

## Calderdale MBC Annual Governance Statement 2020/21

### 1. What is the Annual Governance Statement (AGS)?

It is a mandatory requirement for local government bodies required by the Accounts and Audit Regulations 2015.

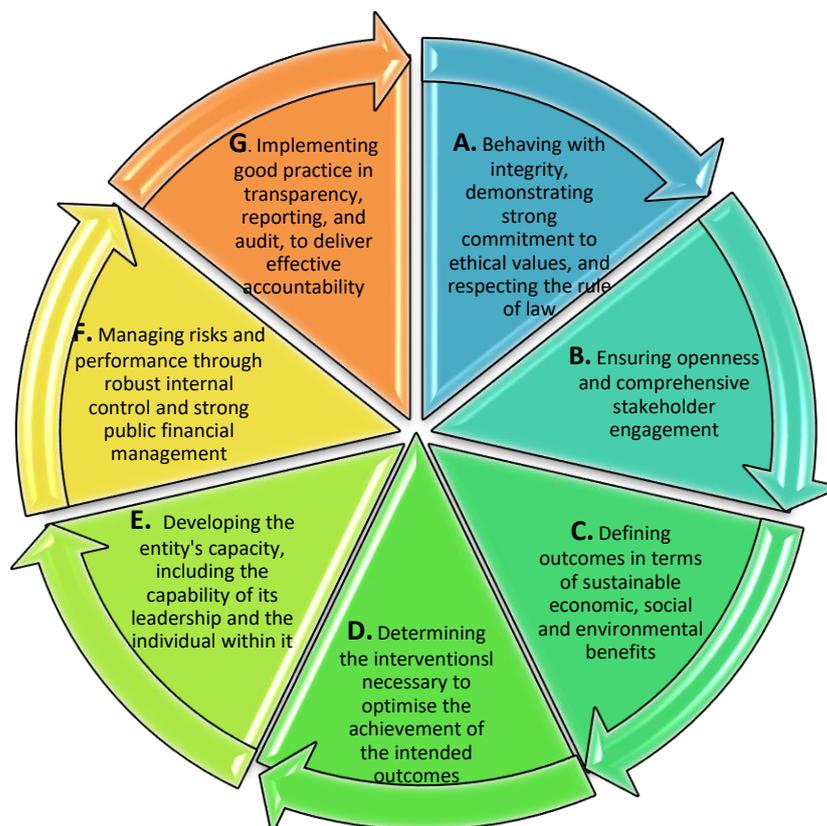
In essence it is an accountability statement from Calderdale MBC to stakeholders on how well the Council has delivered on governance over the course of the previous year.

It is an open and honest reflection on governance which identifies any current challenges.

It is a meaningful tool for improving governance where areas for improvement are identified.

### 2. What is a Governance Framework?

CIPFA and Solace introduced a new governance framework, [Delivering Good Governance in Local Government: Framework](#), in April 2016. This includes seven principles for Good Governance in the Public Sector as follows:



Since 2016/17 Calderdale Council has adopted these principles to demonstrate its commitment to delivering good governance which are detailed within the [local code of](#)

[corporate governance](#). The local code has been kept under review throughout 2020/21 and although to date no significant amendments have been made as a result of Covid-19, adaptations to reflect new ways of working and emergency arrangements have been agreed and communicated as appropriate. A full review of the local code of corporate governance will be carried in 2021/22 to reflect longer term changes to reflect any remaining new ways of working.

### 3. Who is the Audience for the AGS?

In addition to the statement being of value internally to Members and staff, the AGS is prepared to provide accountability to a wide variety of stakeholders including the following:

- Members of the public
- Local businesses
- Partners
- MHCLG
- External auditors, inspectors and regulators

### 4. What Demonstrates Good Governance for Local Authorities?

- ✓ **OPERATION OF A GOVERNANCE FRAMEWORK**
- ✓ **HAVING A SYSTEM WHICH BRINGS TOGETHER AN UNDERLYING SET OF LEGISLATIVE REQUIREMENTS, GOVERNANCE PRINCIPLES AND MANAGEMENT PROCESSES**
- ✓ **STRONG REGULATORY FRAMEWORK WITH ROBUST ARRANGEMENTS FOR MONITORING AND REVIEW**
- ✓ **GOVERNANCE ARRANGEMENTS WHICH ARE OWNED BY AND VALUED BY SENIOR MANAGEMENT AND ALL STAFF AND NOT REGARDED AS MERELY BUREAUCRACY**
- ✓ **EXECUTIVE ARRANGEMENTS ARE BASED ON SOUND DECISION MAKING SUPPORTED BY EFFECTIVE PROCESSES**

### 5. What Governance Arrangements Does Calderdale Have in Place?

The following demonstrates the overall framework of assurance for Calderdale which together ensure that the Council is achieving its objectives, achieving underlying good governance, risk management and internal control.

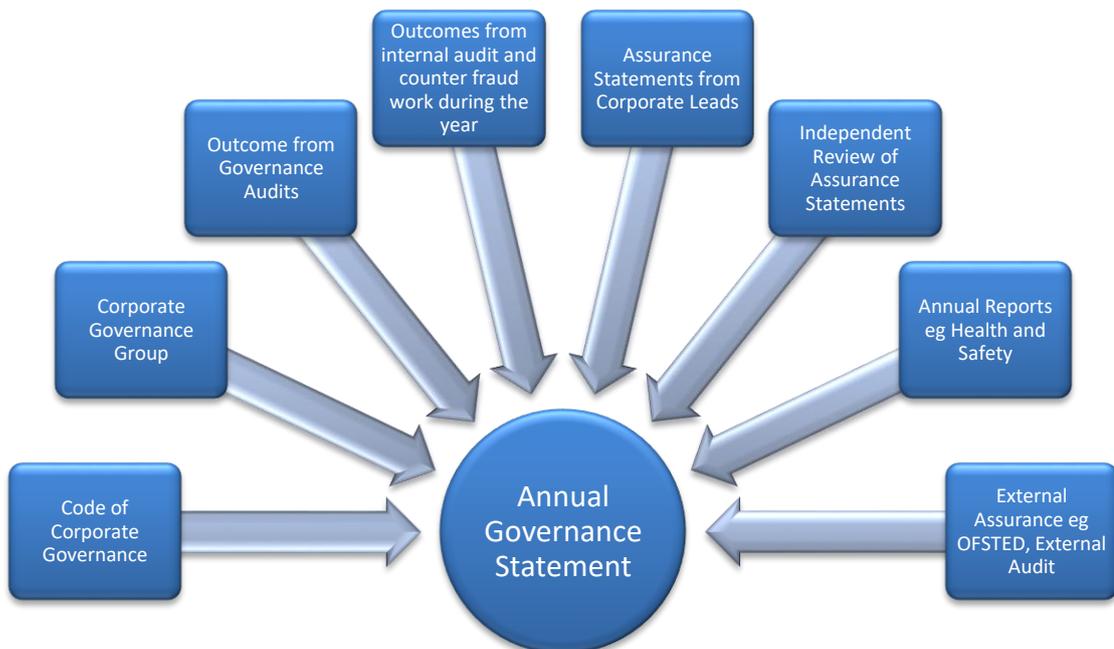


The Council’s control environment is shown at **Appendix A**, which details the Council’s Constitution which includes the rules of governance for the Council and is underpinned by the Standards, Policies and Procedures which support the delivery of the Council’s priorities.

The objective of the Financial Management (FM) Code 2019 from CIPFA to be introduced during 2020/21 was to enhance standards of financial management across the sector. In particular a key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. As such 2020/21 is a ‘shadow’ year for implementation of the FM Code, and from 2021/22 adherence to the FM Code will form part of the Council’s control environment.

**6. How is the Effectiveness of Calderdale’s Arrangements Evaluated?**

The following chart shows the assurance mechanism which supports the overall evaluation of the effectiveness of the governance framework in place at Calderdale, including the systems of internal control, which take into account risk and ultimately aids the preparation of AGS. In 2020/21 in addition to assurance statements from corporate leads, assurance statements were obtained from Directors, in recognition of the exceptional year and the impact of Covid-19 in terms of the redeployment of staff, pausing of services and delivering services in a different way, in addition to extensions to home working all of which could have had an impact on governance arrangements.



**7. What is the Opinion on Calderdale’s Governance Arrangements?**

This statement provides an opinion on the level of assurance with regards to the Council's governance arrangements which enable stakeholders to be satisfied that proper arrangements are in place to govern spending and safeguard assets.

The evaluation on the effectiveness of arrangements provides assurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

8. Are there any risks, future challenges and weaknesses in Calderdale's Current Governance Arrangements and where applicable how are they going to be addressed?

The review of effectiveness identified the following issue with regards to governance:

Covid -19 Pandemic

Since March 2020 Calderdale set up various and extensive officer and Member groups to manage the impacts of the pandemic and priorities moving forward including Business Continuity: Covid-19, Future Council Group, Covid Recovery Co-ordination Group, the Covid-19 Impact Assessment Task and Finish Group. Partnership arrangements were also in place to understand the wider governance implications of Covid-19 on Calderdale including the Inclusive Economic Recovery Board.

Steps were taken to ensure effective decision making arrangements were in place throughout the pandemic. This included the use of digital platforms to enable decision making Council meetings to continue. Reports to the initial Cabinet meeting after lockdown identified decisions made by officers to enable them to sign them off and any use of Chief Executive emergency powers were fully captured. It is worthy of note that due to the rapid adoption of virtual meeting processes, there was a swift return to more or less pre Covid decision making and governance processes.

A review of lessons learnt will be carried out, looking at the Council's response to the pandemic, which where appropriate will be used to identify any improvements required.

Some officer and Member groups continue to meet virtually to manage the impacts of the pandemic and priorities moving forward. Appropriate digital platforms continue to be used to ensure decision making and governance processes continue across the Council. As the Government's 'road map' progresses steps are being taken to move to face to face meetings as required by legislation and safe working arrangements are being put in place to allow officers and Members to return to Council buildings where necessary.

Project Management

As a result of concerns identified with regards to the governance arrangements around project management, this issue has been included as a significant item in the Council's AGS since 2015/16.

A number of corporate initiatives have been introduced throughout the authority since 2016/17 to address the original weak areas identified with regards to record keeping, evidence to support the appointment of consultants, the need to improve monitoring arrangements, quality control and roles and responsibilities. A detailed plan of activity to improve project management capabilities was presented to Audit Committee on the 30<sup>th</sup> of November 2020 by the Interim Director of Regeneration & Strategy.

The Major Projects team have been leading improvements regarding capital programme management following the presentation to Audit Committee in November 2020. The team have made a good start and have now completed GAP and process reviews for all governance mechanisms for capital schemes across the Council. This has identified areas of best practice and areas which can be improved. Unfortunately, the timescale outlined to Audit Committee has not been met. This is due mainly to the scale of the team's existing workload, the difficulties in delivering group workshop and improvement activities during the pandemic, and the requirement to deliver funding bids for Central Government capital at short notice.

The Capital Programme Management Oversight Board was established in December 2020 to oversee improvements to project, programme and portfolio management and this contains senior officers from across all Council Directorates. The board meets monthly to review progress. Given current staffing resource levels, the Board have agreed that the team prioritise improvements to governance and the establishment of a fee charging mechanism for external capital schemes which will ensure all Council overheads for the delivery of capital projects are recharged accurately to the projects themselves.

Officers have now implemented an auditable system for the accurate apportionment of staff activity to projects to satisfy WYCA audit requirements. This will involve use of the ACTIRECS system used by the Strategic Infrastructure Service.

The team have carried out in depth workshop-based governance reviews with all Services responsible for capital projects. This has enabled the current 'As-Is' arrangements to be documented, along with best practice and process deficiencies. The team have used this data to devise the Future Governance Framework for the Authority, which has been approved by the Capital Programme Management Oversight Board and will now be developed further, prior to consultation with CLT and Elected Members.

Work on process improvement, and specifically the introduction of the required Project Management Office and ICT systems has been paused at present. This will require some investment and officers are now attempting to identify funding for this activity. The Major Projects Service is confident that the majority of identified governance improvements can be implemented under current financial constraints. Funding will need to be identified to implement required ICT and process improvements in order to complete the work programme presented to Audit Committee in November 2020. Until this is identified, these workstreams will remain on pause, although the team are keen to see these benefits implemented once appropriate funds are found. Progress will be reviewed throughout 2021/22.

### Financial Resilience

The CIPFA Financial Management Code has been introduced to support good practice in financial management and help local authorities demonstrate financial sustainability. Audit Committee received an update on this at its meeting in May 2019 and has received more specific updates since on financial resilience.

The financial resilience of local government has been brought into sharp focus in recent years and increasingly so as a result of the uncertainty brought about by the pandemic. In the last financial year the Government issued capitalisation directives to 7 local authorities in financial difficulty and a section 114 notice was issued in one local authority. CIPFA has updated its financial resilience index to provide a means of assessing some of the indicators of risk in terms of financial resilience. Against this indicator, Calderdale has mixed results with relatively low levels of reserves (high risk) compared with the other metropolitan districts but relatively low levels of external debt and interest as a proportion of revenue spend (low risk).

During 2020/21 Calderdale's level of earmarked reserves increased from £30m to £59m (excluding schools but including Public Health). Whilst an element of these reserves relates to earmarked Covid funding, the overall position on reserves has improved. In addition to this the Council has general fund balances which are for unexpected events of £5.8m which is above the minimum recommended level for the Council. However, the Council should not rely upon short term measures, such as the use of reserves, to support the budget as we have seen the recent consequences of this for other Councils, with Slough Council issuing a section 114 notice having pursued a similar strategy to manage fiscal pressures. The Council anticipates further significant demand pressures directly (long covid, permanent loss of income) and indirectly from the pandemic given the economic context so longer term and sustainable savings plans need to be implemented.

There are a range of other measures and actions in place to improve the Council's financial resilience including agreement of savings plans and in year actions such as the Future Council programme to deliver a more sustainable baseline for future

budgets, and budget challenge sessions with directors and Cabinet members to ensure that they are being delivered. This is on top of the normal assurance processes around revenue and capital budget monitoring which is reported on a regular basis to both the Cabinet and the Strategy & Performance Scrutiny Board.

Financial resilience is noted within the AGS due to the ongoing uncertainty around the funding of Covid related budget pressures (including loss of income) and local government more generally with the promise of further changes to come through the fair funding review, the review of business rates retention and funding of social care. The Head of Finance is however confident that the Council can withstand these pressures should it continue to take action where necessary and plan for further savings are required when the Medium Term Financial Strategy is updated later in 2021.

No additional items have been identified for inclusion in the 2020/21 AGS.

**Signed by the Chief Executive:**

*Robin Tuddenham*

**Date:** 1 December 2021



*Leader Councillor Tim Swift*

**Signed by the Leader of the Council:**



**Date:** 1 December 2021