

Audit and Risk Committee

27 November 2023

Report title	Annual Governance Statement 2022-23 – Mid-term report	
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Originating service	Strategic Finance	
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Report has been considered by	Not applicable	

Recommendations for noting

The Audit and Risk Committee is asked to:

1. Review and comment upon the contents of the mid-year update regarding the Council's Annual Governance Statement for 2022-23 and in particular the information provided about actions and improvements made so far during 2023.

1.1 Purpose

- 1.1 That Councillors review and comment upon the content of the mid-year Annual Governance Statement (AGS) for the year 2022-23 and in particular the information provided about actions and improvements made so far during 2023.
- 1.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2015, to produce an Annual Governance Statement to be included in the annual statement of accounts, which is signed by the Leader of the Council and the Chief Executive. Mid-year reports are produced in order to give assurance to Councillors on the direction of travel.
- 1.3 This report is intended to provide an update on the progress of the issues raised in the AGS for 2022-23, and any other significant matters that may have arisen.

2.0 Background

- 2.1 The AGS draws upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements. In compiling the AGS assurance is obtained from a range of sources in order that the signatories to the statement can assure themselves that it reflects the governance arrangements for which they are responsible.
- 2.2 The update below identifies a significant amount of work that has and continues to take place, and which contributes to the Monitoring Officer's confidence that the Council is operating good governance arrangements. Since the last AGS was approved by the Committee in July 2023 external auditors have also concluded their work in relation to the audit for 2021-2022 and produced an unqualified opinion.
- 2.3 The AGS identified the following areas which required additional measures to be started or continued, over and above the Council's usual governance framework, for effectiveness to be assured – set out below is the headline area and then the update:

- **MTFS** – Cabinet in October 2023 received the proposed approach to the MTFS and budget for 2024-25. It was reported that the updated projected budget deficit for 2024-2025 was £2.6 million rising to over £20 million in 2025-2026 and that work would continue to identify proposals to enable the council to set a balanced budget for 2024-2025 and deliver a sustainable medium term financial strategy.

It is important to note that Cabinet continue to take regular budget/performance and risk reports on a quarterly basis, with the latest being report at Cabinet on 15 November 2023 and that they in turn then get considered by Scrutiny Board with each of the Scrutiny Panels looking in detail at future budget requirements in advance of budget setting in February 2024.

- **Procurement and Contact Monitoring** – The number of incidents of non-compliance are steadily reducing, primarily due to the Procurement team now taking ownership for obtaining quotes on behalf of service areas where the anticipated value of the contract is between £10k and £75k.

The Audit and Procurement teams continue to support leadership teams in complying with procurement processes and learning lessons from flagged non-compliance.

In relation to the roll-out of new procurement regime, the Procurement Act 2023 received Royal Assent on 26 October 2023 and updated training and guidance is expected to be released by Government once secondary legislation is enacted in October 2024.

Procurement officers are beginning to develop a training programme for roll out to relevant teams during this transition period, and a new Project team will be reporting into Project Assurance Group at key milestones. Arrangements are expected to be in place before September 2024.

- **Civic Halls/other capital programmes** – The Council has implemented a self-assessment tool for all major capital projects or programmes which addresses the key areas arising from the Civic Halls lesson learnt review.

The tool poses a number of questions which are intended to expose arrangements for such matters as contingency plans, cost options appraisals, change management processes, project plans, arrangements for site surveys, and repairs and maintenance programmes. Other questions are designed to ensure there is input by key personnel such as procurement and project management, Senior Responsible Officers and Programme Directors, and to ensure there is a method for centralising documents, reporting and updating at key points.

The self-assessment questions have recently been utilised successfully in relation to City Learning Quarter (CLQ) and are detailed in the project's Internal Audit Report 2023-2024. The self-assessment in that case was completed by the Programme Director and independently reviewed by Audit Services. It is important to note that this report provided satisfactory assurance in relation to that project.

Further, Council agreed on 8 November 2023 to amend the remit of Scrutiny Board within the Constitution to require that they now "Co-ordinate the Scrutiny Work Programme Major infrastructure projects that crosscut Scrutiny Panels". This is intended to ensure that detailed updates are brought to Scrutiny to provide more regular oversight and transparency on key capital projects.

A report on the CLQ project will be coming forwards to Scrutiny Board shortly and will be regularly reported to Scrutiny Board in line with the above change to the scope of Scrutiny Board.

- **Climate change** – In relation to its critical work on Climate Action the following have either been implemented or are in progress:
 - Establishment of a Climate Action Programme Board with agreed Terms of Reference.
 - Appointment of a new Senior Responsible Officer, namely the Chief Operating Officer.
 - Climate Change Advisory Group information is now made public.
 - Staff appointed to address the lack of sufficient resources within the Green City and Circular Economy Service Area, including operating team. Three permanent employees are currently in post with plans for additional staff to be taken on over coming months.
 - Work on the focused risk register is being progressed.
 - Benchmarking of key actions is underway.
 - The Climate Emergency Working group has been restructured into a 2028 Action Plan Working Group (include relevant Service Managers/deputies with on-going monitoring and risk management).
 - Head of Service and Service Manager have addressed Leadership Forum and Operational Managers Network, respectively.
 - Report presented on 19 October 2023 to Climate Change, Housing and Communities Panel which sets out the current Action Plan setting out options for achieving net zero at the Council by the end of 2028.
 - Production of a 2023-2024 annual report is underway and is expected to go to Cabinet for consideration in September 2024.
 - 2041 Net Zero Strategy for the City is in development.

The detailed report setting out the progress on the 2028 commitment that went to Climate Change, Housing and Communities Scrutiny Panel in October 2023 providing will become an annual report and a further detailed report on the proposed 2041 Net Zero Strategy will go before the Scrutiny Panel early in 2024.

- **Improving recruitment and retention** – The risks to the council of not having sufficiently robust recruitment and retention initiatives include increased staff turnover, over-use of agency workers, developing skills gaps, and poor mental health and sickness of workforce.

Current activities aimed to mitigate these risks comprise:

- Targeted advertisement of senior vacancies.
- Improved new starter on-boarding.
- Improved job adverts.
- Mandatory diverse recruitment panels and other measures to support the upskilling of ethnic minority groups.
- Supporting managers with succession planning.
- Revised recruitment and selection training for panels.
- Market supplements are being investigated.

- Review of Job Descriptions and Person Specifications.
- Focused support of 18-24s in to work.
- Reimbursement of social work registration fees.
- Continuing to deliver a strong wellbeing offer.
- Creating opportunities for apprentices, and local and national graduates.
- Coaching, shadowing, and secondment opportunities for staff.

Key outcomes so far can be measured by:

- An increase in hiring success for candidates from ethnic minority groups from 3.7% to 6.7%, in both higher grades and as apprentices.
- Diversity across the workforce has increased by 3.4% since 2019-2020.
- Revised recruitment and selection training to managers resulting in managers more confident undertaking recruitment activities.
- A review of the diverse panels process which has proved beneficial to staff taking on the role of panel member.
- Review of the Wellbeing offer to expand the services to cover wider mental health and stress support, as well as a new stress group and wellbeing group focusing on identification of issues and solutions.

Future plans include:

- Exploration of methods to increase awareness of the Council as a good employer within the candidate market.
- Further development of career pathways within social care, with opportunities to expand this to other services.
- Promotion of a strong development offer to help grow and retain employees, including offering formal development pathways.
- Workforce planning discussions with Heads of Service to identify need and potential solutions as early as possible.
- Continuing the successful Apprenticeship and graduate schemes and Aspire to Management (AIM) Programme.
- Consideration of alternative selection processes.
- More use of new starter and shortlisted candidate surveys to better understand what else the Council can do differently.
- Gaining further insight from monitoring recruitment trends and evidence-based data.

A new operating model for People Services (formerly known as Human Resources) has been developed to help implementation of these activities, which includes a new Recruitment and Retention Lead who will take on a strategic role, and a consultancy team who will support managers and drive growth of opportunities. The team will work with Heads of Service to create a recruitment and retention strategy.

Recruitment and retention is included in the Strategic Risk Register and a separate report will be presented to Audit and Risk Committee on 27 November 2023 addressing the national position as well as providing more detail on local solutions.

2.4 The following updates are also provided in relation to other matters of significance which have arisen during this interim period:

- **Equal Pay** – in the light of challenges taking place in other places the Council has carried out significant work to ensure that there is confidence that the Council does not face the same challenges that are taking place in other authorities. This includes an internal audit report that gives satisfactory assurance on management of equal pay risks and essentially concludes that the Council is structurally sound.

Additional work is now taking place to implement the limited number of recommendations made.

- **Changes to the Constitution** – A detailed review of the Constitution has taken place which has led to a number of changes to the constitution following detailed discussion at the Council's Governance and Ethics committee and also the Scrutiny Board these included:

- Scrutiny Board and Call-in (including new form) – including strengthening the powers of call-in*
- Electronic sealing and signing*
- Health and Wellbeing Together Board Terms of Reference*
- Full Council meeting procedure rules (including draft informal protocol for member behaviour)*
- IEDNs (including draft guidance for members and officers) and Call-in.*
- Miscellaneous – Disclosure and Barring Scheme (including new policy), Councillor Allowance Service, Planning Committee decisions. Officer delegations in progress.*

As the Committee will be aware a significant amount of other work is also underway but the two items above are the ones that it is important the Committee is updated on.

3.0 Progress, options, discussion

3.1 Progress on the implementation of the actions required in the key areas will be monitored and reported to the Audit and Risk Committee, where appropriate, during the year.

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report. [SR/17112023/A]

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report. [MR/15112023/1]

6.0 Equalities implications

6.1 Whilst there are no direct equalities implications arising from the recommendation in this report there are a number of equalities issues that are addressed in the relevant reports for each of the activities taking place.

7.0 All other implications

7.1 There are no other implications arising from the recommendation in this report.

8.0 Schedule of background papers

8.1 Appendix 1 - Annual Governance Statement 2022-23.