

## Slough Borough Council

<b>Report To:</b>	Audit and Corporate Governance Committee
<b>Date:</b>	10 July 2024
<b>Subject:</b>	Annual Governance Statement
<b>Chief Officer:</b>	Will Tuckley - Chief Executive Sukdave Ghuman – Monitoring Officer
<b>Contact Officer:</b>	Sarah Wilson – Assistant Director Legal and Governance
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Appendix 1 - Annual Governance Statement – 2023/2024

### 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 2023/24 set out at Appendix 1.
- (b) Agree that progress against the approved action plan 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. The previous process and quality of AGSs have been criticised as part of the DLUHC commissioned governance 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 made the decision to approve the AGS for 2022/23 shortly after the end of the financial year and in advance of closing off previous years' accounts. It is recommended that the Council takes a similar approach this year to ensure it has an up to date assessment, which is published and an action plan which can be monitored. 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

This report contains the Annual Governance Statement (AGS) which remains in draft until the accounts for 2023/24 have been audited. The progress made in some key areas

should be noted and similarly the Council's awareness that there is still much to do before they can demonstrably provide Best Value for residents.

The processes followed to produce the AGS are outlined in the report and as per the 2022/23 AGS, the approach and outcome could be further enhanced by the consideration of assurances received from managers across the Council and its wholly owned companies, that core elements of the governance arrangements are in place and effective. Failure to conduct a comprehensive review could increase the risk of Best Value duties not being met, issues not being captured, lessons learnt not being disseminated and used to drive sustainable improvement.

## 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. The external auditor is aware of the approach and has spoken in support of this in previous meetings. The external auditor is taking advice on the lack of historic AGS for previous financial years and the impact this has on the auditing of these accounts.
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 identifies 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 Best Value Standards and Intervention Guidance emphasises the importance of the annual assessment process to produce the AGS. The Government expectation is that authorities demonstrate through their AGS that they are making arrangements to secure continuous improvement in areas of governance, culture, finances and service delivery on an ongoing basis and at necessary pace. The Council must be honest and transparent about failings and should welcome external and internal challenge and scrutiny. The AGS is relevant to the following best value themes:

- **Continuous improvement** – lessons learned and steps taken to address mistakes and poor performance should be clearly documented in the AGS. The AGS should be prepared in accordance with the CIPFA / SOLACE Good Governance Framework and be the culmination of a meaningful review designed to stress-test both the governance framework and the health of the control environment. In the 2023/24 AGS, statements and assessments in bold indicate where improvements are particularly required and this should flow through to the action plan. The action plan contains recommendations in relation to the internal control environment and the need for a more effective assurance framework. It is recommended that the new LGA Improvement and Assurance Framework is utilised for this.
- **Leadership** – a failure to recruit statutory officers on a permanent basis over an extended period of time or high turnover in these roles is seen as an indicator of instability and potentially wider cultural concerns. The action plan includes improvements in HR governance, including workforce planning. There are also actions in relation to more effective use of Lead Member and Directors' meetings and improvements for Corporate Improvement Scrutiny Committee and Audit and Corporate Governance Committee.
- **Governance** – there should be clear and robust governance and scrutiny arrangements in place and these arrangements should be understood by members and officers alike, reviewed regularly and accurately described in the AGS. Whilst there has been significant progress in key areas, there are actions in relation to democratic governance, internal control and information governance which should lead to improvements in data management, transparency and effectiveness of decision-making.
- **Culture** – historically the Council has been criticised for having widespread failure in relation to compliance with due process and constitutional requirements with a lack of transparency in relation to decision making at both member and officer level. The action plan includes a requirement to conduct a review of information published against the Government's Transparency Code, including reviewing systems in place for record keeping for property assets. The action plan also recommends increased transparency in relation to staff survey results and action plans responding to these.
- **Use of resources** – the internal control environment should safeguard the use of resources and ensure value for money. Investment decisions must have an appropriate level of scrutiny, transparency and approval to ensure proper understanding of risk. Financial management must be supported by robust financial systems, record keeping and quality assurance with a focus on recruitment to key posts. Late publication of unaudited and audited financial statements and a modified audit opinion are both indicators of failure. The action plan contains a section in financial governance and systems including a workforce plan to respond to recruitment gaps. It also contains actions in relation to the internal control environment.
- **Service delivery** – service planning should be aligned to corporate priorities and be evidence-based, customer and citizen focused and meeting the needs of different groups within the community. As well as a specific action plan for SEND services, the AGS contains actions relating to resident engagement and use of data.
- **Partnerships and community engagement** – appropriate governance structures should be in place to oversee these arrangements and consultation and

engagement should be inclusive, open and fair. The action plan includes a focus on partnership governance and effectiveness, company governance and resident engagement.

2.6 The AGS provides an assurance to the Council and its stakeholders that good governance procedures and requirements are in place and that there is an appropriate focus on areas that require improvement. 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 included the former Head of Internal Audit. Due to staff turnover the Head of Internal Audit opinion has not been considered, however key internal audit reports have been included. External reviews have played a significant part in the assessment, including DLUCH and DfE commissioner reports, CfGS review, external auditor reports and LGA reviews. The AGS includes an action plan to address governance issues that have been identified. With the exception of SEND services, the actions are themed under key areas of governance: democratic, HR, financial, internal control, company, partnership, ICT, assets and resident engagement. Much of the detail is already included in other plans under the Council's improvement and recovery programme, although there are plans in place to ensure that the AGS action plan has a much more central role in the Council's improvement and assurance processes.

2.8 The AGS is a valuable means of communication. It enables the Council to explain to its residents, service users, taxpayers 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.

2.11 The recommendations include a requirement to produce quarterly reports to the Committee on progress. This replicates what happened last year and provides an opportunity for elected members to publicly challenge and debate the pace of improvement.

### **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.

### 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