

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2019/20

28 JULY 2020

REPORT OF CABINET MEMBER: CLLR CUTLER – DEPUTY LEADER AND  
CABINET MEMBER FOR FINANCE AND RISK

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WARD(S): ALL

PURPOSE

This report sets out the proposed Annual Governance Statement for 2019/20 and the proposed actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit and Governance Committee approves the Annual Governance Statement for 2019/20 as set out in Appendix 1 for inclusion in the Annual Financial Report 2019/20. This will be reported back to this Committee in November.
2. That the issues arising and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit and Governance Committee, with further considerations of the impact of COVID-19 in six months time.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The Annual Governance Statement is a statutory document and integral to the governance framework at the council that supports the achievement of the outcomes included in the Council Plan 2020-25.

### 2 FINANCIAL IMPLICATIONS

- 2.1 There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources required to implement identified improvements will be raised separately or through the budget process.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Annual Governance Statement is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively. Local authorities in the UK are required to prepare the Statement in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework which is still the most current documentation in this area.
- 3.2 The necessity to confirm with these Regulations and the governance framework is recognised accurately in this report.
- 3.3 There are no legal and procurement implications arising directly in this report. Where further work is required to respond to the issues identified these will be subject to review by Legal Services and Procurement, and in particular will require consideration of the council's Contract Procedure Rules and Public Contracts Regulations 2015 (PCR2015) and governance where required.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation on the contents of the report has been undertaken with the Deputy Leader and Cabinet Member for Finance and Risk, the Chairman of the Audit and Governance Committee and Executive Leadership Board (ELB).

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None required arising from the content of the report, although officers will have regard to the considerations as set out in the Equalities Act 2010 and whether an Equality Impact Assessment will be required to be undertaken as required on any specific recommendations, actions or decisions made arising from the action plan.
- 8.2 It should be noted that this report recommends that the AGS for 2019/20 include as an issue Equality Impact Assessment arrangements and a review and further work on this be undertaken during the coming year.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

## 10 RISK MANAGEMENT

| <b>Risk</b>                     | <b>Mitigation</b>  | <b>Opportunities</b>  |
|---------------------------------|--|---|
| <i>Property - none</i>          | n/a  | n/a   |
| <i>Community Support - none</i> | n/a  | n/a   |
| <i>Timescales - none</i>        | n/a  | n/a   |
| <i>Project capacity - none</i>  | n/a  | n/a   |
| <i>Financial / VfM - none</i>   | n/a  | n/a   |
| <i>Legal</i>                    | The Annual Governance Statement (AGS) is a statutory document required by the Regulation of the Accounts and Audit Regulations 2015. | The annual review of the effectiveness of the system of internal control supports the council to identify and correct control weaknesses. |
| <i>Innovation</i>               | n/a  | n/a   |
| <i>Reputation</i>               | The preparation and publication of the AGS is a fundamental element of the council's governance framework.                           | Having a robust AGS and governance framework provides the assurance that the council is delivering good governance.                       |
| <i>Other - none</i>             | n/a  | n/a   |

## 11 SUPPORTING INFORMATION:

- 11.1 The council's Constitution delegates responsibility to the Audit and Governance Committee to approve the Annual Governance Statement taking into account Internal Audit's opinion on the overall adequacy and

effectiveness of the council's framework of governance, risk management and control."

- 11.2 This Report presents the Annual Governance Statement (AGS) for the year 2019/20 for consideration by the Committee.
- 11.3 The AGS is a statutory document which explains the processes and procedures that are in place to enable to the council to carry out its functions effectively.
- 11.4 This AGS provides an assurance to the council and its stakeholders that good governance procedures and requirements are in place and is produced following a review of the governance arrangements and includes an action plan to address any significant governance issues that have been identified.
- 11.5 The council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in an annual governance statement.
- 11.6 The AGS must be prepared in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework, the most up to date guidance in this area.
- 11.7 The AGS is a valuable means of communication. It enables the council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place to manage risks of failure to deliver its outcomes and priorities.
- 11.8 While there has been a significant impact on the council since the outbreak of the COVID-19 pandemic, the Annual Governance Statement attached at Appendix 1 is focused on 2019/20. The effect of the pandemic outbreak began in March 2020 and therefore has not had a significant impact on the key governance issues that have arisen during the 2019/20 period, clearly this will be different for the AGS 20/21.
- 11.9 The council responded to the outbreak by activating its Emergency Control Centre and Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to the areas that were in most need.
- 11.10 At the time of writing (July 2020) the council has begun to implement its evidence based Restoration and Recovery Plan which is both intuitive and responsive to changing situations as well as ensuring its preparedness for the possibility of a second wave and further lockdowns, whether national or regional.
- 11.11 Progress against the actions included in the 2018/19 AGS is included in the Governance Monitoring report that is also included on this Committee's agenda (report AG028 refers).

- 11.12 Members will note from the progress update in this report that the actions to address the procurement issue that was included in the 2018/19 AGS have now been completed and does not required to be carried forward to the 2019/20 AGS.
- 11.13 Furthermore, the actions to address the issue of capacity to deliver projects have also been completed and will therefore not be included in the 2019/20 AGS.
- 11.14 The issues that have been identified as requiring consideration and action during 2020/21 are:
- **Partnership working** – ensuring that the council has adequate governance arrangements in place to maintain effective partnership working
  - **Business Continuity** – ensuring that the council has robust and adequate plans in place to maintain business critical services following the event of a crisis or disruption affecting its operations
  - **Equality Impact Assessments (EqIA)** reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010
  - **Restoration & Recovery Plan – COVID-19** to develop and implement a full Restoration and Recovery Plan for the ongoing provision of council services
  - **Finance Recovery Plan – COVID-19** review the council’s Medium Term Financial Strategy and the financial impact of COVID-19

11.15 Accordingly these actions are included in the AGS for 2019/20.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

As a statutory requirement no other options have been considered,

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

AUD011 Annual Governance Statement 2018/19, 25 July 2019

#### Other Background Documents:-

None.

### APPENDICES:

Appendix 1 Annual Governance Statement 2019/20

Appendix 2 Annual Governance Statement 2019/20 Action Plan

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **1. Scope of Responsibility**

- 1.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City 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, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester City 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 2016*.
- 1.4 This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.5 The council undertook a review of its Constitution which took into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- 1.6 The updated Constitution was adopted by Council on 19 March 2019 and became effective from the start of the 2019/20 municipal year. A further review is underway to ensure the changes that were made are fit for purpose.

### **2. The Purpose of the Governance Framework**

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the council's Performance Management Framework to ensure that the council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

- 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 Winchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Winchester City Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

### 3. **The Principles of Good Governance**

- 3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

**Principle 1** – Behaving with integrity, demonstrating strong commitment to ethical values

**Principle 2** – Ensuring openness and comprehensive stakeholder engagement

**Principle 3** – Defining outcomes in terms of sustainable economic, social and environmental benefits

**Principle 4** – Determining the interventions necessary to optimise the achievement of the intended outcomes

**Principle 5** – Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Principle 6** – Managing risks and performance through robust internal control and strong public financial management

**Principle 7** – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### 4. **Methodology for preparing the Annual Governance Statement**

- 4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;
- Service Leads completed a Statement of Assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the



governance arrangements in their service areas, including overdue and significant internal audit actions.

- An internal control checklist is provided to Service Leads to support the completion of their Statement of Assurance. The checklist requires the manager to self assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the Annual Internal Audit report and quarterly internal audit progress reports.
- The council's Audit and Governance Committee considers the draft AGS at its meeting in early summer and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the council's control environment.
- Once approved by this Committee, the AGS is signed off by the Chief Executive and Leader of the council.

## 5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements and these are underpinned by the core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

5.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and Members and officers. The council has approved a protocol governing relationships between members and officers as part of its Constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

- 5.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and Cabinet Member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold Cabinet Members to account for delivery of the council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Plan 2020-25, adopted in January 2020, is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in strategic service plans. More detailed service plans are drawn up by teams across the council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and Cabinet Members. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Cabinet Members also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 5.9 The council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.

5.11 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 18 September 2019, report CAB316 refers) which also includes a Risk Appetite Statement and is approved by Cabinet and reviewed annually.

## 6. Review of effectiveness

6.1 The authority has a statutory 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 informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.

6.2 Staff awareness training has been undertaken to ensure that the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 requirements.

6.3 The council has appointed the Strategic Director: Services as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director: Services is a member of the Executive Leadership Team.

6.4 The council has appointed the Strategic Director: Resources as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.

6.5 All Cabinet reports are reviewed by the S151 and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal considerations as required. Similar procedures are in place for the Scrutiny and Regulatory Committees.

6.6 The council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The council's Audit and Governance Standards Sub-Committee deals with complaints relating to the conduct of Members.

6.7 Members' induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.

6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

### **The Council**

collectively responsible for the governance of the council and Full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

|                                       |   |
|---------------------------------------|---|
| <b>The Cabinet</b>                    | receives regular monitoring reports on revenue and capital expenditure and performance.   |
| <b>Audit and Governance Committee</b> | approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this AGS, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.  |
| <b>External Audit</b>                 | external audit is provided by Ernst Young LLP. Whilst the external auditors are not required to form an opinion on the effectiveness of the council's risk and control procedures, their work does give a degree of assurance following the annual audit of the council's financial accounts.   |
| <b>Internal Audit</b>                 | <p>the Southern Internal Audit Partnership provide the council with an internal audit service which includes the council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the council's objectives.</p> <p>The Internal Audit Plan is based on the Corporate Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Audit and Governance Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.</p> <p>There is a requirement for internal audit to undertake an annual self assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the council's governance arrangements.</p> |

## 7. Significant Governance Issues

7.1 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year and these are:

- **Partnership working** – ensuring that the council has adequate governance arrangements in place to maintain effective partnership working
- **Business Continuity** – ensuring that the council has robust and adequate plans in place to maintain business critical services following the event of a crisis or disruption affecting its operations
- **Equality Impact Assessment** - reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010
- **Restoration & Recovery Plan – COVID-19** to develop and implement a full Restoration and Recovery Plan for the ongoing provision of council services
- **Finance Recovery Plan – COVID-19** review the council's Medium Term Financial Strategy and the financial impact of COVID-19 ensuring that the a balanced budget is maintained

## 8. Assurance Summary

- 8.1 Good governance is about operating properly. It is the means by which the council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.
- 8.2 The Internal Audit Opinion for 2019/20 is that the council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 8.3 The effect of the COVID-19 pandemic outbreak began in March 2020 and therefore has not had a significant impact on the key governance issues that have arisen during the 2019/20 period; clearly this will be different for the AGS 20/21.
- 8.4 The pandemic has inevitably had an impact on staff capacity and a number of staff have been actively supporting the council's response during the last four months, many almost exclusively.

- 8.5 The council responded to the outbreak by activating its Emergency Control Centre and Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to the areas that were in most need.
- 8.6 At the time of writing (July 2020) the council has begun to implement its evidence based Restoration and Recovery Plan which is both intuitive and responsive to changing situations as well as ensuring its preparedness for the possibility of a second wave and further lockdowns, whether national or regional.
- 8.7 The council is currently considering the financial impact of the pandemic and is preparing a General Fund Budget 2020/21 report to Cabinet in August.

## 9. **Conclusion**

- 9.1 We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

Signed:

Laura Taylor  
Chief Executive  
Winchester City Council

Councillor L. Thompson  
Leader of the Council  
Winchester City Council

Dated:

Dated

Annual Governance Statement 2019/20 – Action Plan

| No | Issue   | Actions  | Lead Officer                           | Target Date       | Method of Assurance  |
|----|---|--|--|-------------------|--|
| 1  | <b>Partnership working</b> – the need to ensure that the council maintains effective partnership working  | Review partnerships to ensure all required documents are in place and up to date   | Corporate Head of Engagement           | September 2020    | Review of partnership register completed                         |
|    |   | Annual report covering the performance of key partnerships scheduled to be considered at The Scrutiny Committee.   | Corporate Head of Engagement           | September 2020    | Progress report to Scrutiny Committee                            |
|    |   | Complete Partnership Working Guide for Managers  | Corporate Head of Engagement           | September 2020    | Partnership Working Guide completed and issued to managers       |
| 2. | <b>Business Continuity</b> - ensuring that the council has robust and adequate plans in place to maintain business critical services following the event of a crisis or disruption affecting its operations | Review of business continuity framework and response to COVID-19 pandemic by internal audit  | Senior Policy & Transformation Manager | 31 August 2020    | Internal audit review completed and assurance opinion received   |
|    |   | Business Continuity training plans developed and testing scheduled   | Senior Policy & Transformation Manager | 31 December 2020  | Plans in place, testing undertaken and completed.                |
| 3. | <b>Equality Impact Assessments (EqIA)</b> reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010  | Review and update current EqiA guidance and templates and brief out to staff ensuring that the council meets the requirements of the Equalities Act 2010 | Service Lead – Legal                   | 30 September 2020 | Record of all required EqIA's published on the council's website |

| No | Issue  | Actions  | Lead Officer                                | Target Date                      | Method of Assurance  |
|----|--|--|---|----------------------------------|--|
|    |  |  |   |                                  |  |
| 4. | <b>Restoration &amp; Recovery Plan – COVID-19</b> to develop and implement a full Restoration and Recovery Plan for the ongoing provision of council services                      | Detailed report to Cabinet that sets out the council’s high level restoration and recovery approach/ high level plans.                                 | COVID-19 GOLD Group                         | May 2020                         | Cabinet 21 May 2020 approved Responding to the Coronavirus outbreak report (report CAB3244 refers) |
|    |  | Develop and implement a full restoration and recovery plan that takes into consideration the impacts on council services from the COVID-19 pandemic    | Executive Leadership Board                  | 30 October 2020 (plans approved) | Detailed Restoration and Recovery Plan developed and approved for implementation                   |
| 5. | <b>Finance Recovery Plan – COVID-19</b> review the council’s Medium Term Financial Strategy and the financial impact of COVID-19 ensuring that the a balanced budget is maintained | Full review of the impact of the COVID-19 pandemic on the council’s finances and an updated budget for 2020/21 taking in revised projections approved. | Strategic Director: Services (S151 Officer) | September 2020                   | Updated and balanced budget recommended for approval.  |