

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 2020/2021 the nine 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. 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.
- **Changing use of High Street in City and Rural Towns:** Failure to support the City and Rural Towns High Streets which will enable them to become sustainable in changing times.

- **Increase Homelessness Service Demand due to Covid Impact:** Failure to have an adequate Homeless Service in the Housing Service Plan that meets the changing needs particularly with regard to the Covid impact.
- **Skills, Capability, Capacity:** Failure to have adequate recruitment packages in place that would aid the recruitment of staff in areas where long term recruitment issues exist.
- **Covid 19 Coronavirus:** Failure to have adequate Business Continuity Plans in place that protect the Council's staff and services during the Covid 19 pandemic.

The 5-year Financial Model is a medium-term forecast of the financial position of the Council that has been updated to reflect current assumptions, future Government funding, council tax projections, as well as projected costs and previous planned efficiencies. It also contains the proposed three-year programme of efficiency savings to be adopted to address the budget deficit because of the Covid-19 impact. It has been necessary to use reserves to help balance the budget in the medium term whilst the efficiencies and policy options under the Future Services Framework are implemented over a three-year period.

The Financial Impact of COVID report to July Council estimated a draw against reserves for the current year of over £8m. Since then, the Government have introduced a compensation scheme for Councils that have lost income from sales, fees, and charges as well as other funding allocations. The model forecast that just over £3m was required from reserves for 2021-22, and £8m in total over the 5 year planning period provided that the efficiency savings identified are delivered, and subject to all the uncertainties that remain within the model. However, following Government in year support due to the pandemic, the Council ended the year with a £1.635m surplus; further information is available in the Council's Statutory Annual Accounts.

The Fair Funding Review and the localisation of Business Rates have again been delayed by the Government until the 2023-24 financial settlement. The Government has recently announced that the localisation of Business Rates will now not take place. The continued delay in resetting the Baseline for Business Rates is good news, as the Council continues to benefit from the growth achieved so far. The anticipated impact of the Baseline reset is that the Council will retain approximately £1.5m less per annum when this funding regime change takes place, with the next revaluation scheduled now for 2023.

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