

**FINANCE, AUDIT & RISK COMMITTEE
7 SEPTEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2019/20

REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

1.1 For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2019/20 and Action Plan. The Statement reviews the Council's governance arrangements for the 2019-20 period. It also proposes an Action Plan to update/improve those arrangements for the next financial year. This report also provides details of the amendments to the Statement and Action Plan since the draft AGS for 2019/20 was reported to the Committee in July 2020.

2. RECOMMENDATIONS

2.1 That the Committee is recommended to approve the amended AGS and Action plan (Appendix A)

3. REASONS FOR RECOMMENDATIONS

3.1 The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.

3.2 The Committee is the legal body with responsibility for approval of the AGS.

3.3 Reviewing the AGS Action Plan during 2020-21 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 At the Committee meeting on the 20th July, members were asked to provide feedback on the draft AGS that was presented at that meeting. A copy of the draft was also provided to both the Shared Internal Audit Service (SIAS) and Ernst & Young (External Auditors). Ernst & Young requested that the AGS contain updates in respect of the impact of Covid-19 and the corresponding actions of the Council. An amended version was sent to Ernst & Young and Committee members at the end of July for review and comment. The amendments include the following additions:

- Principle B – the Council's In response to the COVID-19 pandemic, North Hertfordshire District actively supported the most impacted/vulnerable by the outbreak of the virus. When the country went into full scale lockdown on the 24th March, the council quickly set out its support by signposting residents and businesses to the Council's and central Government's package of guidance and support measures including grant funding awards. The Council's website established multiple pages with information and links and these have also been heavily publicised on various social media platforms. (Page 3)
- Principle D - That Council have been alerted to a forecast impact of Covid-19 in comparison to available reserves and confirms that these reserves will be used to fund the impact. (Page 4) <http://srvmodgov01.north-herts.gov.uk/documents/s11410/Covid-19%20Financial%20Impacts.pdf>
- Principle E - In response to Covid-19, the council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. (Page 4)
- Principle F - The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. This has included closure of the District Council office and other buildings, cessation/limiting of services, as well as other measures as noted previously. Further work will be required to ensure that future Government guidance is reflected in the Council's working arrangements as the national and local position changes. (Page 5)
- Assurance from Risk Management - The top risks for the Council, as reported to FAR Committee in March 2020 ([Risk Management report March 2020](#)), are: Brexit, Local Plan, Managing the Council's Finances, Cyber Risks, Delivery of the Waste Collection and Street Cleansing Services Contract, Impact of Anti-Social Behaviour on Council Facilities, Income Generation, Sustainable Development, External Factors Affecting the Future Provision of Waste Services, Increased Homelessness and Workforce Planning.

- It was also agreed to retain Route Optimisation of Collection Rounds as a top risk, to add Novel Coronavirus (Covid-19) as a top risk with a matrix score of 9 and to archive the top risk relating to the completed North Hertfordshire Museum & Hitchin Town Hall Project. Three of the other risks also scored 9 on the risk matrix (Page 6)

The amended AGS is attached as Appendix A and therefore the final version following consultation.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 Reference is made to the report of the 20 July 2020, which sets out the legal requirements for preparation, review and approval of the AGS, together with the matters included/ and parties involved in that process. As indicated, this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of approving the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.

- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which for this year onwards is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It has been loaded on the Council's Corporate Governance internet page and will remain on the site until the next review is undertaken [[SMT AGS self-assessment document](#)].³

- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, the overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced.
- 8.2. The AGS for 2019/20 is attached as Appendix A for approval.

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

³ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

- 8.3. The Council will publish the approved 2019/20 AGS alongside the Statement of Accounts as it has in previous years.
- 8.4. Updates to the Action Plan will be reported to this Committee again at future meetings (likely to be in December 2020 and March 2021).

9. LEGAL IMPLICATIONS

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations the 2019/20 AGS must be approved by this Committee by 31 July. An amendment to the regulation (The Accounts and Audit (Coronavirus) (amendment) Regulations 2020, due the impact of Covid-19, has extended that deadline. Otherwise the legal implications are set out under section 7 above.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: *“To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.”* This approval of the AGS therefore falls within the Committee’s remit.

10. FINANCIAL IMPLICATIONS

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

- 11.1 The process of assessing the Council’s governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.1 There are no direct equality implications of this report or the AGS. Where relevant the Council’s arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Corporate Policy Team undertake an Annual Cumulative Equality Impact Assessment and publishes them on the internet.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff. Human resources will support the relevant actions within the Action Plan for 2020-21.

16. APPENDICES

16.1 Appendix A –Annual Governance Statement for 2019/20 and Action Plan for 2020/21.

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18. BACKGROUND PAPERS

18.1 The SMT AGS self-assessment is on the on the Corporate Governance Page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The AGS also contains links to relevant documents and documents.