

**STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2021-22**

1 Scope of Responsibility

- 1.1 Stafford Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The 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*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which require all relevant authorities to prepare an annual governance statement.

2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 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 the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Annual Governance Statement.

- 2.4 At the point that the first national lockdown came into effect, the Council had to make a number of changes to its normal governance arrangements and many of these have remained in place since that time. The modified arrangements have adequate controls in place and have been kept under review.

3 The Governance Framework

- 3.1 The Council has adopted a local Code of Governance, which can be found on the Council's website. The Code is comprised of 6 key principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes.
4. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
5. Managing risks and performance through robust internal control and strong public financial management.
6. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 3.2 A key element of the Council's governance arrangements concerns safeguarding. Stafford Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across its services. We are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council. We do this by:

- Completion of the statutory annual Section II Audit
- Having a Child and Adult Protection Policy and procedure in place endorsed by the Staffordshire Safeguarding Children Board and Staffordshire and Stoke Adult Safeguarding Partnership
- Having child and adult protection processes which give clear, step-by-step guidance if abuse is identified
- Safeguarding training programme in place for staff and members
- Carrying out the appropriate level of DBS checks on staff and volunteers
- Working closely with Staffordshire Safeguarding Children Board and Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership

4 Review of effectiveness

- 4.1 The Council has 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 led by the Head of Governance who has responsibility for the development and maintenance of the Code of Governance. The review is informed by the work of Members, the senior officers within the Council and also by comments made by the External Auditors and other review agencies and inspectorates. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is set out below.
- 4.2 **The Authority** - the Head of Governance and the Monitoring Officer, on behalf of the Council, undertake periodic reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Governance, reviews of the Constitution, Financial Regulations, the Scheme of Delegation and policies, processes and practices throughout the year. No new issues have been identified in 2021/22.
- 4.3 **The Executive** - the Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and strategic risk management reports. Individual Cabinet members receive regular feedback from senior officers on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet.
- 4.4 **Overview and Scrutiny Committees** - the Council has 3 Scrutiny Committees. The Scrutiny Committees review decisions made by Cabinet and areas of concern. They can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Scrutiny Committees:
- (i) determine their own work programme at the beginning of each year and this includes the provision of updates, briefings and reviews of services/activities; and
 - (ii) consider regular performance management information from senior management.
- 4.5 **The Audit and Accounts Committee** - is responsible for overseeing the Council's governance arrangements. The Committee monitors the effectiveness of risk management, reviews corporate governance issues, the work of Internal Audit and the anti fraud and corruption arrangements throughout the year. The Audit and Accounts Committee receives quarterly reports on:
- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and

- updates on the management of the Council’s strategic risks. A strategic risk register is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly
- 4.6 **The Standards Committee** - is responsible for the ethical framework of the Council. The Committee works closely with the Monitoring Officer in dealing with complaints about Members conduct and promoting high standards of conduct.
- 4.7 **Internal Audit** - is responsible for reviewing the effectiveness of the Council’s governance arrangements, including the system of internal control, and reporting on its adequacy. Internal Audit is a key source of assurance for the Annual Governance Statement and operates in accordance with the Public Sector Internal Audit Standards. Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. The work on the Audit Plan for 2021-22 has been used to provide an independent view on the adequacy of the governance framework.

In the annual report to the Audit and Governance Committee, the Chief Internal Auditor has independently assessed the Council’s internal control environment and given a “**partial assurance**” opinion that the Council’s governance arrangements were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy. No significant governance issues have been identified for inclusion in the Annual Governance Statement. Where deficiencies in internal control were identified during reviews, assurance was provided that these had been or would be resolved in an appropriate manner. Such cases will continue to be followed-up as part of the routine operation of the Internal Audit function.

- 4.8 **Risk Management** - during 2021-22 the Audit and Accounts Committee received regular progress reports regarding the management of strategic risks. The strategic risks facing the Council were reviewed as at 1 April 2022 and as there are currently 3 red risks for inclusion as significant governance issues:
- The funding available to the Council from central Government resulting from changes to Business Rates, New Homes Bonus etc. will not be known until the autumn at the earliest. This together with increases in inflation and interest rates makes accurate budget planning difficult, resulting in a risk of over commitment of financial resources or inappropriate use of reserves.
 - The economy of the Borough is adversely impacted limiting the ability to deliver the Economic Growth Strategy for the Borough
 - The Council’s key contractors remain sustainable and continue to provide value for money

4.9 **Assurance from the Statutory Officers** - assurances have been sought, through discussions with the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Law and Administration) and the s151 Officer (Head of Finance) with regard to their responsibilities for governance.

- The Head of Paid Service has overall responsibility for the organisation, appointment and management of staff
- The Chief Financial Officer (s151 Officer) has overall responsibility for the financial management of the Council. Throughout the year the s151 Officer ensures that the financial position of the Council is monitored, that consideration is given to financial implications when taking decisions and with the support of internal audit that financial processes are complied with
- The Monitoring Officer has overall responsibility for:
 1. reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 2. matters relating to the conduct of Members and officers; and
 3. the operation of the Council's constitution.

The Statutory Officers have identified the following as significant governance issues:

- Ongoing financial pressures;
- Capacity issues in sustaining delivery of essential services and key projects;
- The potential further sharing of services, including the Chief Executive, with Cannock Chase District Council; and
- Implementation of the new Finance system.

4.10 **External Audit / Other Review Agencies** - during the year the Council received the following key reports:

- (i) Audit Findings (dated April 2022 and reported to Audit and Accounts Committee 21 April 2022.

The report offered an unqualified opinion on the Council's financial statements. No significant concerns were identified.

4.11 **Leadership Team** - in addition to the Statutory Officers assurances, the members of Leadership Team have been consulted on the draft annual governance statement and the significant governance issues that should be included within it.

5 Opinion on the Governance Framework

- 5.1 The review of the effectiveness of the governance framework show that the arrangements continue to be fit for purpose and **reasonable assurance** can be given that the framework is operating adequately in practice.
- 5.2 No review can provide absolute assurance; this statement is intended to provide reasonable assurance that there is an ongoing process for reviewing the governance framework and its operation in practice.
- 5.3 Whilst the governance framework is considered to be adequate a number of issues have been identified that need to be addressed to further enhance the Council's governance arrangements. These are outlined in section 6 together with the actions to be taken.
- 5.4 The Audit and Accounts Committee will have responsibility for ensuring the delivery of the actions needed to improve the Council's governance framework.

6 Significant Governance Issues

- 6.1 The Council's key governance issues are outlined in the action plan below.

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Financial Stability</p> <p>The Council incurred both additional expenditure and a material loss of income from fees and charges etc. as a result of the pandemic, offset by grant funding. The Council's finances began to stabilise which enabled a budget to be set in February 2022, but the newly arising challenges of inflation and interest rates will place a burden on this year's budget and the medium term outlook. These factors will have an impact on expenditure, as direct costs (including pay) will rise, as well as on residents and businesses, which will place greater demands on Council services and potentially reduce income. Over the medium term, there remains significant uncertainty regarding the direction of Government policy for local government finance.</p> <p>This has been/ will be addressed by:</p> <p>Approval of the 2022-23 budget;</p>	<p>s151 Officer</p>	<p>Complete</p>

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Reinforcement of good financial management at senior officer level;</p> <ul style="list-style-type: none"> • Monitoring reserves over the medium term and setting a Medium Term Financial Strategy that does not reduce unallocated reserves; • Implementing a savings plan to help bridge the budget gap for 2023-24; • Refreshing the Medium Term Financial Strategy. 	<p>Leadership Team</p> <p>s151 Officer</p> <p>s151 Officer</p> <p>s151 Officer</p>	<p>Complete</p> <p>January 2023</p> <p>October 2022</p> <p>January 2023</p>
<p>The economy of the Borough and delivery of the Economic Growth Strategy</p> <p>Economic activity has increased after the pandemic however there are legacy issues in terms of the global supply chain and inflation impacting on business, individuals and communities. Particular sectors like that of retail continue to suffer as a consequence of online shopping and changes in consumer lifestyle habits. It will be important for the Council to keep under review its economic strategy and related actions to ensure they remain relevant and capable of protecting the local economy and allowing it to grow where possible to meet the needs of the area.</p> <p>Key actions for 2022/23 include:</p> <ul style="list-style-type: none"> • Delivery of the Stafford Town Centre Transformation Programme, including the year 2 delivery of the Future High Street Funds Projects • Phase 2 work on Stafford Station Gateway • Bid for LUF 2 monies to assist in bringing forward the Stafford Station Gateway project 	<p>Interim Head of Development</p>	

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<ul style="list-style-type: none"> • Submission of Investment Plan to draw down the £4.6m allocation made by government under the UK Shared Prosperity Fund. • Local Plan allocation, technical Studies and delivery model developed for Meecebrook Garden Community 		
<p>The Council's Key Contractors</p> <p>The Council's key contractors have encountered significant challenges arising from the successive lockdowns.</p> <p>The Council is continuing to work to support them by providing any justifiable financial assistance and in implementing their recovery / improvement plans.</p> <p>Discussions are also ongoing in relation to the implications arising from other external factors which may require actions to minimise the risk of adverse impact in 2022/23.</p>	Interim Head of Operations	Ongoing
<p>Officer Capacity</p> <p>Resources continue to be stretched between the delivery of essential services, key projects and the introduction of new services/responsibilities upon the Council. Priorities have been kept under review during 2021-22 and additional resources brought in where required.</p> <p>The Chief Executive is currently being shared with Cannock Chase District Council pending consideration of wider sharing of services.</p> <p>2 senior officers retired early in 2022/23 and interim arrangements have been put in place to cover these posts and the long term absence of another.</p> <p>Capacity will continue to be kept under review and managed during 2022-23</p>	<p>Chief Executive</p> <p>Leadership Team</p>	<p>Completed</p> <p>Ongoing</p>

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Shared Services</p> <p>The Council has been sharing a number of services with Cannock Chase District Council since April 2011. The Chief Executive is currently being shared pending the development of a business case to assess the potential for the further sharing of services between the two Councils.</p> <p>The first stage of the business case has been completed and both Councils have approved proceeding to developing the 2nd stage of the business case.</p> <p>The key action is to complete the 2nd stage of the business case for consideration by both Councils</p>	Chief Executive	November 2022
<p>Cyber Security</p> <p>There is an ongoing risk of cyber attacks. Arrangements have been enhanced during 2021/22 and additional work is planned during 2022/23 including:</p> <ul style="list-style-type: none"> • Access to the network to be limited to corporate devices only 	Head of Technology	August 2022
<p>New Finance System</p> <p>The new Finance system went live on 1 April 2021. The core external elements of the system in terms of payments to creditors and income collection were up and running from day one. However, teething troubles have been experienced; some of these have been addressed and others are ongoing. The Finance Team are currently completing the first closure of the accounts on the new system. The following actions have been undertaken/are planned:</p> <ul style="list-style-type: none"> • Ongoing project management • Testing and checking that the system is operating as expected • User training. • Post implementation review 	Head of Finance	Ongoing

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct has been completed but approval by Council was deferred due to other priorities during the pandemic. It was intended to complete this during 2021/22 but has been deferred due to other changes being made to working arrangements which will have an impact on the Code.</p> <p>This primarily relates to the development of a hybrid working model which is being trialled during 2022/23. The Code of Conduct will be revised in 2023 once the hybrid working trial has been concluded and reviewed.</p>	<p>Head of Human Resources, Head of Law and Administration and Head of Governance</p>	<p>2023/24</p>
<p>Information Governance</p> <p>The draft Information Governance Framework needs to be finalised and approved by Leadership Team.</p>	<p>Head of Governance and Corporate Services</p>	<p>December 2022</p>

Signed:

..... Date

Chair of the Audit and Accounts Committee

..... Date

Leader of the Council

..... Date

Chief Executive

on behalf of Stafford Borough Council