

Chichester District Council

Report of Corporate Governance and Audit Committee to Full Council

Background

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.

To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources.

The Corporate Governance & Audit Committee considered the Strategic and Organisational Risk Registers to ensure the adequacy of the Council's actions to control and manage risks.

During 2019/2020 the six highest risks identified in the Corporate Risk Register were:

- **Southern Gateway:** Failure to deliver the outcomes of the project leading to reputational damage and financial exposure to CDC as lead partner, and potential repayment of the Local Enterprise Partnership and other funding.
- **Financial Resilience:** Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactionary decision making, and reputational consequences. Failure to maximise income streams.
- **Business Continuity:** Failure to react to an incident that would adversely affect the delivery of services, including leading to a breach of the Council's statutory duties under the Civil Contingencies Act and result in both inability to service the community and reputational damage.
- **Cyber Risk across ICT Estate** Failure to protect the Council against a cyber-attack across the ICT estate resulting in service disruption and reputational damage.
- **Local Plan:** Failure to complete the Local Plan Review and achieve an adopted Local Plan by 2020. This would mean that the Council would face challenge that it does not have an up to date Local Plan and the impact it would have.
- **Brexit** The risks of Brexit and in particular of a "no deal" Brexit scenario and its impact on the council, its services and communities.

The Council has a 5 year Financial Strategy model which is underpinned by key financial principles; these determines the approach in its aim to achieve a balanced budget over the medium term, without the use of reserves, except where this is necessary on the short term.

The budget setting for 2019-20, is the final year of the four year funding offer accepted from the Government in the 2017-18 budget cycle with an assumed start from 2016-17; this helped to provide some degree of certainty during this period. Associated with that funding arrangement, the Council approved a Deficit Reduction Plan (2016), which sought to achieve savings or additional income of £3.8m. This plan is monitored regularly by the appropriate programme board; either the Commercial Board or the Business Improvement Board, and as part of the Council's quarterly revenue and capital monitoring regime. The Council has achieved £3.5m of the target set so far, with further savings anticipated; reflecting the good track record the Council has in delivering efficiencies or generating additional income.

The 5 year Financial Strategy model is currently being updated by officers to take account of known budget changes, cost pressures, and assessing any impact of other changes necessary, including those arising from legislation, functions operated and the effects of the Covid 19 pandemic.

The delay in the Fair Funding Review and the localisation of Business Rates until late next year now postpones the expected changes in future funding until 2021-22; however, the delay in resetting the Baseline for Business Rates is good news, as the growth achieved so far is retained for an extra year. The West Sussex Business Rates (BR) Pilot (75% retention) that the Council participated in for 2019-20 was for 1 year only, and this has not been extended by the Government.

Looking forward it has been reported to the Corporate Governance & Audit Committee, Cabinet and Council recently the impact of COVID 19 and a residual deficit forecast of £2m per year. Officers are currently working to deliver a COVID recovery plan that was approved by Council in July 2020.

Annual Governance Statement

The Annual Governance Statement as attached at appendix 2 has been prepared in accordance with the CIPFA / SOLACE guidance on "Delivering Good Governance in Local Government". The Statement is attached and clearly sets out the 7 fundamental principles of good governance (A to G) as identified below:

- A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B Ensuring openness and comprehensive stakeholder engagement.
- C Defining the outcomes in terms of; sustainable economic, social and environmental benefits.
- D Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E Developing the entity's capacity, including capability of its leadership and the individuals within it.
- F Managing risks and performance through robust internal control and strong public financial management.
- G Implementing good practices in transparency reporting, and audit to deliver effective accountability

Other Potential Risk Issues

The drafting of the Annual Governance Statement has highlighted some risks that are ongoing and receiving attention from those charged with governance. These can have common themes and may overlap with other areas of risk that have been identified. They are being monitored to track whether there are any changes in their risk score.

Other than those areas set out above, which are themselves subject of further on-going review, members of the Committee are assured that key systems are in place within the Council. This is supported by the internal audit service, which has the responsibility to review independently and report to Committee.

Cllr F Hobbs
Chairman of Corporate Governance & Audit Committee