


Agenda Item No:	<b>6</b>	
Committee:	<b>AUDIT AND RISK MANAGEMENT</b>	
Date:	<b>14/03/2022</b>	
Report Title:	<b>Annual Governance Statement (AGS) Update 2020/21</b>	

## **1 Purpose / Summary**

- The Annual Governance Statement records actions that can improve the framework for Corporate Governance, and this reports the progress of those actions

## **2 Key issues**

- The Corporate Governance Committee approved a Local Code of Governance for the Council (minute CG22/06). This sets out the Policy within which a framework for governance of the Council is monitored.
- Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations.
- The Annual Governance Statement reviews the Council's actual governance arrangements with the themes within the Local Code of Governance. Any potential issues are recorded, with an action plan to continuously improve the Council's Governance arrangements.
- The Annual Governance Statement was agreed by the Audit and Risk Management Committee at its meeting 20 September 2021 (minute ARMC28/21). The final version was approved in November as part of the Statement of Accounts (minute ARMC33/21).
- To maximise good governance the Internal Audit Manager has reviewed the current progress against the action plan, attached at Appendix A.
- The action plan will be formally updated in the next Annual Governance Statement for 2021/22, when reported to the Audit and Risk Management Committee later in the year.

## **3 Recommendations**

- The Committee to note the progress made against the actions identified in the Annual Governance Statement for 2020/21.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader and Portfolio Holder Finance
<b>Report Originator(s)</b>	Kathy Woodward – Internal Audit Manager Peter Catchpole – Corporate Director and Chief Finance Officer
<b>Contact Officer(s)</b>	Peter Catchpole – Corporate Director and Chief Finance Officer Kathy Woodward – Internal Audit Manager Mark Saunders - Chief Accountant
<b>Background Paper(s)</b>	Annual Governance Statement 2020/21 (minute ARMC28/33) CIPFA Delivering Good Governance in Local Government CIPFA Addendum to Good Governance in Local Government CIPFA Code of Practice for Internal Audit Accounts and Audit Regulations 2015 FDC Local Code of Governance

## Appendix A – Update of Governance Issues from 2020/21

	Issue Raised	Summary of action	Update
1	<p>Although in a healthy financial position, the Council still faces continuing financial challenges over the medium term, resulting from changes to central government funding.</p> <p>The Medium Term Financial Strategy presented to Council in February 2021 highlighted the need for further savings of £1.67m up to 2025/26.</p> <p>The impact of Covid-19 will, however, continue to impact on both the current financial year, 2021/22 and over the Medium Term. This is likely to impact on the savings required over the Medium Term.</p> <p>Central government is also undertaking a Fair Funding Review, Business Rates reform and New Home Bonus reform which are now likely to be implemented from April 2022 at the earliest, which will result in changes to Local Government Funding and presents a significant additional risk to this Council's MTFS.</p>	<p>The Chief Finance Officer, with the Chief Executive will review the impact of change upon the Council in conjunction with the Leader and Finance Portfolio Holder and the Cabinet.</p> <p>The Corporate Management Team has put in place heightened monitoring and response arrangements to provide the Cabinet with information regarding the impact of Covid-19 and of future Central Government funding changes.</p> <p>The Council's CSR process has placed the Council in a good position financially however, we will continue to look for more ways to become efficient and effective through looking at different service delivery models.</p> <p>The Corporate Management Team will monitor the available funding, balances and reserves, using robust financial controls to respond to any financial changes and identify joint opportunities for efficiency. The Corporate Management Team will monitor governance arrangements, and communicate shared risks, opportunities, and assurance.</p> <p>The Corporate Management Team will respond to any consultations from Central Government on future funding.</p>	<p>The Corporate management Team (CMT) continues to monitor and keep Cabinet apprised of the impact of funding changes.</p> <p>Cabinet, Overview and Scrutiny and Full Council considered the Medium Term Financial Strategy and General Fund Budget between December 2021 and February 2022 and approved the General Fund Budget for 2022/23. This report highlighted uncertainties over future Central Government Funding that will continued to be monitored.</p> <p>Cabinet and CMT continue to identify and deliver in year efficiency savings through its transformation programme. The savings target for 2021/22 of £295k has been achieved. Given the scale of the savings required and current landscape, this is a considerable achievement and demonstrates the commitment and focus of Cabinet and Officers in delivering a balanced budget.</p> <p>The original shortfall for 2021/22 of £842k, funded from balances, is now projected to be considerably lower at £243k.</p>
2	The Council must be prepared to address any	The Corporate Management Team will	The Corporate Management Team (CMT)

	<p>impacts that may arise as a result of changes in regulation, legislative powers and national policy.</p> <p>Examples that could affect governance arrangements over the Medium Term include:</p> <ul style="list-style-type: none"> <li>• Reforms to the New Homes Bonus, Business Rates and the Fairer Funding Review due in April 2022.</li> <li>• The UK's negotiations and exit from the EU following the referendum on the 23rd June 2016.</li> <li>• The Comprehensive Spending Review scheduled for Autumn 2021.</li> <li>• The Department for Environment, Food and Rural Affairs' consultation on Consistency in Household and Business Recycling Collections</li> <li>• Continuing discussion and an ongoing review by the National Audit Office of local authority's investment activity including investment in property</li> </ul>	<p>respond to changes and will continue, using heightened monitoring and response arrangements, to provide the Cabinet with information regarding the impact of Central Government Policy changes including responding to government consultations.</p> <p>Plans will be put in place to implement any new legislation.</p>	<p>continues to monitor and keep Cabinet apprised of the impact of legislative changes.</p> <p>The risk from legislative changes is recorded in the Council's Corporate Risk Register and will continue to be monitored and reported as new risk are identified.</p> <p>The Spending Review was considered by Cabinet and Full Council as part of the Budget and Council Tax setting process.</p> <p>Many of the examples identified have been delayed as a result of the pandemic, but are being continually monitored by Cabinet and officers</p>
3	<p>The Covid-19 pandemic has given rise to unforeseen challenges in terms of this Council's decision-making machinery and its traditional meeting structure.</p> <p>The Council will be required to continually monitor the financial and operational impacts of Covid-19 throughout 2021/22 and beyond. This has a significant impact on the finances and the ability of the Council and its key delivery partners to maintain key services while business-as-usual status does now seem to be achievable, continuous monitoring of the national situation must continue.</p>	<p>Once regulations were published by government, the Council were able to adopt a procedure for meetings that complied with the legislation and continued the commitment to sound corporate governance.</p> <p>Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency arrangements.</p> <p>The Council has robust financial monitoring, recording and planning processes but these will need to be developed further to address this challenge.</p>	<p>The Corporate Management Team (CMT) continues to monitor and keep Cabinet apprised of the impact of legislative changes.</p> <p>Meetings continue to be held in a covid safe manner and following the legislative guidance that is in place. As restrictions are eased the operational guidance in place will continue to be reviewed and monitored, ensuring sound corporate governance is in place.</p> <p>Where possible, key Council services continue to be provided (either directly or remotely) in line with its contingency</p>

	<p>Likely consequences for governance will impact upon the immediate recovery of the organisation and the community. Economic recovery and public health impacts will be critical to the direction of the organisation in the future.</p> <p>In addition to this the Council will need to be prepared for mobilisation of the emergency response procedure in the event of a 'future waves' of the virus to protect staff and residents.</p>	<p>The Council monitors central government support initiatives and guidance and engages with its key partners to best provide essential services.</p> <p>Council business continuity arrangements have been mobilised for the maximum number of staff to work remotely in accordance with national guidance.</p> <p>The Corporate Management team, in conjunctions with members of the Council will produce and implement a recovery plan for the organisation, the community, the local economy and the health and wellbeing of the District.</p>	<p>arrangements.</p> <p>The Council's Business continuity arrangements are monitored to ensure we can respond to the evolving situation as restrictions continue to ease.</p> <p>The Corporate Management team, in conjunctions with members of the Council are working to implement a recovery plan for the organisation, the community, the local economy and the health and wellbeing of the District.</p>
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