

Annual Governance Statement

2021 / 2022



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Scope of Responsibility

Peterborough City 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 provides value for money. 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an Annual Governance Statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Director of Resources and s.151 Officer):

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management.
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced; and

- Is a key member of the Corporate Leadership Team

All Statutory Officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2022 / 2023 to address these issues will be reported regularly to the Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Council has, and is still facing, challenges with supporting rising service demand and increasing costs within a restricted budget envelope. PCC is currently at the lowest level of government intervention, working closely with Cipfa and with an Independent Improvement Panel (IIP) in place to support the Council to a position of Financial Sustainability. The IIP meets monthly with the Chief Executive and Leadership Team to review progress against the ambitious plan to reach longer term financial sustainability. PCC did not use the capitalisation direction applied for in 2021/22 and did not apply for one for 2022/23. A £17m savings plan is in place, progress is being closely monitored with monthly update reports to CLT and to the IIP.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council 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. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. 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.

The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2021–2025 was endorsed by Cabinet in March 2021 for consultation. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all. Following a series of external reviews undertaken during 2021 and the establishment of an Improvement Panel, a new Corporate Strategy is being developed together with strategic priorities.

Key Elements of the Governance Framework

The key elements of the Council’s governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government (2016) as follows:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first four years of operation, it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council’s current procedures. Following the issuing of a new model code of conduct by the Local Government Association the Committee considered the model code and recommended its adoption to Full Council – Full Council adopted the new code in July 2021 which significantly boosts the requirements of the previous code.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns. Policy reviews of these areas form part of the remit of the Constitution and Ethics Committee.
- Staff behaviour is governed by the Officer Code of Conduct.

- Third party challenge to the Council’s operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved to the Chief Internal Auditor.
- Confidential concerns can be raised through the Council’s Whistleblowing Policy with a number of officers identified as first points of contact, the lead officer being the Director of Legal and Governance and Monitoring Officer.
- A Counter Fraud Strategy has been established to deliver raised awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this and refreshed annually and reported through Audit Committee.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the Council’s Constitution, which shows the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers’ proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer Relationships, governed by the Member Officer Protocol in the council’s constitution, are generally mutually supportive and based on openness, honesty, trust and appropriate challenge, vital for the effective governance of the Council.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Leadership Team. Cabinet portfolios are assigned on a function basis, rather than directorate and subject to appropriate officer support.
- The Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work in line with the Public Sector Internal Audit Standards. In 2018 / 2019 the service was externally reviewed and demonstrated full compliance with these standards. The next review is scheduled for 2023 / 2024.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.

- Other members of the Corporate Leadership Team include Executive Director of People Services and Executive Director of Place and Economy.
- As part of respecting the law, the Council was inspected by the Investigatory Powers Commissioner’s Office in February 2021 in relation to its compliance with the Regulation of Investigatory Powers Act. The Council received very positive feedback following the inspection, setting out how the Council complied with Codes of Practice. Only minor amendments were proposed to the Council’s RIPA Policy, and this was reported to Audit Committee in March 2021. Routine updates when RIPA is used and reported through to Audit Committee.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives. An updated draft Corporate Strategy was published in March 2021 for consultation.
- Council meetings are open, subject to Coronavirus Act (2020) regulations, to every citizen, are sound recorded and made available online, for example on Facebook.
- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could still be made to maintain good governance, principles of openness and accountability. The council has adapted its approach by assessing which decisions could be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Virtual meetings were instigated to ensure transparency and good governance prevailed and allowed access to the public and press. From May 2021 these reverted back to in person meetings as the legislation was not extended to allow virtual meetings to continue.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, works in relation to the Business Improvement District. The BID has been approved and is scheduled to go live in 2022.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of powers devolved from central government.
- The Council works in partnership with Cambridgeshire County Council and a number of services and senior management are shared.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.

- Budget considerations of the final budget took place at Full Council on 2 March 2022. The Council Tax increase for the year was 2.99% (1.99% General Increase and 1.00% Adult Social Care).
- The Council continues to work closely with the IIP and Cipfa to achieve a position of Financial Sustainability.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Leadership Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action across all Directorates. Supplementary registers were established during the year to cover for Covid-19 risks, and these have been incorporated into each department. Risks are escalated through to the Corporate Leadership Team on a monthly basis as part of a wider remit to review performance across the Council.
- The Medium-Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough. Subsequent to the draft Annual Governance Statement submitted to Audit Committee in July 2021, with ongoing concerns in relation to the overall financial resilience of the Council following the initial development of the MTFs, financial and governance reviews were commissioned with external bodies – Department for Levelling Up Housing and Communities (formerly Ministry for Housing Communities and Local Government (MHCLG) and CIPFA. This has led to a fundamental refresh of our approach for future years which should lead to financial stability. Monitoring is through an Improvement Panel.
- Audited accounts remain open at present as a result of national consultation in relation to infrastructure assets. Regular updates are provided to Audit Committee.
- In July 2019, the Council agreed there was a Climate Emergency and reports now have to contain, where relevant, a Carbon Impact Assessment. An annual Climate Action Day has been set up, the second took place on 4 March 2021.
- Significant changes to services are supported by an Equality Impact Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers. Identified improvements are being implemented.
- In order to achieve long term financial targets, the Council has set a budget for the year 2021 / 2022 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council. Separate financial support has been provided by MHCLG following ongoing dialogue throughout 2020 and 2021. The use of financial support has not been called upon for 2021/2022.
- All meetings and key decisions are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice. Following external reviews of governance, the Audit Committee has been supplemented with the appointment of 3 Co-opted Independent Members who are not elected Councillors to help boost the Committee's level of scrutiny and challenge. They took up their positions in February 2022 and the Committee is now chaired by an independent member.
- The Council, in order to discharge its functions on Health, operated a dedicated Health Scrutiny Committee in 2020/2021. This was combined with Adults from 2021/2022.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.
- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

- Performance management framework is in place which covers all officers. Regular meetings and 1:1's are held at all levels. As part of these meetings performance is discussed. The performance review process has been reviewed and new "Conversations" approach established.
- A Leadership Programme for all managers delivered appropriate training and raised awareness across the Council of its processes, policies and services. Deferred due to the pandemic, it went live in summer 2021.

- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee. The Committee has the opportunity to call officers to account for weaknesses identified and how actions are being mitigated to address these weaknesses.
- Key partners who provide essential Council services are subject to independent oversight by the Cabinet Shareholder Committee provides oversight and scrutiny of entities the Council has an interest in, for example Peterborough Ltd.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery. Key officers involved in joint working are required to complete s113 agreements.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

Principle F: Managing risks and performance through robust internal control and strong public management

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members receive extensive induction training before and after the Annual Meeting of Council. Separate training is provided for specific Committee needs.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to External Audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its web site.
- The Council is proactive in engaging with citizens and other key stakeholders.
- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to look to scrutinise and protect the authorities' interests.

Review of Effectiveness

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 informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and by comments made by the external auditors and other review agencies and inspectorates. During 2021 / 2022, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk registers, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed by Audit Committee. In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control, which are incorporated into the governance issues below.

Significant Governance Issues

The Annual Governance Statement identifies governance issues and risks for the Council to address. *(There are separate appendices within the Committee report which will be incorporated into this document following agreement).*

- Appendix C: Progress against previous issues
- Appendix D: Governance Issues to be addressed

Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders. These were adapted during the Covid-19 Pandemic. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. A number are reflected in our Improvement Plans. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continually throughout the year.

Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Peterborough City Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:

Matt Gladstone, Chief Executive

Date:

Signed:

Councillor Wayne Fitzgerald, Leader of the Council

Date: