

**CANNOCK CHASE DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT FOR 2023-24**

1. Scope of Responsibility

- 1.1 Cannock Chase District 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 2024 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 & 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.

Last year's self-assessment identified a number of concerns with the effective operation and compliance with key components of the Council's governance framework. A programme of work was set out covering 2023/24 to 2024/25. Whilst some progress has been made in addressing these issues, further work is still required. These issues and a number of others were identified by the External Auditors in their VFM report for 2021/22 and 2022/23. This is covered in more detail in 4.10.

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. There is also a formal Shadow Cabinet in place, which provides an opportunity to challenge decisions and how they are made.

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 & Governance 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 Governance 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 2023-24 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 “**limited 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 align with the findings of the self-assessment of the Governance Framework and the External Auditors VFM report.

4.8 **Risk Management** - during 2023-24 the Audit & Governance Committee received regular progress reports regarding the management of strategic risks. As of April 2024, there are currently two red risks for inclusion as significant governance issues:

- Finance Risk - poor budget planning, over commitment of financial resources or inappropriate use of reserves leading to a financial shortfall or overspends that undermine the Council's ability to deliver services, corporate priorities or leading to external intervention;
- Key Contractors Risk - changes in the operational costs/income due to economic factors which impact on the sustainability key Contractors to deliver the required services.

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:
 - reporting on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
 - matters relating to the conduct of Members and officers; and
 - the operation of the Council's constitution.

The Statutory Officers have identified the following as significant governance issues:

- Ongoing financial pressures;
- the ongoing capacity issues in the Finance Team and with the IT system;
- project management arrangements for the Town Centre scheme; and
- review of the Deed of Variation for the Leisure Contractor.

- 4.10 **External Audit / Other Review Agencies** - the External Auditors issued their VFM report for 2021/22 and 2022/23 in January 2024. The report raised ten significant concerns about the Council's value for money arrangements resulting in three statutory recommendation and seven key recommendations being made.

As a result of the External Auditor's report, a comprehensive improvement plan was produced and approved by the Council in February 2024. Progress in delivery of the improvement plan is being monitored by the Audit and Governance Committee and the Cabinet.

- 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.

The Leadership Team has identified the following as significant governance issues:

- delivery of the improvement plan in response to the External Auditors VFM report (see 4.10);
- housing and corporate assets compliance issues;
- capacity to deliver the above and other operational and corporate priorities; and
- the delivery of shared services transformation.

5. Opinion on the Governance Framework

- 5.1 The review of the effectiveness of the governance framework shows that there are a number of significant concerns and as such only **limited assurance** can be given that the framework is operating adequately in practice.
- 5.2 The weaknesses in the governance framework are outlined in section 6.
- 5.3 The Audit and Governance 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 below. As the majority of these issues have already been identified and included in the VFM Improvement Plan, a separate action plan has not been produced. Any additional issues identified below have been added to the existing improvement plan or are being monitored through the Strategic Risk Register. The updated Improvement Plan is attached at Appendix 2.

Ref	Issue	Improvement Plan X-Ref
1.	<p>Governance Framework</p> <p>Review and updating of key elements of the Governance Framework, to include:</p> <ul style="list-style-type: none"> • Review of the Code of Governance; • Values and Operating Principles; • Scheme of Delegations; • Procurement Regulations; • Financial Regulations; • IT Strategy; • IT Security Policy & Cyber Security • Risk Management Policy & Strategy; • Workforce Development Framework; • Project Management Toolkit; • Performance Reporting Framework; • Contracts Register; • Confidential Reporting Framework and Fraud Policy; • Employees Code of Conduct. 	<p>13.1</p> <p>12.1</p> <p>13.5 (new)</p> <p>11.1</p> <p>1.15</p> <p>7.8</p> <p>7.1</p> <p>6.1</p> <p>12.4</p> <p>9.4</p> <p>9.1</p> <p>11.3</p> <p>8.1 - 8.2</p> <p>12.5</p>
2.	<p>Finance Risk / Ongoing Financial Pressures</p> <p>Poor budget planning, over commitment of financial resources or inappropriate use of reserves leading to a financial shortfall or overspends that undermine the Council's ability to deliver services, corporate priorities or leading to external intervention.</p>	<p>Being actioned and monitored via the Strategic Risk Register</p>

<p>3.</p>	<p>Key Contractors Risk - Leisure Contractor</p> <p>Leisure and culture facilities and services remain at risk, with visitor numbers slowly recovering towards pre-pandemic levels, concerns still remain over the impact of the cost-of-living crisis and energy costs and the fact that in August 2024 IHL will lose their contract with Selby Council, leaving Cannock Chase District as the only client. The original Deed of Variation remains in place in regard to the pandemic recovery but requires reviewing in light of the changing support requirements towards energy costs, and as near pre-pandemic income levels return.</p>	<p>Being actioned and monitored via the Strategic Risk Register</p>
<p>4.</p>	<p>Finance Team and System</p> <p>The Finance Team are continuing to experience capacity issues, partly due to vacancies and partly due to the additional work created by successful funding bids which generate projects, primarily the town centre scheme. This has impacted on the closure of the accounts.</p> <p>Problems also continue with the finance system, which needs further development work and training of users.</p>	<p>1.1 - 1.2</p> <p>1.3, 1.4 and 1.5</p>
<p>5.</p>	<p>Housing and corporate assets compliance issues</p> <p>The External Auditors' VFM report identified a number of compliance issues relating to housing and corporate assets.</p>	<p>Sections 2, 3, 4 and 10</p>
<p>6.</p>	<p>Project Management of Town Centre Scheme</p> <p>The Council has plans to redevelop Cannock Town Centre. However, project planning is not yet sufficiently robust or co-ordinated to ensure the successful delivery of the scheme or effective management of slippage. This is being hampered by a lack of capacity in various teams supporting the delivery of the project.</p>	<p>13.6 (new)</p>
<p>7.</p>	<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. Difficulties in recruitment are exacerbating the situation.</p>	<p>5.1</p>
<p>8.</p>	<p>Shared Services Transformation</p> <p>The Shared Leadership Team has now been in place for just over 12 months. The service manager restructure has been completed and comes into effect on 1 June 2024. This will allow work to commence on the development of the transformation programme, which will take 2-3 years to implement.</p>	<p>5.1 and Transformation Strategy and Plan</p>

Signed:

.....

.....

Chair of the Audit & Governance Committee

Date

.....

.....

Leader of the Council

Date

.....

.....

Chief Executive
on behalf of Cannock Chase District Council

Date