

REPORT TO	DATE
Council	22 July



TITLE	PORTFOLIO	REPORT OF
Annual Governance Statement 2019 and 2020	Leader	Director of Governance

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

PURPOSE OF THE REPORT

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

RECOMMENDATIONS

2. That council consider and note the contents of the Annual Governance Statement for the years 2018/19 and 2019/20.
3. That Council receives and supports the improvements contained in the action plan at section 5 of the AGS.

CORPORATE OUTCOMES

4. The report relates to the following corporate outcomes:

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

Projects relating to People in the Corporate Plan:

Our People and Communities	
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BACKGROUND TO THE REPORT

5. 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 continuously seeks to

achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

6. 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.
7. 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.
8. The AGS was approved in draft form to be sent to External Audit for review.
9. The AGS detailed a number of serious governance failings which included failings by council committees. In order for the council to demonstrate compliance with the governance framework council committees such as Governance and Scrutiny need to not only receive information but challenge information presented. This is not easy as Officer should feel supported by the organisation. However, appropriate challenge, is key to high performing organisations. It is entirely correct for councillors to test the performance of the organisation at these committees. It is clear that this did not happen in 2018/19 when for example a draft AGS was approved and found to contain a number of incorrect statements.
10. Governance Committee acknowledged the failings identified within the AGS and approved the action plan. Monitoring arrangements will be put into place including the reporting on progress to Governance Committee and through Leadership Team. The Executive Leader requested that the AGS be presented to full Council for debate.

OVERVIEW OF THE ANNUAL GOVERNANCE STATEMENT

11. 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
12. 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.
13. 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.
14. 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.

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

SUMMARY OF THE ANNUAL GOVERNANCE STATEMENT

16. 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.

17. 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

18. 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.

19. 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

20. 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.

21. 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

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

Section five: Significant governance failings

19. 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

- a. Leadership
- b. Culture
- c. Process; and
- d. 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.

20. 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.

21. 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).

22. The key actions which remain outstanding are set out below with proposed plan in the table below.

Action	By when	Lead
Undertake a review of the council's corporate governance policies: and Strategies <ul style="list-style-type: none"> • 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

23. No comments.

COMMENTS OF THE MONITORING OFFICER

24. 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.

25. 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.

26. The AGS is presented to Council for consideration of the issues raised. Governance Committee has already approved it in draft form for consideration by external audit.

BACKGROUND DOCUMENTS

APPENDICES TO THIS REPORT

Appendix 1 – Draft Annual Governance Statement 2018/19 2019/20

Report Author:	Telephone:	Date:
Chris Moister		7 July 2020