

<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>25 January 2022</b>
<b>SUBJECT:</b>	<b>Annual Governance Statement 2020/21</b>
<b>LEAD OFFICER:</b>	<b>Richard Ennis, Corporate Director of Resources (interim)</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITIES 2021-24:</b> The Croydon Renewal Plan includes a focus on achieving stronger governance, management practice and internal controls, supported by actions to change culture and behaviours.	
<b>FINANCIAL IMPACT</b> Implementation of the recommendations within this report shall be contained within existing budgets.	

<b>RECOMMENDATION</b>  General Purposes and Audit Committee is recommended to:  1. Review and approve the revised draft Annual Governance Statement 2020/21 (Appendix 1).  2. Note the updated Code of Governance (Appendix 2).  3. Agree to receive a progress report on implementation of the Annual Governance Statement action plan soon after the completion of the 2021/22 financial year.
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## 1. EXECUTIVE SUMMARY

- 1.1 Legislation requires that the Council conduct a review at least annually of the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices. The purpose of the Annual Governance Statement ('AGS'), which is published with the Statement of Accounts, is to provide an accurate representation of the Council's governance arrangements in place during the year and to identify areas where there are significant gaps or where improvements are required.
- 1.2 The draft AGS reflects changes requested by the Committee at its last meeting and is presented for review and approval in accordance with CIPFA guidance, prior to the document being presented to the Leader and Chief Executive for signature.

## 2. BACKGROUND

- 3.1 Regulation 6(1) of the Accounts and Audit (England) Regulations 2015 requires that the Council conduct a review at least once a year of the effectiveness of its

system of internal control and to prepare a statement on internal control in accordance with proper practices.

3.2 The purpose of the AGS, which is published with the Statement of Accounts, is to provide an accurate representation of the corporate governance arrangements which have been in place during the year 2020/21 and to identify those areas where there are significant gaps or where improvements are required.

3.3 The Committee considered a draft of the Annual Governance Statement for 2020/21 at its meeting on 25 November 2021. The covering report confirmed that the draft had been informed by:

- The independent review of the Council's governance (March 2020)
- The Council's Annual Governance Statement for 2019/20
- The Independent Finance Review (October 2020)
- The Report in the Public Interest (October 2020)
- The strategic review of the Council's subsidiary companies (November 2020)
- The rapid non-statutory review (November 2020)
- The Croydon Renewal Plan (November 2020)
- The Scrutiny Improvement Review conducted by the Centre for Governance and Scrutiny (January 2021)
- Reports by internal and external Audit produced throughout the year.

It had also been informed by discussions with relevant officers across the Council and shared with all Directorate Leadership Teams for comment.

3.4 The Committee was also informed that, in normal circumstances, the AGS would have been prepared in light of assurance statements completed by all Council directors (this is normal practice but not a legislative requirement). For the year 2020/21, the decision was taken not to seek assurance statements in light of:

- a) the significant amount of externally-produced information about areas for improvement in the Council's governance and
- b) the need for officer attention to focus on identified improvement actions and the development of plans for a balanced budget.

The process for development of the Annual Governance Statement for 2021/22 is set out at section 4.7 below.

## 4. PROPOSAL

- 4.1 A revised draft of the AGS for 2020/21 appears at Appendix 1. Following the comments of the Committee and after further consideration, the following revisions have been made:
- i) Clarification that the accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures is under review both by the Council and Grant Thornton (page 1);
  - ii) Deletion of text stating that the 2019/20 AGS had been revised: the Statement was signed by the Leader and Chief Executive in October 2020 and has not been changed. Any new information coming to light will be reflected in future Annual Governance Statements (page 2);
  - iii) Deletion of outdated content relating to YourCare (page 4);
  - iv) Corrections to text relating to the Executive Leadership Team (page 5);
  - v) Additional text has been inserted into the section on Decision-making and governance to reference the independent review of governance (page 5);
  - vi) Clarification of the basis on which the role of independent Chair of GPAC was established (page 6);
  - vii) Additional text has been inserted preceding the action plan to set out planned arrangements for monitoring delivery (page 15).
- 4.2 The opportunity has also been taken to correct some non-material typographical errors in the previous draft.
- 4.3 The draft AGS reflects the Council's governance during the year 2020/21. It identifies significant actions underway during the current year to address areas for improvement, but does not include all developments which have taken place since 31 March 2021: these will be addressed in the AGS for 2021/22.
- 4.4 The draft AGS has been shared with the Chief Executive and Leader in recognition that they will be required to sign the final version of the AGS.
- 4.5 It is proposed to bring a report back to the Committee at the end of the financial year to provide an update on progress in implementing the AGS action plan.
- 4.6 The Council's Code of Governance (Appendix 2) describes the systems and processes in place to ensure good corporate governance. It sets out the Council's governance arrangements against each of the core principles of good corporate governance identified in the CIPFA/ SOLACE framework 'Delivering good governance in Local Government' (2007). The Code has been reviewed and revised as part of the process of preparing the AGS: where gaps have been found, they have been identified in the AGS and its action plan.
- 4.7 The opportunity has been taken, informed by the process of developing the AGS for this year, to revise the process of obtaining statements of assurance

from directors to inform the AGS for 2021/22. Directors will be asked to complete a fuller statement than in previous years, giving detail of work planned to address areas for improvement. These statements will then be reviewed and counter-signed by the relevant Corporate Directors to ensure appropriate challenge and oversight of improvement actions. The statements will be used to inform an assessment of the effectiveness of the Council's governance for 2021/22.

## **5. CONSULTATION**

- 5.1 The Council's external auditors, Grant Thornton, have been given the opportunity to comment on the draft AGS prior to its consideration by the Committee.

## **6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 6.1 There are no direct financial implications arising from the Annual Governance Statement in its own right. However, there are a number of issues highlighted in the statement which could and will have significant implications for the council.

Approved by: Richard Ennis, Corporate Director of Resources and s151 Officer.

## **7. LEGAL CONSIDERATIONS**

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Deputy Monitoring Officer that in accordance with The Accounts and Audit Regulations 2015:
- a. The Council shall be responsible for ensuring that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk; and
  - b. The Council shall each financial year conduct a review of the effectiveness of its system of internal control and shall publish an Annual Governance Statement with its statement of accounts.
- 7.2 The Regulations require that the findings of the review of the system of internal control must be considered by a committee of the Council, or by members of the Council meeting as a whole and approve the Annual Governance Statement by resolution of a committee of the Council or by members of the Council meeting as a whole.
- 7.3 The preparation and publication of an Annual Governance Statement in accordance with the 2016 CIPFA / SOLACE Framework meets the statutory requirement set out in the Regulations for authorities to prepare a statement of internal control in accordance with "proper practices".

Approved by: Sandra Herbert, Head of Litigation and Corporate law on behalf of the interim Director of Legal Services and Deputy Monitoring Officer.

## **8. HUMAN RESOURCES IMPACT**

- 8.1 There are no immediate HR impacts arising from this report for Council employees or staff. Any matters arising will be dealt with under the appropriate Council procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executive

## **9. EQUALITIES IMPACT**

- 9.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 9.2 The Council will ensure that its governance pays due regard to the requirements of Equality Act 2010.

Approved by: Denise McCausland Equality Programme Manager

## **10. ENVIRONMENTAL IMPACT**

- 10.1 There is no environmental impact arising from this report.

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 There is no crime and disorder impact arising from this report.

## **12. DATA PROTECTION IMPLICATIONS**

- 12.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No.

**12.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

No.

Approved by: Richard Ennis, Corporate Director of Resources

**13. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 13.1 General Purposes and Audit Committee has a responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting framework, including the Annual Governance Statement. It is also good practice for the Committee to be provided with information and assurance regarding the status of actions identified to address areas for improvement in the AGS.

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**APPENDICES TO THIS REPORT:**

**1: Draft Annual Governance Statement 2020/21**

**2: Code of Governance**

**BACKGROUND PAPERS:** None