

# Draft Annual Governance Statement 2020/21

## 1. Scope of responsibility

Erewash 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 used and accounted for properly. 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.

In discharging these overall responsibilities, the council is responsible for making proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The council has in place a Local Code of Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework ‘Delivering Good Governance in Local Government’. This was approved by members in 2017/18 and is subject to annual review (A copy of the current local code is available on the council’s website, along with a [detailed assessment](https://www.erewash.gov.uk/media/EBC/web-files/audit/Local_Code_of_Governance_-_Compliance_Evidence_19-20_final.pdf) of how the council is meeting the governance requirements therein). This statement explains how the council has conducted the review of the effectiveness of these governance arrangements and summarises how good governance has been delivered in accordance with these principles. It also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication and the approval of an annual governance statement.

## 2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk. 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 designed to identify and prioritise the risks to the achievement of the council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31 March 2021 and up to the date of the approval of this Statement.

## 3. The governance environment

The council’s control environment encompasses the strategies, policies, plans, procedures, structures, processes, attitudes, behaviour and actions required to deliver good governance. The key elements of good governance arrangements in the council are:

* The Corporate Plan, which set out the council’s approach to serving its residents and working in the public interest. The plan sets out the council’s priorities, defines the goals to be achieved and guides delivery of council services.
* Participation in the Derby and Derbyshire Joint Committee for Economic Prosperity; a committee of Derbyshire authorities established to promote the wellbeing of the sub-region.
* The Derbyshire Strategic Leaders’ Forum; a meeting of the leaders of Derbyshire authorities to discuss matters of mutual interest and collaborative ventures.
* Service level agreements, outlining performance and governance requirements, which are put in place for those organisations which the council partners and supports financially.
* The Constitution, which is kept under review by members through the General Purposes Committee and sets out the:
* council’s decision-making framework;
* roles and responsibilities of members and committees;
* roles and responsibilities of the statutory senior management appointees, in particular the Chief Executive (Head of the Paid Service), Director of Resources (Section 151 Officer) and the Head of Law and Corporate Governance (Monitoring Officer);
* supporting policies and procedures, including a scheme of delegation of responsibility which is revised and agreed each year; and
* member and officer codes of conduct and a member employee protocol governing how the two work together.
* Maintenance and publication of a Forward Plan listing the key decisions that are expected to be taken by the Council Executive over the next four months.
* Committee reporting protocols with a requirement for consideration of financial, legal, personnel and risk implications.
* Council minutes which include details of the reason for the decision and any other options which were considered and rejected.
* Professional officers in attendance at meetings to provide advice.
* An Independent Remuneration Panel to advise Council on matters relating to members’ remuneration including allowances and a Pay Policy statement covering officer pay which is approved and published annually.
* Registers of Interests and declarations of Gifts and Hospitality accepted.
* A cross party Standards Committee, with co-opted independent members in place, which monitors complaints handling by services and retains an overarching responsibility to promote and ensure high ethical standards.
* A Scrutiny Committee with powers and terms of reference which include scrutiny of the Council Executive decisions and the performance of services.
* An Audit Committee with clear terms of reference whose role includes monitoring and reviewing work undertaken by Internal Audit and providing challenge to service management. An external view continues to be provided by the Independent Member on this Committee.
* A Medium Term Financial Forecast which informs both service planning and budget setting.
* Monthly budget monitoring processes and quarterly reports to members on the council’s financial position.
* Treasury management activities which are compliant with the professional codes and subject to robust scrutiny.
* An Internal Audit section working to standards set out in the Public Sector Internal Audit Standards, whose effectiveness is reviewed as part of the annual assessment of governance arrangements.
* A Performance Management Framework underpinned by local performance indicators and targets which are subject to routine monitoring and reporting to management, members and the public.
* Principles of consultation activity which are included in a Communications Strategy and facilitate the continued development of the communication channels available to interact with the council.
* Recognition of the popularity of on-demand and online communication through the continuing extension of digital and social media platforms to improve access to information and services.
* A combination of consultation methods, to increase stakeholder involvement, which are kept under review and include internet, email, postal, telephone and face-to-face surveys.
* Engagement activities arranged through contact with relevant community organisations, in particular to target those groups considered to be ‘difficult to engage’.
* A Corporate Equality Policy which includes specific objectives and forms the framework for the wider equality and diversity arrangements.
* A governance working group of senior officers which oversees the production of the Annual Governance Statement and is able to address actively the governance issues it identifies.
* A counter fraud framework incorporating an Anti-Fraud, Theft and Corruption Strategy, Anti-Money Laundering Policy and a Confidential Reporting “whistleblowing” policy for receiving allegations of fraud or misconduct.
* A retained dedicated in-house capacity to investigate and focus on types of frauds that have a local impact, in particular business rate, council tax discount and council tax support fraud. The Internal Audit team also undertake investigative work and consider the adequacy and effectiveness of controls to assist management to prevent and detect fraud. The council is also an active participant in the National Fraud Initiative (NFI) data matching exercise.
* A Risk Management Strategy which includes guidance to assist officers in recognising and managing risk and an escalation regime which includes reporting to members.
* The defined standards for customer service, supported by a corporate complaints procedure which is well established and available to customers on the website or at the council’s offices.
* A pay and reward structure which is equitable for employees and meets the requirements of the Single Status Agreement of 1997.
* Person specifications for all staff which facilitate performance and development reviews. A variety of training opportunities, including access to on-line training, have been made available and are undertaken by officers and members.
* The protocol in place for the Joint Consultation meetings to be held between the council and appropriate unions each quarter.

## 4. Review of effectiveness

The council has responsibility for conducting, each financial year, a review of the effectiveness of the system of internal control which encompasses the wider governance framework. The review of the effectiveness has been undertaken by the Annual Governance Statement Officer Group. It has been informed by the risk and performance management systems, the work of Internal Audit, senior management (who have responsibility for the development and maintenance of the internal control environment) and the comments and guidance provided by External Audit and other review agencies in their reports.

The governance arrangements in general accord with good practice and the financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Action continues to be taken to address issues identified within the system of internal control, with Internal Audit able to give a satisfactory level of assurance on the adequacy and effectiveness of the framework of governance, risk management and control operating within the council during 2020/21.

The review of the effectiveness of the council’s governance arrangements undertaken by the Annual Governance Statement Officer Group did not identify any new governance issues or significant control weaknesses.

The governance arrangements for the Long Eaton Town Deal Board, which has brought together representatives of a range of organisations to draw up a Town Investment Plan for Long Eaton, were also considered given the council’s membership and its role acting as the accountable body. The governance arrangements in place were considered appropriate.

The review established that actions to address those governance issues identified on the 2019/20 Annual Governance Statement have proceeded throughout the year and progress made can be summarised as follows:

### Development of a new Corporate Plan

The review of the effectiveness of the council’s governance arrangements for the 2019/20 statement highlighted that the council’s existing Corporate Plan period had expired. The new plan, approved by Council in March 2021, is now in place and sets out the strategic direction for delivery of council services for the period 2021-2023. The Plan, which outlines the council’s ambitions has been reinforced through public consultation and maintains the existing four strategic priorities:

• A welcoming borough, that is clean and safe.

• Support our communities.

• Planning for the future.

• A well run, efficient council.

The plan, which recognises the impact of the coronavirus pandemic and the unprecedented pressures on budgets and delivery of public services, aims to maintain a high level of service standards whilst also setting out some areas for growth and innovation. Service Delivery Plans will add detail, setting out for managers, individuals and teams what they will do and how achievement will be measured. The detailed Service Delivery Plans supporting the Corporate Plan were considered by the Executive at its meeting on 7 July 2021.

### Response to evolving financial pressures, exacerbated by the coronavirus pandemic, to ensure that the council finances are sustainable.

It has been recognised that the pandemic has had, and will continue to have, an impact upon the council’s resources. A key element in the council’s response has been to keep under review the Medium Term Financial Forecast to confirm that sufficient reserves are held and that the authority can demonstrate sustainability.

The council’s relatively strong reserve position enabled the council, in the short term, to absorb the financial impact of the pandemic in terms of both increased expenditure and loss of income. Subsequent financial assistance from central government by way of the national programme of grants to local authorities, largely alleviated the financial pressures on the council’s budgets. These grants also enabled sums to be set aside and utilised to offset the continuing financial effect of the pandemic in the 2021/22 financial year.

The longer term financial effects of the pandemic, remain unknown. This uncertainty compounds other unknown factors impacting on the council’s longer term finances including the impact and timing of the Fair Funding Review for local government and the potential implementation of the 100% localisation of business rates.

The annual budget setting and reporting process, supplemented by interim reporting to Extraordinary Council during 2020/21, sets out how the council has responded to these pressures to date and the potential impact on the council’s finances going forward. This will remain a key governance issue as the continuing financial impact of the pandemic is assessed and mitigations are put in place.

### Continued roll out of enhanced digital services (IEG4) and the review of legacy systems

The need to deliver efficiencies through innovative working and in particular the further development of the council’s digital portal has been recognised as a major challenge that would be continuing throughout the years. The pandemic has accelerated the demand for change and has shaped new digital preferences, requiring a significant shift in the way technology is used to work and stay connected with the council’s stakeholders. Significant progress has continued to be made during 2020/21 with over 42,000 people now having signed up for a ‘My Erewash’ account giving them 24/7 access to council services including council tax and housing benefit. This is approximately a 100% increase in the comparable figure for the previous year. The take-up has been invaluable in maintaining service provision across key areas during the pandemic and the digital portal has also continued to play a fundamental role in the council’s administration and delivery of the business grant schemes introduced by the government to support the economy during the pandemic. Nevertheless some aspects of the planned corporate rollout have been deferred as resources have been moved to other priorities arising from the COVID 19 pandemic. As restrictions are lifted the remaining phases of the corporate project will need to be rescheduled allowing the re-engineering of some existing corporate processes to successfully migrate them to the digital portal.

The development of these new ways of working is intrinsically linked with the successful review and replacement of various legacy systems across the council and the upgrade of the council’s general ICT infrastructure. This work has also progressed significantly with the successful implementation of new financial management and human resources/payroll systems, although further developmental work is required to achieve the full benefits of these systems. Other important systems are scheduled for replacement in the coming years and the successful implementation and integration of these systems together with the necessary controls will remain a key governance issue.

### Update of Financial Regulations, Procurement Strategy and Contract Procedure Rules

The planned update of a number of key policy documents has again been deferred as a result of the pandemic and in the case of the Procurement Strategy and Contract Procedure Rules the delay in issuing the new national guidance. While the suite of procedures in still considered fit for purpose it is acknowledged that they would benefit from a review to reflect more appropriately the council’s current structures and local priorities in addition to national guidance. In particular, the Procurement Strategy and Contract Procedure Rules need to reflect both the council’s decision to move both to a wholly in-house provision and the new national guidance. The new National Procurement Policy Statement was published in June 2021 and will require contracting authorities to have regard to national strategic priorities for public procurement including enhanced emphasis on social and economic value.

Similarly, recent reviews of Financial Regulations have indicated that only minor amendments are required, however final approval of the minor amendments by members has been delayed as a result of the need to focus on other pandemic related priorities. It is considered that the revised financial regulations should be considered by members alongside the revised Procurement Strategy and Contract Procedure Rules, given the close links between the two. It is anticipated that new policy documents will be considered by members before the end of the financial year.

### Improvements to the council’s counter fraud arrangements

Routine work was undertaken to review the key policy documents which remain fit for purpose. However, development work relating to staff awareness has been deferred due to the prioritisation of resources to priority pandemic related activities and more specifically the payment assurance work for the large number of national grant schemes to support businesses during the pandemic. In the short term it is intended to raise awareness by the distribution of a whistleblowing/fraud awareness leaflet to both staff and members supplementing the existing posters which are on noticeboards at each site. As the council has now implemented a new e-learning system options to introduce a suitable module is being explored.

### Coronavirus pandemic

The Annual Governance Statement assesses the governance arrangements in place during 2020/21 and up to the date of approval of the statement. It is appropriate therefore, that the statement should reflect the impact that the coronavirus pandemic has had upon these arrangements. The pandemic has had, and will continue to have for some time, an impact on many operations of the council. Although there was initial service disruption with some discretionary services ceased, in line with Government guidance, the council has maintained a consistent level of key essential services to the public. The pandemic has had a significant impact on pre-coronavirus ways of working and service delivery. Since the beginning of the pandemic significant numbers of staff, where it was appropriate to do so, have worked from home and this has continued until the time of this review. Although the delivery of services will continue to adapt to the changes in the risk environment, in certain areas the new ways of working have been particularly successful and going forward may provide opportunities for greater resilience. As noted earlier the pandemic has accelerated the demand for change and is driving the move towards digital technology as a preferred option for the provision of services and maintaining contact with stakeholders. Additional investment in ICT has been prioritised to facilitate home working along with changes to security requirements to mitigate external threats and maintain integrity of the infrastructure.

With regard to the governance implications, the pandemic has provided some additional assurance over the council’s resilience, governance and decision making arrangements. The council has demonstrated an ability to maintain and deliver services in a challenging environment adapting its methods of working and decision making as necessary. This includes the delivery and administration of new services to support government priorities such as business grants administration and enforcement of the pandemic regulations.

While there has been some changes to the decision making processes during the pandemic, in particular the adoption of the new powers to allow virtual council and committee meetings, decision making throughout has relied substantially on existing governance structures to support this and governance remained strong and proportionate. Where virtual council or committee meetings have been held these have always been made available to the public through the website. Following the expiry of the legislation which allowed virtual committee and council meetings, the council has now returned to holding in person meetings of members with appropriate COVID 19 secure measures in place.

The council will continue to focus on the continuing impact that the pandemic, and its aftermath, will have on its operating and finances going forward. This will remain a key governance issue.

## 5. Significant governance issues

The council continues to face a number of challenges the most significant being the need to be able to respond to a variety of evolving financial pressures, exacerbated by the coronavirus pandemic, and ensure that essential services are maintained and that the council’s finances are sustainable in the medium to long term. These challenges also include the uncertainty over the timing and impact of the delayed implementation of the Fair Funding Review for local government and the planned increased localisation of Business Rates. The government’s ‘Levelling Up’ agenda may also have currently unknown implications for the council in terms of ways of working, decision making and service delivery.

The Medium Term Financial Forecast identifies the need to secure significant savings in revenue expenditure and/or generate additional income. Decisions will need to be made to support the priorities identified in the corporate plan. The need to reduce expenditure is also likely to result in new ways of working and operational changes to service delivery. The relaunch of the corporate roll out of IEG4, the council’s front office software package, will be a key element in this transformation as existing resources are able to be reprioritised from supporting the delivery of priorities arising from the pandemic. The changes already well underway in the replacement of key legacy systems will continue and other innovative ways to deliver services will be explored. Further joint working initiatives will be considered where opportunities for improved service delivery are identified. These changes to the council’s existing operations will need to be undertaken while ensuring that strong internal control and governance is maintained.

While the review of the effectiveness of the council’s governance arrangements undertaken by the Annual Governance Statement Officer Group did not identify any new governance issues or significant control weaknesses, it confirmed that some of the issues highlighted in the 2019/20 Annual Governance Statement should be retained.

The proposed actions and timescales for delivering the governance work required are included in the following table:

| No. | Governance/Control Issue | Proposed Action | Responsible Officer/ Date for Completion |
| --- | --- | --- | --- |
| 1 | The need to be able to respond a variety of evolving financial pressures, exacerbated by the coronavirus pandemic, and ensure that the council finances are sustainable.  | Keep under ongoing review the Medium Term Financial Forecast to confirm that sufficient reserves are held and that the council can demonstrate sustainability.  | Director of ResourcesContinuing in 2021/22 and future years. |
| 2 | Continued roll out of enhanced digital services (IEG4) and the review of legacy systems. | Relaunch and complete the phase 3 rollout.Review systems of internal control and other procedures as appropriate. | Director of Resources/Director of Community ServicesContinuing in 2021/22 and future years. |
| 3 | Update Financial Regulations, Procurement Strategy and Contract Procedure Rules. | Update documents to reflect changes to service provision and current structures | Director of Resources31 March 2022 |
| 4 | Improvements to the council’s counter fraud arrangements. | Raise staff awareness of council’s counter fraud and whistleblowing policies and key contacts. | Director of Resources30 September 2021 |

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

Signed Councillor Carol Hart

 Leader of the Council

Dated:

Signed Jeremy Jaroszek

 Chief Executive

Dated: