

NOT CONFIDENTIAL – For public release

Governance and Resources Committee

14 July 2022

Report of the Director of Resources

ANNUAL GOVERNANCE STATEMENT 2021/22

PURPOSE OF REPORT

The Annual Governance Statement provides an overview of how the Council's governance arrangements operate. Governance comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community.

This report covers the annual review to ensure that governance arrangements remain effective. The report shows the extent to which the Council has complied with its own code of governance and describes significant governance issues, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency and gives assurance that the Council is committed to continuously improve the way in which it functions.

RECOMMENDATION

1. That the Annual Governance Statement for 2021/22 is approved.
2. That the significant governance issues, and the action plan to address them, be noted.

WARDS AFFECTED

None

STRATEGIC LINK

Preparation of an Annual Governance Statement helps to identify principal risks to the achievement of the Council's objectives.

1 REPORT

- 1.1 Confidence in public sector governance is of critical importance given the significant investments by the government and council tax payers in local services. The Annual Governance Statement (AGS) should not be seen as a dry financial requirement, but as an important public expression of what the Council has done to put in place good business practice, high standards of conduct and sound governance.
- 1.2 Councils face intense pressure to deliver unprecedented funding cuts, organisational change and innovation in service delivery while meeting public demands for greater

transparency in decision-making and performance. The [International Framework: Good Governance in the Public Sector](#) (CIPFA/IFAC, 2014) defines governance as follows:

- Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

- To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.
- Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

- 1.3 Effective governance is essential if senior officers and members are to meet these exacting challenges. Ironically though, those processes that ensure good governance are at risk from the conflicting demands for reduced spending and a re-prioritisation of resources. Councils must produce an AGS published with the annual accounts to report publicly on how they have complied with their governance code and describe any governance issues, and explain how they will be addressed.
- 1.4 The Accounts and Audit Regulations 2015 require local authorities to conduct a review of its system of internal control at least once a year, and, following that review, to publish an annual governance statement prepared in accordance with proper practices in relation to internal control.
- 1.5 The Annual Governance Statement for 2021/22 takes account of guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code). The CIPFA guidance is particularly relevant for the annual review of the system of internal control and publication of the Annual Governance Statement (AGS) that are requirements under the regulations issued by the national governments of the UK1.
- 1.6 The Annual Governance Statement for 2021/22 is attached at Appendix 1. It is consistent with the 2016 CIPFA/SOLACE publication "Delivering Good Governance in Local Government" and the recent CIPFA guidance. The layout of the Annual Governance Statement reflects the layout of the Council's Code of Corporate Governance and the CIPFA/SOLACE guidance.
- 1.7 In accordance with proper practice, the Annual Governance Statement must be signed by the Leader of the Council and by the Chief Executive, who must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's governance arrangements. The role of the Governance & Resources Committee is to be satisfied that the Annual Governance Statement properly reflects

the risk environment and any actions required to improve it, and to demonstrate how governance supports the achievements of the authority's objectives.

- 1.8 The Annual Governance Statement describes the key elements of the governance framework and the process that has been applied in maintaining and reviewing the effectiveness of the governance framework. Section 5 of the AGS describes the impact of coronavirus on governance for 2020/21 and for 2021/22 and Section 7 of the AGS identifies the following **six** significant governance issues and provides an action plan to show how they will be addressed:
- a. There is a budget gap for future years as identified in the Medium Term Financial Plan, which will be exacerbated by rising inflation.;
 - b. Arrangements for asset management need to be strengthened;
 - c. Improvements are required in our data protection arrangements;
 - d. Internal audit resources have been insufficient to complete the internal audit plan;
 - e. Weaknesses have been identified in arrangements for procurement and contract management;
 - f. Arrangements for ensuring that systems are in place to meet grant conditions need to be strengthened.

2 RISK ASSESSMENT

2.1 Legal

The legal risk has been assessed as low. The Council's Framework for Corporate Governance requires the Council to put in place effective arrangements for an objective review of risk management and internal control. This Statement helps to satisfy that requirement.

2.2 Financial

It is expected that measures to deliver the action plan can be contained within existing budgets. If that proves not to be the case, a report will be presented to a future Committee or Council meeting, when financial risks will be assessed. The financial risk arising from this report is low.

2.3 Corporate Risk

Councils face intense pressure to deliver unprecedented funding cuts, organisational change and innovation in service delivery while meeting public demands for greater transparency in decision-making and performance. Effective governance is essential if senior officers and members are to meet these exacting challenges. The Annual Governance Statement gives the Council an opportunity to reflect and report publicly on the extent to which it has complied with its own code of governance. This process helps to identify principal risks to the achievement of the Council's objectives.

3 OTHER CONSIDERATIONS

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.
- 3.2 Climate change: There are no climate change impacts arising from the report recommendations so no climate change impact assessment is required. Strong and effective ongoing governance will ensure that the Council can meet the target set out in the Climate Change Strategy and Action Plan of being net zero in respect of Council emissions by 2030.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

- 5.1 Accounts and Audit Regulations 2015
- 5.2 DDDC Code of Corporate Governance September 2015
- 5.3 CIPFA/SOLACE Statement “Delivering Good Governance in Local Government: Framework – 2016 Edition”.

6 ATTACHMENTS

- 6.1 Appendix 1 – Annual Governance Statement 2021/22