

**STAFFORD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2022-23**

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 2023 and up to the date of approval of the Annual Governance Statement.

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.

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 Transformation and Assurance 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 Deputy Chief Executive - Resources, the Head of Transformation and Assurance 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 and key policies, processes and practices throughout the year.

This year's self-assessment has identified a number of concerns with the effective operation and compliance with key components of the Council's governance framework. None of these are considered significant at this time, but early action will reduce the risk of the situation deteriorating. Furthermore, with the expansion of shared services with Cannock Chase Council proceeding in 2023-24, it is considered timely to review and update key elements of the governance framework, including the Code of Governance, over the next 2-3 years alongside the transformation programme. A timetable for future reviews is also to be prepared.

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 2022-23 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. 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.

The Chief Internal Auditor has highlighted a number of recurring issues in the Annual Audit Report, relating to non-compliance with and or awareness of key components of the Council's governance arrangements. These issues concur with the findings of the self-assessment of the Governance Framework.

4.8 **Risk Management** - during 2022-23 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 2023 and as there is currently one red risk for inclusion as significant governance issue:

- 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.

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 (Deputy Chief Executive - Resources) 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;
- The implementation of the decision to extend the sharing of services with Cannock Chase Council; and
- The effective project management of key capital and revenue schemes.

4.10 **External Audit / Other Review Agencies** - a report has not yet been received from the external auditors on the Council's governance arrangements during 2022-23.

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>Code of Governance Review of the Code of Governance.</p>		September 2023
<p>Governance Framework Review and updating of key elements of the Governance Framework, to include:</p> <ul style="list-style-type: none"> • Values and Operating Principles; • Scheme of Delegations; • Procurement Regulations; • Financial Regulations; • IT Strategy; • Risk Management Policy and Strategy; • Workforce Development Framework; • Project Management Toolkit; • Performance Reporting Framework; • Contracts Register; 	Deputy Chief Executive - Resources, Head of Law and Governance and Head of Transformation and Assurance	<p>2023-24</p> <p>2023-24</p> <p>2023-24</p> <p>2024-25</p> <p>2023-24</p> <p>2023-24</p> <p>2023-24</p> <p>2024-25</p> <p>2024-25</p> <p>2024-25</p> <p>2024-25</p>

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<ul style="list-style-type: none"> Confidential Reporting Framework and Fraud Policy 		2024-25
<p>Financial Stability</p> <p>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. There are potential financial pressures arising from the significant capital projects that are currently underway. For example, should the Future High Streets Fund project overspend its resource allocation the Council may have to use its own resources to continue the project if it cannot be value engineered appropriately.</p> <p>This has been/ will be addressed by:</p> <ul style="list-style-type: none"> Approval of the 2023-24 budget; Implementing a savings plan to help bridge the budget gap for 2023-24; Monitoring of spend on major projects with appropriate reporting and actions being taken Monitoring reserves over the medium term and setting a Medium Term Financial Strategy that does not reduce unallocated reserves; Refreshing the Medium Term Financial Strategy. Reinforcement of good financial management at senior officer level; 	<p>s151 Officer</p> <p>s151 Officer</p> <p>s151 Officer</p> <p>s151 Officer</p> <p>s151 Officer</p> <p>Leadership Team</p>	<p>Complete</p>

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<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. The sharing of services with Cannock Chase Council will create opportunities to improve capacity and resilience as the management restructure is progressed and services are transformed (see shared services below).</p> <p>Priorities will continue to be managed on an ongoing basis to ensure that resources are redirected as appropriate.</p>	<p>Chief Executive and Deputy Chief Executives</p>	<p>2023-24</p>
<p>Shared Services Transformation</p> <p>In December 2022, Stafford Borough Council agreed to extend its sharing of services with Cannock Chase Council to include the majority of services.</p> <p>The first key two key stages in implementing this decision have been completed with the establishment of a joint Leadership Team (with effect from 1 April 2023) and a legal agreement setting out the framework and authority for sharing.</p> <p>The next step will be to complete the management restructure and start to bring the teams together. This will set the foundations for the transformation work to commence, which will seek to align and improve processes. The transformation programme will take 2-3 years to complete.</p>	<p>Deputy Chief Executive - Resources and Head of Transformation and Assurance</p>	<p>2023-24 and ongoing</p>
<p>Cyber Security</p> <p>There is an ongoing risk of cyber attacks. Arrangements have continued to be enhanced during 2022-23.</p> <p>The Council's current arrangements are to be formalised into a security strategy. An assessment of options to further strengthen this will be undertaken as part of the development work.</p>	<p>Chief Technology Officer</p>	<p>2023-24</p>

ISSUE AND ACTION	OFFICER RESPONSIBLE	TARGET DATE
<p>Finance System</p> <p>The new Finance system went live on 1 April 2021. Whilst the core elements of the system are operational, there have been ongoing issues during 2022-23. The majority of these have now been addressed and the accounts for 2022-23 are in the process of being closed.</p> <p>The key outstanding issues to be addressed in 23-24 are reporting and user training.</p>	Deputy s151 Officer	2023-24
<p>Employees' Code of Conduct</p> <p>The review of the Employees' Code of Conduct which was updated prior to the pandemic but not finalised, needs to be updated to reflect changes in working arrangements, such as hybrid working. Model and the extension of shared services. The Code of Conduct then needs to be finalised (carried forward from 2022/23).</p>	Head of Transformation and Assurance and Head of Law and Governance	2023/24
<p>Information Governance</p> <p>The draft Information Governance Framework needs to be finalised and approved by Leadership Team (carried forward from 2022/23).</p>	Head of Law and Governance	2023/24