

11 November 2021**Agenda Item: 9****REPORT OF SERVICE DIRECTOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****GOVERNANCE UPDATE****Purpose of the Report**

1. To inform Committee of the progress being made with the Governance Action Plan for 2021/22, and to request Members' feedback regarding the most significant governance issues currently facing the Council and whether revised actions are needed to address emerging risks.

Information

2. The Accounts and Audit (England) Regulations 2015 require the Authority to publish an Annual Governance Statement (AGS) along with its Statement of Accounts. The focus of the AGS is to assess the extent to which the Council's Local Code of Corporate Governance has been complied with over the course of a financial year, along with an assessment of the most significant governance issues the Council is dealing with. This gives rise to an annual Governance Action Plan.
3. The Council continues to review progress against the action plan on a regular basis throughout the year. This ensures the AGS is used as a live document, contributing towards maintaining an appropriate, strategic focus on the Council's ongoing governance arrangements.
4. The latest quarterly update identifies the following as the most significant governance issues for the Council. The Authority remains on an emergency response footing, as the global pandemic continues to dominate its priorities. The impact of Covid19 pervades all aspects of the Council's activities, including how it is currently applying its Local Code of Corporate Governance. This will remain the case for some time yet, through the remaining stages of the national emergency and into the recovery stage that lies ahead. Rather than include the impact of Covid19 as its own entry on the list of significant governance issues, it is referenced throughout this update wherever its influence is especially pertinent.

Issue	Comment
Cabinet/Scrutiny model of corporate governance	Full Council gave approval in September 2021 to the development of proposals to change the Council's governance arrangements from a committee system of governance to the executive system (Leader and Cabinet model). This now requires a significant allocation of officer resource to develop proposals, working alongside a member working group. Plans will be considered by the Council in due course, with a view to the new system coming into effect in May 2022.
Climate change	At its Annual General Meeting on 27/5/2021, the Council declared a Climate Emergency and tasked its new Transport and Environment Committee to drive measures to achieve the Council's commitment to achieving carbon neutrality by 2030. All other committees of the Council are expected to adhere to this principle through the decisions they take. Progress against the commitment will be reported regularly to Full Council.
The transformation agenda	<p>The Council's revised approach to transformation and change is progressing four cross-cutting transformation programmes, with two underpinning strands of work. A new staffing structure for corporate transformation and change is now in place, including the establishment of the Strategic Insight Unit, along with revised business processes, governance arrangements and co-ordination with departmental service improvement activity.</p> <p>The importance of this work has been compounded by the impact of the pandemic on the County's residents and businesses, alongside the impact on the Council's finances. The scope and focus for transformation and change is being reshaped around the Council's resilience, recovery and renewal objectives.</p>
Financial resilience and sustainability	The COVID-19 pandemic has placed significant, unforeseen and additional financial burdens on the Council. The importance of effective management of the most volatile elements of the annual budget is heightened and remains a key area of focus. The regular review of the financial impacts and the regular Government returns are now established as business as usual, and the Medium Term Financial Strategy (MTFS) continues to be updated and reported regularly. Maintaining the flow of transparent, financial data for Councillors remains a key priority. The Council will still have a financial gap over the MTFS and Policy Committee in October 2019 set out a new model for transformation (Achieve/Transform/Save) and since then identified a number of key transformation programmes to enable the Council to address this gap leading to future financial sustainability.
Fair Funding & Business Rates Retention	Progress has been delayed again due to the pandemic, and the Council continues to campaign for the promised Fair Funding Review to occur. It is hoped that the scheduled Budget announcement in November 2021 will provide an update.
Pressure on core systems of internal control	The findings of Internal Audit over recent Termly Audit Plans are not identifying a concerning number of areas in which only limited assurance can be provided over the effectiveness of internal controls. However, the Group Manager – Assurance has reported to the Governance & Ethics Committee a decline in the pace of implementation for agreed actions following audits. Understanding the impact of the pandemic on the internal control framework in the Council is key to achieving an appropriate balance between probity and speed of response.
Vulnerability to fraud	The Annual Fraud Report for 2020/21 was presented to the Governance & Ethics Committee in September 2021. The incidence of internal fraud remains low, but the Council continues to be the target of attacks from external sources, notably in relation to its suppliers' bank details. The Council is also alert to the opportunities that fraudsters seek to exploit from the pandemic situation and is conducting targeted internal audit work in this area.

Issue	Comment
UK General Data Protection Regulation (GDPR) / Data Protection Act 2018	The Information Governance Improvement Programme closed in March 2020, having helped the Council make significant improvements in its exposure to reputational and financial risks of breaches in data protection. Ongoing Information Governance risks, their severity and mitigations are regularly considered by the Information Governance Board (IGB). Risks associated with data flows at the end of the UK EU transition period (end Dec 2020) are being actively managed. Incremental improvements will be made to enhance electronic document and records management, exploiting new technologies and progress in this will also be considered by the IGB. The Council submitted its latest, annual Data Security and Protection Toolkit self-assessment to NHS Digital over the summer.
Move to the Cloud and ICT resilience	<p>The County Council currently stores its software and data within the ICT Data Centre on the County Hall campus. Work continues to provide these services using a 'cloud' based online approach, as part of the plans to use the latest technology to provide more cost-effective ICT Services. The most appropriate ICT systems and applications remain under review, both in light of the response to the pandemic and with a view to the Council's emerging plans for recovery and renewal.</p> <p>The impact of new ways of working for the vast majority of the Council's staff has required an increase in ICT resilience to enable Council staff to work more effectively at home and with the right technology in place. A range of actions have been taken to achieve a stable service, and this will receive continual monitoring and further update reporting to the Finance Committee.</p>
Post-EU transition implications for the Council	The Council put in place a risk register following the referendum in 2016, to assess the implications for its continued delivery of local services. The potential risks for the Council arising from the UK's revised relationship with the EU have now been assimilated into the wider range of risks captured on the corporate risk register.
Local Government Association Peer Challenge	The LGA Peer Challenge was conducted in June 2019 and its subsequent report recognised a number of the Council's key attributes that underpin the positive findings of the Review Team. Progress against the recommendations accepted from the report are being monitored by the appropriate committee for each action.
Ofsted inspection of Children's Services	The inspection endorsed the actions set in train to deliver improvements in discrete aspects of the service, and the Children & Young People's Committee is overseeing implementation. An annual conversation took place between Ofsted and the Children and Families Leadership Team as part of the Ofsted inspection framework in November 2020, at which the Council's safeguarding response to Covid was considered, alongside a review of the department's self-evaluation of practice and progress against the areas for improvement identified during the inspection in October 2019. This was a constructive conversation which recognised the commitment that the Council has displayed to continuing to improve services for vulnerable children and young people. A full report was scrutinised by Children and Young People's Committee in February 2021, and six-monthly updates on progress against the action plan continue.

5. The thoughts and insight of Corporate Leadership Team colleagues are sought on a regular basis to assess whether the above list continues to represent the most significant governance issues on which the Council needs to focus. To assist with this, CLT colleagues are asked to consider the following:

- Colleagues' awareness of significant governance issues being dealt with by senior managers in their departments – to identify whether some issues should be added to, or

removed from, the list. Alternatively, colleagues may be aware of a more specific or emerging development within one of the areas listed, which should require a refocus of the Council's response.

- Reference to the Council's [Local Code of Corporate Governance](#), as an aid to considering whether colleagues are aware of any emerging issues within the areas the Code covers.
6. An important part of the AGS is its Action Plan, and this should also be refreshed following each update. The Action Plan for 2021/22 is set out in **Appendix 1**, showing the progress that has been identified through consultation with relevant managers.

Other Options Considered

7. None – the Council has a single governance action plan and has determined to receive regular updates on progress against it.

Reason/s for Recommendation/s

8. To enable Members of the Committee to contribute to the development and review of the Council's governance framework.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Whilst there are no specific implications arising from the content of this report, the Council's governance framework spans all of these areas and the action plan is targeted at strengthening governance in specific areas where the opportunity for improvement has been identified.

RECOMMENDATION/S

- 1) That Members determine whether they wish to see additional actions taken, or to receive further reports relating to the governance issues raised in this report.

Nigel Stevenson
Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact:

Rob Disney, Group Manager – Assurance

Constitutional Comments (EKH 18/10/2021)

10. This report is appropriate to be considered by Governance and Ethics Committee and they have the power to make any resolution resultant upon the recommendation.

Financial Comments (SES 13/10/2021)

11. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All