existing governance arrangements against the framework
* Prepare a governance statement in order to report publicly on the extent to which the council complies with its own code on an annual basis including how it monitored the effectiveness of its governance arrangements in the year and on any planned changes in the coming period

1. The annual governance statement is required to be signed by the most senior officer (normally the Chief Executive) and the most senior member (normally the Leader), but it is developed and owned collectively by senior officers and members.
2. The guidance states that there should be a review undertaken by a body, such as the Governance Committee, that has not been involved in the production of the AGS.
3. The statement has five sections:

* Section one: the council’s responsibility in producing an annual governance statement
* Section two: the purpose of the annual governance statement
* Section three: the governance framework, and how the council complies with its local code
* Section four: how the council reviews the effectiveness of the governance framework
* Section five: the steps that have been taken to test and enhance the council’s governance framework, and the actions that need to be taken in the coming period.

1. This report provides an overview of the key elements of the AGS, with the full AGS attached at appendix 1.

**SUMMARY OF THE ANNUAL GOVERNANCE STATEMENT**

1. In addition to the sections identified above, an introduction section has been inserted. This explains why the AGS covers a 2 year period and provides context for the length and context of the document.
2. Sections one and two of the AGS are self explanatory but it is of benefit to address the remaining sections in this covering report.

**Section three: our governance framework**

1. While the first two sections of the AGS provide a short standard introduction, section three details compliance with the adopted Local Code of Governance. The council continues to have in place some of the key elements of a strong governance framework, which provides a strong foundation for the organisation to work from.
2. Section three highlights some of the key documents, policies and controls that are in place to support good governance. For example:

* Corporate Strategy and performance reporting
* The Constitution and financial regulations
* Policies such as the Whistleblowing policy

1. A number of these documents have changed over the two financial years that the AGS covers, such as the corporate strategy and the medium term financial strategy. For completeness, the evidence used looks across the evidence that has been in place over the period.
2. The table has, in addition to previous years a column titled “comment”. It is recognised that whilst some of the framework detailed in this section was in place, it was not effective. This column addresses the failings identified. This is important to acknowledge that the governance framework failed. The Council cannot simply state that the policies or processes were in place as evidence of compliance. Investigations and review have shown that whilst there may have been policies and processes, they were not reviewed or applied adequately.

**Section four: How we review effectiveness**

1. This section explains the different methods the governance framework is tested and reviewed by the Council.

**Section five: Significant governance failings**

1. Section 5 is the key part of the AGS for members of the Committee. In the narrative is a explanation as to how different issues contributed to the significant governance failings identified. Members of the Committee may recognise these matters were raised by external audit in the section 24 report from 2018. This is referenced in the narrative. The issues are grouped into 4 themes
   1. Leadership
   2. Culture
   3. Process; and
   4. Monitoring and Review.

It is very important, in order of the Council to be able to demonstrate improvement, that these issues are acknowledged. If any of these themes is not incorporated in any improvement plan then the governance failings will be perpetuated.

1. It is recognised that there have been improvements made and these are detailed in section 5(a) and 5(d). Key improvements have been the implementation of the senior management structure and the progression of shared services. The Monitoring Officer post formerly held on an interim basis is now a permanent appointment and the Deputy Director of Finance has been appointed providing some continuity to that directorate albeit the statutory role remains discharged by a deputy acting up. In addition, senior roles that will support the Council’s transformation agenda, organisational development and public engagement have all been recruited to strengthening the corporate centre and assisting in developing a robust governance environment.
2. However, there are a number of governance issues which have been identified in and /or carried over from previous years and these are contained as sections 5(b) and (c).
3. The key actions which remain outstanding are set out below with proposed plan in the table below.

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| **Action** | **By when** | **Lead** |
| Undertake a review of the council’s corporate governance policies: and Strategies   * Anti-Fraud and Corruption Policy * Anti-Bribery Policy * Whistleblowing Policy * Complaints Policy * Risk Management Policy / Strategy & Framework | August 2020 | Chris Moister / Dave Whelan |
| Deliver governance and ethical awareness training to relevant staff and all members | August 2020 | Chris Moister / Dave Whelan |
| Review the council’s constitution, including financial regulations and scheme of delegation | July 2020 | Chris Moister / Dave Whelan / James Thomson |
| Review the structures and processes of the new shared services to ensure they work efficiently, effectively and economically for the council | October 2020 | Chris Sinnott |
| Review and identify any necessary improvements in the council’s compliances with the Transparency Code | August 2020 | Chris Moister / Dave Whelan / James Thomson |
| Develop and agree a business planning process for services | Initial works – September 2020 | Vicky Willett |
| Develop a new performance management framework and data quality policy | September 2020 | Vicky Willett |
| Develop an Organisational Development Strategy | December 2020 | Vicky Willett |
| Develop a Communications Strategy | November 2020 | Andrew Daniels |
| Develop a consultation framework and community engagement strategy |  |  |
| Agree an approach to monitoring and managing the implementation of management actions agreed in internal audit reports | September 2020 | Leadership Team |
| Review and update the council’s HR policy framework | September 2020 | Vicky Willett |
| Develop a partnerships framework | March 2021 | Vicky Willett |

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

1. There are a number of key projects that will be undertaken in the coming 12 months with the support of finance. As stated in the report, if approved, the AGS will be submitted to External Audit to consider.

**COMMENTS OF THE MONITORING OFFICER**

1. As stated in the body of the report, the Annual Governance Statement makes hard reading. However, some comfort should be taken that these issues are being identified and there is a clear commitment to improvement being demonstrated not only by looking with a critical eye but by the works done and proposed to be done.
2. The significant issue identified by the section 24 report was a lack of progress with an agreed improvement plan. Progress can now be demonstrated, and a revised action plan is proposed which identifies works and timescales for completion. This will not be a quick fix but the AGS gives an honest and transparent assessment of the Council’s governance framework and this recognition but the council in a better position to make the necessary improvements.

**BACKGROUND DOCUMENTS**

There are no background documents to this report.

**APPENDICES TO THIS REPORT**

**Appendix 1 -** Draft Annual Governance Statement for 2019 and 2020

Chris Moister

Director of Governance and Monitoring Officer

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| Report Author: | Telephone: | Date: |
| Chris Moister, Director of Governance and Monitoring Officer | 01257 515160 | 8 June 2020 |