

**STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2020-21**

SCOPE OF RESPONSIBILITY

Staffordshire Moorlands District 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. Staffordshire Moorlands District 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.

In discharging this overall responsibility, Staffordshire Moorlands District 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.

Staffordshire Moorlands District 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*. A copy of the code is on our website at www.staffsmoorlands.gov.uk or can be obtained from the Executive Director & Monitoring Officer. This statement explains how Staffordshire Moorlands District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an annual governance statement.

In accordance with CIPFA guidance issued in February 2021 “Application of the Good Governance Framework 2020/21” this statement includes specific commentary on the impacts of the coronavirus pandemic on the Council’s governance arrangements including details of any significant changes, whether the arrangements remain fit for purpose and any new challenges or actions needed to restore governance arrangements that might have lapsed during the year.

2020/21 is a “shadow” year for the implementation of the CIPFA Financial Management Code 2019 (FM Code). In accordance with the CIPFA guidance this statement includes the conclusion of an initial assessment that has been undertaken during the year of the extent to which the Council’s financial management arrangements comply with the principles of the FM Code and details of the steps the Council is taking to ensure full compliance.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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.

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 Staffordshire Moorlands District 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.

The governance framework has been in place at Staffordshire Moorlands District Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

Staffordshire Moorlands District Council has adopted a Local Code of Corporate Governance in accordance with the core principles of good governance outlined within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

There are seven core principles of good governance identified in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as follows:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Further detail of how the Staffordshire Moorland District Council's governance framework supports the achievement of these core principles and their related sub-principles is outlined in the Council's Code of Corporate Governance.

CIPFA recognise that the impact of the pandemic means that there might be more changes than usual to the governance arrangements of the Council and that some updates to the Code of Corporate Governance may be needed as a result of the annual review. The impacts of the pandemic on the governance arrangements as set out in this Code and any updates required as a result of these are therefore outlined within the Council's Code of Corporate Governance.

Where significant governance issues are identified they are clearly highlighted in this statement together with actions that are taken during the year and future actions proposed to minimise the risks to the Council. Progress in addressing significant governance issues identified and their required actions are monitored by the Corporate Governance Management Group during the following financial year and reported to the Audit & Accounts Committee.

REVIEW OF EFFECTIVENESS

Staffordshire Moorlands District 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 informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, 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 ongoing throughout the year and includes:

- **The authority;**
 - The ongoing review of the Council's Constitution by Members and Senior Officers of the Council via the Constitution Review Working Party.

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice.
- The Annual Governance Statement process incorporates a review of the local Code of Corporate Governance against CIPFA/SOLACE best practice to ensure that the Council's approach to corporate governance is both adequate and effective in practice.
- **the executive;**
 - The continued operation of clear policy and decision making through the Cabinet and Regulatory Committees.
- **the audit committee/overview and scrutiny committees/risk management committee;**
 - The Audit & Accounts Committee's composition and terms of reference are based upon CIPFA guidance and include reviewing the work of the Internal Audit service and any implications arising from their findings and opinion on the adequacy of internal controls and the adequacy of policies and practices to ensure compliance with statutory and other guidance. The Committee are also responsible for overseeing production of the Council's Annual Governance Statement, and to review and recommend/approve its adoption as necessary.
 - Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through quarterly reports to Audit & Accounts Committee, including an annual report to Audit & Accounts Committee containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment. For 2020/21, Internal Audit can provide reasonable assurance that the Council's governance arrangements including risk management and systems of internal control were operating adequately and effectively.
 - The continued development and embedding of a risk management culture within the Council driven by the corporate Risk Management Group including reviewing the Council's risk register and associated action plans and ensuring that appropriate management action is taken to minimise / eliminate risk. Risk Management updates are reported to the Audit & Accounts Committee and the Risk Management Strategy is reviewed biennially.
 - The Overview and Scrutiny Committees review decisions made by Cabinet and areas of concern and also fulfil a policy development role. Members 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 standards committee;**
 - The Committee is responsible for the ethical framework of the Council, working closely with the monitoring officer. The terms of reference include advising members on conduct issues and ensuring the promotion and maintenance of the highest standards of conduct by elected and co-opted members of the Council.
- **chief financial officer;**
 - The CFO is a key member of the "Alliance Leadership Team" (ALT) and "Alliance Management Team" (AMT), which are the most senior officer bodies charged with the leadership of the Council. That role includes helping to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.

- The CFO is actively involved in and able to bring influence to bear on, all material business decisions to ensure the immediate and longer term implications, opportunities and risks are considered, and alignment with the Council's overall financial strategy achieved.
 - Staffordshire Moorlands District Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
 - The Council, along with Alliance partner High Peak Borough Council, agreed to establish a joint venture partnership with Ansa - a subsidiary of Cheshire East Council - to deliver waste collection, street cleaning, grounds maintenance and fleet management services. The collaborative arrangement has been assessed to be a joint operation and therefore is consolidated into the single entity financial statements of Staffordshire Moorlands District Council.
 - The Council established a joint venture company with Your Housing Limited. Information about the Council's interests in the Joint Venture is contained in more detail in the Group Accounts.
- **internal audit;**
- Internal Audit review services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control. Audit reports detailing the findings of each review are issued to Heads of Service, the Executive Director & Chief Finance Officer and where appropriate, the Executive Director & Monitoring Officer and Chief Executive.
 - Audit recommendations for improvements require management agreement, and implementation is monitored and escalated in accordance with formally agreed escalation procedures. Regular updates on audit recommendation agreement and implementation are reported to the Audit & Accounts Committee.
 - The Authority's internal audit arrangements conform to the requirements of the CIPFA Statement of the Role of the Head of Internal Audit. Internal Audit operates in accordance with the Public Sector Internal Audit Standards. The service is subject to regular review by the Council's External Auditors who place reliance on their work. An annual review of the effectiveness of the system of internal audit is also undertaken and an independent external review previously concluded that the internal audit provision within the Council complies with the expectations of the Public Sector Internal Audit Standards.
- **other explicit review/assurance mechanisms;**
- The Council operates a performance framework which is aligned to the Council's four key aims and measures performance against indicators and actions that are focused on the delivery of corporate objectives.
 - The Executive Director & Chief Finance Officer produces quarterly and annual financial reports which indicate financial performance against forecasts.
 - Directors and Heads of Service complete and sign annual Managers Assurance Statements confirming their arrangements for ensuring data quality and the existence, operation and effectiveness of controls within the service areas for which they are responsible
 - External review of the Council's internal control environment by the external auditors Grant Thornton, including a review of internal audit's work.

- The FM Code has been introduced by CIPFA in recognition of the exceptional financial circumstances faced by local authorities, which have been further tested as a result of the coronavirus pandemic. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. The first full year of compliance with the FM Code was originally scheduled for 2021/22. However, in recognition of the pressures that have been placed on Local Authorities in dealing with the coronavirus pandemic, CIPFA has concluded that while the first year of compliance can remain as 2021/2022 (which CIPFA has identified as being a 'shadow year'), it can do so within a more flexible framework where a proportionate approach is encouraged. An initial high-level review against the principles of the FM Code has been undertaken and this indicates that the Council is generally complying with the overall principles of the CIPFA Financial Management code, with only moderate improvements likely to be required within some specific areas of focus. A full self-assessment of the Council's current processes, procedures and governance arrangements will be undertaken to understand compliancy against the FM Code. This full assessment will be led by the Executive Director & Chief Financial Officer in liaison with the Alliance Leadership Team. This will be reported to the Audit & Accounts Committee during 2021/22.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

IMPACTS OF THE CORONAVIRUS PANDEMIC ON GOVERNANCE

The coronavirus pandemic has had, and will continue to have for some time, a significant impact on the operations of the Council. Over the period of review this has involved changes to business-as-usual arrangements, the introduction of new activities and new ways of working. Over the longer term it will have an impact on changes to priorities, programmes, strategies and plans. The Council has also learnt from new ways of working introduced in response to the pandemic and the response to the pandemic has speeded up some areas of change.

- **Adaptions to reflect new ways of working and emergency arrangements;**
 - Throughout the pandemic the Council has facilitated staff to work from home where this was possible. Frontline staff who provide services face-to-face have been equipped with the required PPE to ensure that they can work safely.
 - Wellbeing and resilience support for staff has been revised to reflect the new ways of working.
 - The Council has developed an agile working policy in consultation with staff representatives.
 - Health & safety and risk assessments have been updated to reflect the required new procedures. These include specific amendments to allow safe working in all Council offices / buildings.
 - ICT security enhancements have been implemented to reflect home working.
 - Decision-making processes and arrangements for councillor meetings have been revised to allow for greater delegation and remote attendance in line with the provisions of the coronavirus legislation.

- Agency, joint working arrangements, strategic co-ordination have all been strengthened to address compliance with covid regulations and enforcement issues.
- Additional funding streams have been applied to support outbreak management and local test and trace arrangements.
- **changes to 'business as usual' activities including cessation or reduced frequency or scale of activities;**
 - There was minimal temporary suspension of a number of non-critical service functions to allow for re-focusing of resources in response to the pandemic.
 - A number of services have been reviewed to consider ongoing additional demands post pandemic. This will ensure that there is sufficient capacity to provide for new demands.
- **longer term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area;**
 - Service plans have been reviewed and amended to reflect the impacts of the pandemic.
 - The timescales for the delivery of projects within the Council's Capital Programme have been amended to reflect the impacts of the pandemic.
 - The Council is continuing to identify and track the longer term impacts of the pandemic in order to continue to ensure that core activities continue.
 - The learning gained from the pandemic is being used to inform new ways of working in order to continue to realise the benefits of positive changes e.g. home working, remote meetings, improved partnership working etc.
 - The Council has agreed a COVID-19 recovery strategy which includes five workstreams – reinstatement of services; economic recovery; community recovery; financial recovery; and positive legacy.

OPINION

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. 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 it's operation in practice.

Whilst the governance framework is considered to be adequate, any issues deemed to be significant that need to be addressed to further enhance the Council's governance arrangements are outlined below with the actions to be taken.

SIGNIFICANT GOVERNANCE ISSUES

During the 2020/21 financial year one significant governance issue has been identified. This is detailed in the table below together with the action that was and is being taken to address the issue:

Governance Issue	Action taken during 2020/21	Continuing Action
Achievement of Corporate Objectives due to Covid-19 pandemic.	<ul style="list-style-type: none"> The potential impact of the Covid-19 pandemic on the Council's ability to achieve it's Corporate Objectives continues to be assessed. 	<ul style="list-style-type: none"> A COVID-19 Recovery Strategy has been agreed and recovery plans are being developed to address any issues arising from the pandemic that affect the Council's ability to achieve its Corporate Objectives.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

..... October 2021.....

Councillor S Ralphs
Leader

Date

..... October 2021.....

Andrew P Stokes BA (Hons) MBA CPFA MCIH CIMSPA
Chief Executive

Date

on behalf of Staffordshire Moorlands District Council