

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT

21 JULY 2022

REPORT OF CABINET MEMBER: CLLR POWER – CABINET MEMBER FOR
FINANCE AND VALUE

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WARD(S): ALL

PURPOSE

This report sets out the proposed Annual Governance Statement for 2021/22 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 2021/22 as set out in Appendix 1 for inclusion in the Draft Annual Financial Report 2021/22 which is presented elsewhere on the agenda.
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 as appendix to the quarterly governance monitoring report.

IMPLICATIONS:

1 COUNCIL PLAN

- 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 Executive Leadership Board (ELB).

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None arising from the content of the report, although officers will need to consider the council's Public Sector Equality Duty and if required complete an Equality Impact Assessment on any specific recommendations or future decisions to be made arising from the action plan

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure - none	n/a	n/a
Exposure to challenge	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
Innovation	n/a	n/a
Reputation	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.
Achievement of outcome	n/a	n/a
Property - none	n/a	n/a
Community Support	n/a	n/a
Timescales - none	n/a	n/a
Project capacity - none	n/a	n/a
Other - none	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 2021/22 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 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 by corporate heads of service and service leads. The AGS 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. The annual review of governance arrangements was completed by corporate heads of service and service leads during April 2022.
- 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 In preparing the 2021/22 AGS, the S151 officer has reviewed the CIPFA Financial Management Code 2019 (FM Code) which sets out the principles of sound financial management; introduces an overarching framework of assurance; and sets out standards to ensure a local authority is financially sustainable. The council's governance arrangements for budgeting; the accounts; financial decision making; and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the FM Code.
- 11.8 The AGS is a valuable means of communication. It enables the council to explain to its residents, service users, council 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.
- 11.9 There has undoubtedly been a significant impact on the council during the period of the COVID-19 pandemic, however the council has maintained all its front line services to residents and customers throughout.
- 11.10 Included in the AGS for 2020/21 were the following issues:
- Partnership Working – ensuring that the council has adequate governance arrangements in place to maintain effective partnership working
 - Equality Impact Assessments (EqIA) – reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010.
- 11.11 Regular progress updates have been provided during the year to Members of this Committee in the quarterly Governance Monitoring reports.

- 11.12 Referred to in the AGS Action Plan Update in the Q4 Governance Monitoring report (Appendix 1, report AG077, 29 June 2022 refers) there is still some work to do on completing the actions relating to Partnership Working which have been delayed owing to the lead officer working on the council's COVID response. The governance arrangements partnerships have been reviewed and a partnership register completed. A guide for managers has been produced and approved by Executive Leadership Board (ELB) and is available to staff. Identified weaknesses in the governance arrangements have been completed, and it is proposed not to carry forward Partnership Working to AGS 2021/22. The incomplete actions as at 31 March 2022 which include a partnership performance review report will be presented to Scrutiny Committee and included in the annual cycle of performance reports.
- 11.13 Actions to review Equalities Impact Assessments were completed before the 31 March 2022 and therefore do not need to be carried forward to the 2021/22 AGS.
- 11.14 The issues that have been identified as requiring consideration and action during 2022/23 are:
- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
 - **Programme and Project Management** – ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects
 - **Disabled Facilities Grants** – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined
- 11.15 Accordingly these issues are included in the AGS for 2021/22 which is attached as Appendix 1 to this report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 As a statutory requirement no other options have been considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG056 Annual Governance Statement 2020/21

Other Background Documents:-

None

APPENDICES:

Appendix 1 Annual Governance Statement 2021/22

Appendix 2 Annual Governance Statement 2021/22 Action Plan

ANNUAL GOVERNANCE STATEMENT 2021/22

1. Executive Summary

- 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 Statement also sets out the council's arrangements for governance and includes reference to the documents that evidence the council's commitment to the seven principles of governance.
- 1.6 The council has made a commitment to address governance issues as they arise and to keep arrangements under review. The Constitution was reviewed in February 2017 and the updated document adopted by Council on 19 March 2019, becoming effective from the start of the 2019/20 municipal year.
- 1.7 Included in this Statement are the significant governance issues identified during the previous financial year and the actions that are to be undertaken to address them. Monitoring of the progress of these actions is reported quarterly to the Audit and Governance Committee.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the council 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 priorities reflecting the needs of the community and is monitoring the achievement of these priorities 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 and Council Plan priorities 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 2022 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 and respecting the rule of law

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 refreshed Council Plan 2020-25, adopted in February 2021, 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 Performance Panel that was formed in 2020 reviews the quarterly performance reports on behalf of Scrutiny Committee, 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 8 March 2022, report CAB3338 refers) which also includes a Risk Appetite Statement and is refreshed annually and reviewed by Audit and Governance Committee before being approved by Cabinet.

6. Responding to the COVID-19 pandemic

6.1 The council continued to respond to the outbreak of the COVID-19 pandemic during 2021/22, quickly adapting to the changes in restrictions as they were issued by the government.

6.2 A clear command and control structure was maintained throughout the year having been first established at the start of the pandemic in March 2019 and continued to lead the council's response to the COVID-19 pandemic. The various council command groups held regular meetings and action points from these meetings were recorded, assigned to relevant officers, and monitored through to completion

6.3 The council's Business Continuity and Crisis Management Plans, in place since 2017, were reviewed again in the summer of 2021 to include new council services identified as critical. Managers responsible for the services defined as business critical review on a quarterly basis the content of the plans and update as required the contact details of staff named in the plans to ensure they remain current and fit for purpose.

6.4 Regular meetings have continued to be held between the council and key suppliers and contractors. These key suppliers and contractors provide the council with updates on their staffing resources to aid in identifying any risk of non-delivery. Business continuity plans from key suppliers and contractors were also obtained to gain assurance that these critical services could continue to be delivered throughout the nationwide restrictions.

6.5 The council has continued to work on a business as usual basis with no significant business interruptions during the period.

6.6 An internal audit review of the council's business continuity arrangements was undertaken during the summer of 2020 and concluded with a substantial assurance opinion.

6.7 There were no areas where the framework of governance, risk management or control could be improved.

7. Review of effectiveness

- 7.1 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.
- 7.2 Completion of awareness training covering the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 is mandatory for all staff to ensure that the council complies with the requirements adequately.
- 7.3 The council has appointed one of the Strategic Directors 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 with S151 responsibility is a member of the Executive Leadership Team.
- 7.4 The council has appointed the Strategic Director and Monitoring Officer as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 7.5 All cabinet reports are reviewed by the S151 Officer 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 diversity and inclusion, environmental, management and legal considerations as required. Similar procedures are in place for the Scrutiny and Regulatory Committees.
- 7.6 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.
- 7.7 Members' induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.
- 7.8 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.

The Cabinet receives regular monitoring reports on revenue and capital expenditure and performance.

Audit and

**Governance
Committee**

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.

External Audit

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.

Internal Audit

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.

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.

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.

8. Significant Governance Issues

8.1 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:

- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
- **Programme and Project Management** – ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects.
- **Disabled Facilities Grants** – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined.

8.2 An action plan is attached to this Statement and details the actions to be undertaken during next 12 months that will address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

9. Assurance Summary

9.1 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.

9.2 The Internal Audit Opinion for 2021/22 is that the council's framework of governance, risk management and management control is reasonable and that audit testing carried out during the year has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, the internal audit team have worked with management to agree appropriate corrective actions and a timescale for improvement.

9.3 The pandemic has inevitably continued to have an impact on staff capacity during the year and a number of staff were actively supporting the council's response during a large part of the year, some almost exclusively.

10. Conclusion

10.1 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 M. Tod
Leader of the Council
Winchester City Council

Dated:

Dated

Annual Governance Statement 2021/22 – Action Plan

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Records Retention and Disposal – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	Review and update Retention and Disposal Policy and Schedule, endorsed by ELB and agreed roll-out plan	Senior Policy and Programme Manager	July 2022	Updated Policy document adopted. Roll-out plan agreed
		Map and align retention schedule to content/ indexing and values in business systems	Senior Policy and Programme Manager/ Corporate Heads of Service	October 2022	Document prepared and approved that sets out how the schedule will be applied to council systems and document types
		Retention schedule implementation and application across business systems	Senior Policy and Programme Manager/ Head of IT	March 2023	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required
2.	Programme and Project Management – ensuring consistency in the approach and methodology across the council for managing and delivering successful	Agree a corporate project management approach and methodology that defines the existing framework	Senior Policy and Programme Manager	July 2022	WCC Corporate Project Methodology document considered and adopted

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
	programmes and projects	Publish guidance for all project managers to that explains the methodology to support the successful management and delivery of projects	Senior Policy and Programme Manager	August 2022	Guidance document published that explains the methodology
		Arrange and hold training events to embed the methodology throughout the council	Senior Policy and Programme Manager	December 2022	Successful completion of training events
3.	Disabled Facilities Grants – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined	List of approved contractors updated in consultation with Hampshire County Council	Private Sector Housing Senior Officer	July 2022	Updated contractors list.
		Review and update Disabled Facilities Grants Policy and operational procedures	Private Sector Housing Senior Officer	September 2022	Revised Policy adopted
		Embed updated policy into the operational procedures for managing disabled facility grants	Private Sector Housing Senior Officer	October 2022	Training/ workshop sessions held with Public Sector Housing Team