

### 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 2021/2022 the ten 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.
- **Climate Emergency Detailed Action Plan:** Failure to have a Climate Emergency Action Plan in place.
- **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.

- **Housing - Potential Increase Homelessness Service Demand due to Increased cost of living and Ukraine Sponsorship programme impact:** Failure to meet potential increase in homelessness service demand due to increased cost of living and Ukraine sponsorship programme.
- **Skills, Capability, Capacity:** Failure to have resilience in the staff structure, and so lack the right number of staff with the right skills to deliver services, along with unrealistic expectations of services, which could lead to service failure, reputational damage and potential litigation.
- **Crouchlands Lagoon 3:** Failure to take appropriate Planning Enforcement and Emergency Planning action.
- **Health & Safety:** Failure to adhere to H&S policies and procedures leading to death or serious injury of an employee or third party resulting in prosecution or other enforcement action under H&S legislation, adverse publicity, fines and possible custodial sentences. Such failures may also lead to civil claims for compensation.

The 5-year Financial Model is a medium term forecast of the financial position of the Council at a moment in time, which has been updated to reflect current assumptions; which includes Government funding, council tax projections, as well as projected costs and previous planned efficiencies. It also contains the second of the three-year programme of efficiency savings to be adopted to address the budget deficit as a result of Covid-19 impact, taking into account any changes required from previous assumptions taking into account the achievements against those built into the 2021-22 approved budget.

It was noted that the model reflects a high-level forecast of the potential financial position of the Council over the medium term, using known changes, plus a lot of assumptions using information available at the time of its approval in November each year. Therefore, as we are in a period of a high degree of uncertainty, this makes the strategic forecasting very difficult.

It was 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 the short to medium period. This approach is to take into account that the scale of the reductions will be challenging for officers to implement and adopt into their services, so the process needs to be carefully managed.

The model reflects 75% of the proposed savings and policy options to allow some flexibility in the implementation of the proposals as some are aspirational, relate to income generation opportunities, or are to an extent outside of the Council's direct control. Ultimately being prudent in the model will help to mitigate some of the risk that the required savings will not be realised.

The model will also take in account known cost pressures which the Council has no choice in budgeting for; some of which will impact not only the current year but the budget for 2022-23 and beyond i.e. pay award for 2021-22, higher NI costs along with market premia to address high demand skill shortages (HGV drivers), rising fuel and utility costs.

The Fair Funding Review and the localisation of Business Rates (BR) have again been delayed by the Government with no detail as to when these reviews will impact the local government financial settlement. Expectation is that some of these changes will not occur in this Parliament. The delay in resetting the Baseline for Business Rates continues to be 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 under this funding regime change. The exact timing of this change is currently unknown; so, it has been assumed in the model that this change may occur from 2023-24. Potentially the provisional local government settlement for 2022-23 announced in December '21 may give an indication of the timing of this change.

## 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 Bates  
Chairman of Corporate Governance & Audit Committee