

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	19 July 2023
<b>Subject:</b>	Annual Governance Statement
<b>Chief Officer:</b>	Adele Taylor – Executive Director – Finance and Commercial Stephen Brown - Chief Executive Stephen Taylor – Monitoring Officer
<b>Contact Officer:</b>	Sarah Wilson – Head of Legal
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1 - Annual Governance Statement – 2022/2023

### 1. Summary and Recommendations

- 1.1 This report seeks approval for the Annual Governance Statement (AGS) for the previous financial year. The AGS is a statutory document, which explains the processes and procedures in place to enable the council to carry out its functions effectively. The draft statement has been produced following a review of the council's governance arrangements and includes an action plan to address the overarching governance issues identified.

#### Recommendations:

Committee is recommended to:

- (a) Review, comment and approve the Annual Governance Statement for 2022/23 set out at Appendix 1.
- (b) 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 Corporate Governance Committee on a quarterly basis.

#### Reason:

The AGS is a critical document in the Council's corporate governance processes. Previous AGSs have been criticised as part of the DLUHC commissioned DLUHC review as lacking detail and not having comprehensive action plans. Whilst the AGS is usually produced in conjunction with the Council's statement of accounts, the Council is expected to approve its AGS each financial year even if the accounts is delayed. Approving the AGS promptly after the end of a financial year ensures that those officers and elected members who are familiar with activity in that year are involved in the review.

#### Commissioner Review

The Council has made the decision not to complete historic outstanding AGS and focus on 2022/23. Whilst this approach seems reasonable confirmation will be required that this approach is endorsed by the external auditors.

In preparing the AGS consideration has been taken of reports following external assessments and reviews, however the internal audit annual opinion is informed by internal audit work throughout the year and concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual opinion should be incorporated in to the AGS, and report used by the Council to inform its governance statement and identify improvement opportunities.

For future AGS the approach and outcome could be further enhanced by the consideration of assurances received from its statutory officers and managers across the Council and its wholly owned companies, that core elements of the governance arrangements are in place and effective.

## 2. Report

### Introductory paragraph

2.1 Slough Borough Council is responsible for ensuring that its operations are conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To achieve this the council has to ensure that they have a governance framework that supports a culture of transparent decision making.

2.2 The Accounts and Audit Regulations 2015 require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and publish an Annual Governance Statement reporting on the review with its Statement of Accounts.

### Options considered

1. Approve the AGS promptly after the end of the financial year. **This is recommended** and ensures a thorough review and action plan involving officers and elected members who are familiar with the activities conducted throughout the year.
2. Delay review and approval of the AGS pending completion of the Council's statement of accounts. **This is not recommended** as it would not comply with best practice. Whilst the deadline for publication of the AGS is in connection with approval of the statement of accounts, there is no reason why the AGS cannot be published in advance of this to ensure transparency. If the closure of accounts process identified other matters, the AGS can be updated at that point.

### Background

2.3 The AGS is integral to the governance framework at the Council that supports the achievement of the outcomes set out in the Council's corporate plan priorities.

2.4 The CIPFA and Governance review reports commissioned by the Department for Levelling Up, Housing and Communities stated that the Council has not prepared an AGS for 2020-21 reflecting the delay in closing its accounts. This meant there was no clear statement from the Council on its current governance arrangements nor an action plan setting out how it sought to remedy any deficiencies in governance. One of the recommendations was to prepare an AGS for 2020-21 by December 2021.

2.5 Whilst a draft AGS was prepared for 2020-21, this was not taken to Committee for formal approval, nor was there a draft produced for 2021-22. It is challenging for current officers to review governance arrangements and the suitability of action plans going back several years. Therefore a decision has been made to focus attention on the governance review of 2022/23 to inform the 2022/23 AGS. Approved and draft AGSs, including the action plans, for previous financial years will be reviewed as part of the closure of accounts process and officers will work closely with the external auditors in relation to this process, however it should be noted that the process will not be as detailed as for this AGS due to issues with record keeping and loss of corporate memory.

2.6 The AGS provides an assurance to the Council and its stakeholders that good governance procedures and requirements are in place. It has been produced following a review of the governance arrangements by the Corporate Leadership Team, including the statutory governance officers and consideration by the internal Corporate Governance Board, which includes the Head of Internal Audit. The outcome of internal audit reports by RSM and the draft annual audit opinion have also informed the review. The AGS includes an action plan to address governance issues that have been identified. This is high level and the detail for some of these areas is already contained in action plans under the Council's improvement and recovery programme.

2.7 The Council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in an AGS. The AGS should be prepared in accordance with proper practices and the Council has followed the CIPFA/SOLACE Delivering Good Governance framework.

2.8 The AGS is a valuable means of communication. It enables the Council to explain to its residents, service users, tax payers and other stakeholders its governance arrangements and the controls it has in place to manage risks of failure to deliver its outcomes and priorities. This is important for all local authorities (and corporate entities), however it is even more critical for an organisation such as the Council, which has been identified to have failures in its corporate governance processes and to have failed to meet its statutory best value duty.

2.9 The issues that have been identified for specific action are as follows:

1. Council plan and compliance with DLUHC statutory direction
2. Children's Social Care
3. Special Educational Needs and Disability (SEND) services
4. Financial management / sustainability
5. Asset disposal project
6. Closure of statement of accounts
7. Housing management
8. Company governance arrangements
9. Supporting new and inexperienced members
10. Organisation and culture
11. Resident engagement
12. Performance and risk management.

2.10 The issues are widely drawn to reflect general areas of improvement and link to the Council's recovery plans aligned to the DLUHC statutory direction. It also picks up on external reports during the financial year, including the Ofsted, the Local Government and Social Care Ombudsman and Grant Thornton (the Council's external auditor). The issues

have also taken account of reviews commissioned by the Council, including a review of the effectiveness of corporate parenting and reports by the Centre for Governance and Scrutiny on the Council's scrutiny arrangements.

2.11 The recommendations include a requirement to produce quarterly reports to the Committee on progress. These reports can include sign-posting members to reports to other member bodies as assurance that progress is being made.

### **3. Implications of the Recommendation**

#### **3.1 *Financial implications***

3.1.1 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.

#### **3.2 *Legal implications***

3.2.1 Regulation 3 of the 2015 Regulations state that a local authority must ensure it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective, and
- (c) includes the effective arrangements for the management of risk.

3.2.2 Regulation 6 states that a local authority must, each financial year:

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) prepare an annual governance statement;

3.2.3 The Council is a Category 1 authority and therefore following the review, it must:

- (a) consider the findings of the review by a committee or full council (this is normally undertaken by the Audit and Corporate Governance Committee), and
- (b) approve the annual governance statement prepared by resolution of a committee or full council.

3.2.4 The AGS must be:

- (a) approved in advance of the LA approving the statement of accounts; and
- (b) prepared in accordance with proper practices in relation to the accounts.

3.2.5 Regulation 10 requires Category 1 authorities, after approving the statement of accounts no later than 31 July of the financial year immediately following the financial year to which the accounts relate, to publish the statement of accounts, AGS and narrative statement. If the deadline is not met, publication must happen as soon as reasonably practicable and a notice must be published giving reasons why the statement of accounts has not been published within the timescale required.

3.2.6 Whilst in most local authorities, the AGS will be prepared in conjunction with the statement of accounts and may be taken to the same committee meeting, there is a requirement for it to be approved in advance. Publication is required simultaneously, however there is no requirement to delay approval of the AGS to wait for the statement of accounts, although the delay in the statement of accounts may result in the AGS having to be updated, as happened for 2018/19 and 2019/20.

### 3.3 *Risk management implications*

3.3.1 The AGS is a statutory document. Failure to conduct a comprehensive review could expose the Council to legal challenge and increase the risks that the Council is not complying with its legal responsibilities. Failure to conduct an annual review could increase the risk of financial exposure as a result of such challenges, but also fail to direct limited financial resources into the most appropriate areas. The annual review of the effectiveness of the system of internal control supports the Council to identify and correct control weaknesses.

### 3.4 *Environmental implications*

3.4.1 There are no specific environmental implications as a result of the AGS process. One of the principles assessed is defining outcomes in terms of sustainable economic, social and environmental benefits.

### 3.5 *Equality implications*

3.5.1 The AGS includes reference to the CIPFA/SOLACE framework, which includes principles that are linked to the Equality Act duties, including a requirement to maintain with integrity and respect the rule of law, ensuring openness and comprehensive stakeholder engagement and defining outcomes in terms of social benefits.

## **4. Background Papers**

None