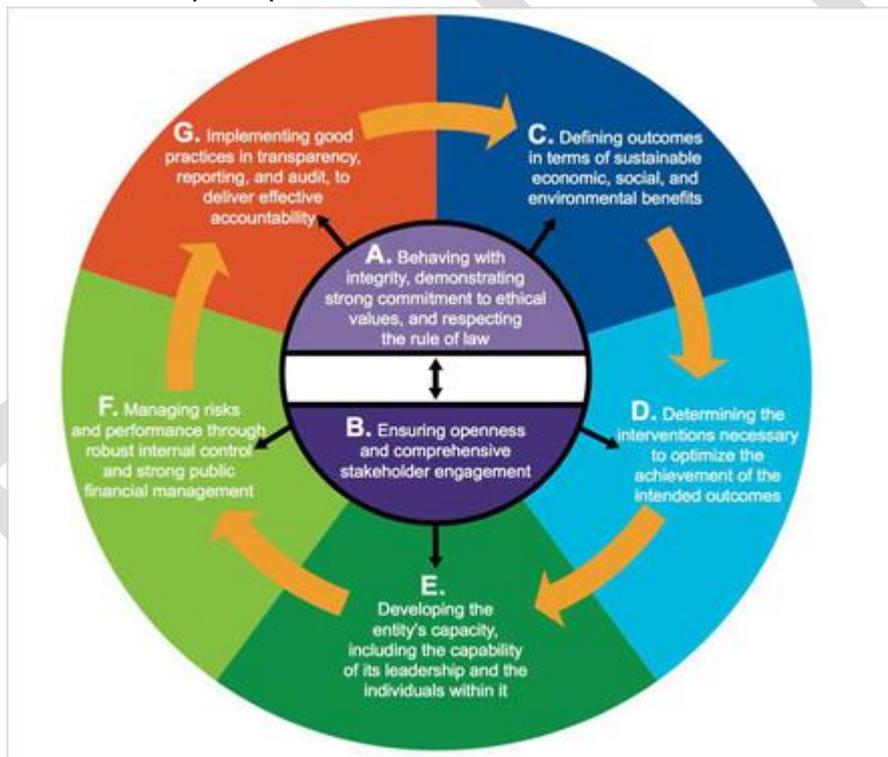# ANNUAL GOVERNANCE STATEMENT 2020/21

INTRODUCTION AND ACKNOWLEDGEMENT OF RESPONSIBILITY

Enfield Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement.

THE PRINCIPLES OF GOOD GOVERNANCE

The CIPFA/SoLACE Delivering Good Governance [1]publication (2016) defines the principles of good governance in the public sector. The document sets out the core and sub principles that underpin the good governance framework, explains how the Council's governance arrangements operated in practice during 2020/21, and demonstrates how the CIPFA/SOLACE Framework has been applied. The CIPFA/SoLACE core principles are:

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

The governance framework is incorporated into this Annual Governance Statement for the year ending 31 March 2021 and is up to the date of the approval for the statement of accounts.

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[1] https://www.london.gov.uk/moderngovopdc/documents/s58145/Item%206b-%20Appendix%20A%20CIPFA%20Delivering%20Good%20Governance%20in%20Local%20Government%20Framework.pdf

Overview of the Council's governance framework

The Council's framework enacts the CIPFA/SoLACE criteria via the following arrangements.

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

Ethical values, integrity and legislative oversight are crystallised with the Council's Constitution. The Constitution was most recently reviewed during 2019-20 by the Monitoring Officer to ensure it remains in accordance with all developments in these areas; such reviews are periodically undertaken. The requirements of the Constitution are monitored at departmental level, and the scheme of delegation determined by the Constitution ensures clear demarcation of responsibility and authority, to ensure there is adequate oversight of operational compliance with its requirements.

The Council further has specific resource dedicated to ensuring it meets statutory duties, both in service delivery and in effective enactment of legislation such as Freedom of Information and co-operation with Ombudsman enquiries.

The Council's Code of Conduct determines the standards required of officers, and the human resources framework further solidifies these into expected behaviours monitored through Performance Development Review.

B – Ensuring openness and comprehensive stakeholder engagement

The Council believes in transparency and seeks to make information public wherever possible. A comprehensive publication scheme is kept up to date via the Council's website. A petition scheme is also available via the website to enable residents to make representations to the Council directly.

Stakeholder engagement is widely promoted prior to any decision-making, and the Council's format of reports includes a number of sections designed to ensure that all appropriate issues have been considered and all stakeholders consulted. The format was most recently updated in 2020-21.

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

The Council's business case templates incorporate these elements of outcomes, as do procurement bid assessment tools, in alignment with the Council's governing financial strategies and policies. Reporting on potential expenditure or investment includes dedicated sections highlighting social, financial and environmental implications, ensuring that these aspects are captured in every report.

Performance management of day to day services covers both financial performance via budget and service delivery, measuring social outcomes for the community, across a comprehensive framework covering all of the Council's operations.

D – Developing the interventions necessary to optimise the achievement of the intended outcomes

The Council operates a network of Boards across its operations, including senior management membership. These Boards draw authority from the central Executive Management Team and monitor the delivery of projects and services across the Council including the achievement of expected outcomes, or agreement of action plans were required to ensure outcomes continue to be delivered. The network is currently undergoing mapping and review to ensure efficiency in operations and that work is not duplicated.

The Council may also commission from time to time external review of particular risk areas, to develop efficient and effective service delivery and future proof against rising costs or high investment need.

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

The Council operates a comprehensive Performance Development Review system which ensures continuous improvement in both the skills of and support provided to officers at every level of the authority. Internal training networks offer a wide range of skill development employees with specialist training arranged through the Development Review where appropriate.

Staff networks also support the development and capabilities of staff through regular seminars, workshops and learning.

F – Managing risks and performance through robust internal control and strong public financial management

The Council's Risk Management Strategy governs the corporate approach to risk management. It is supported by a comprehensive Performance Management Framework, and an annual Internal Audit Plan seeking to address areas of key risk on the Corporate Risk Register.

Financially the Council operates planning through its Medium-Term Financial Plan and Capital Programme, with associate Treasury Management Strategy. The operational expenditure is governed by the Contracts Procedure Rules within the Constitution, and the Scheme of Delegation determines the appropriate authority required for different levels of expenditure, ensuring that appropriate oversight of spend is delivered in alignment with the Council's risk appetite.

<u>G – Implementing effective practices in transparency, reporting, and audit, to deliver effective accountability</u>

The Council's transparency requirements for decision-making is determined within the Constitution, and these processes are enacted and monitored by the Council's Governance team. The format of reports is according to a standard template ensuring that the same quality of consideration is afforded all decisions, and comparable information available on all decisions.

The Council operates a yearly Annual Internal Audit Plan, reported to the Audit and Risk Committee, highlighting the findings of the Internal Audit on reviews targeted at key areas of the Corporate Risk Register.

Dedicated resource and arrangements are in place to deliver the Council's statutory transparency and accountability roles within the Freedom of Information and Data Protection Acts, and to ensure full co-operation with all investigations by the Information Commissioner, Local Government & Social Care Ombudsman, and Housing Ombudsman.

The following structures, processes and

1. <u>Cabinet and Leader</u>
   - Provides political leadership;

   - A key role in delivering the council's services, proposing the budget, and promoting the Council's aims and strategic priorities;

   - Cabinet provides transparent and accountable political leadership. It considers the business detail involved in delivering the Council's corporate priorities.

2. <u>Scrutiny</u>
   - Scrutiny reviews the Council policy and has the power to challenge decisions;

   - The Overview and Scrutiny Committee and its Scrutiny Panels scrutinise decisions made by the Cabinet, and those delegated to officers, and reviews services provided by the Council;

   - General Purposes Committee review governance and promote high standards of conduct by councillors.

3. <u>Decision Making</u>
   - All decisions are made in compliance with the law and the Council's Constitution;

   - Formal meetings of the council are held in public;

   - Decisions are published on the Council website.

4. Risk Management
   - The [Risk Management Strategy](#) ensures proper management of risks and sets out how threats and opportunities faced in the delivery of the Council's objectives are managed;
   - Risk registers identify both strategic and operational risks. Identified risks are scored according to likelihood and impact, and a traffic light system has been adopted to monitor the effectiveness of mitigating actions agreed. Strategic risks are reviewed by senior management and by elected members prior to and at every General Purposes Committee.

5. Executive Management Team
   - The Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective Executive Management Team;
   - The Executive Director of Resources is the Council's Section 151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money;
   - The Director of Law and Governance is the Council's Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct in public life.

6. Council
   - Council is responsible for approving the budget, agreeing policies, making constitutional decisions and deciding local legislation. Council elects the Leader for a term of four years, and the Leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility.
   - The Council's Constitution is updated where necessary throughout the year and sets out how the Council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels and committees.
   - The overall budget of the Council is set by the Council and all decisions are made within this framework. The council's goals are developed alongside the budget. Progress is reviewed by the Leader, lead Cabinet Member for Finance and Procurement, and respective cabinet members. The Council also monitors its performance through feedback from its residents and service users.

GOVERNANCE ISSUES

Update on Governance issues identified in 2019/20 Statement

Covid-19 Pandemic

Area of Focus	Progress	Status
IT Network and Capacity	Work undertaken to ensure effective working from home capacity during the course of the pandemic; services have successfully continued operating remotely. New Digital Strategy developed which incorporates learning from the pandemic and seeks to move the Council towards an environment which will pre-guard against such scenarios in the future, for example through increased use of cloud technology. Needs and governance focussed restructure of Digital Services team.	No longer a governance risk in relation to Covid-19.
Customer Access	Buildings made Covid-safe for essential services to be accessed where necessary, and systems set up to deliver services in person to vulnerable residents. Online channels and remote protocols for organising service delivery in place. Proactive identification of residents that may require business as usual or Covid-specific services.	No longer a governance risk in relation to Covid-19.
Financial Impact	Analysis undertaken to identify size of budget gap caused by both loss of income and higher service demand. Savings plan identified based on shortfall after announced government funding is received (assumption made that there will be no further funding beyond that announced, in order to mitigate worst case scenario). Financial planning through the Medium-Term Financial Plan has been reviewed and amended accounting for the impact of the pandemic. Full Covid-19 Financial Strategy in	This remains a governance risk due to the pandemic and restrictions continuing into 2021-22 financial year.

	place.	
Effect on staff wellbeing	Staff wellbeing monitored through Performance Development Review process. Regular departmental seminars and advice offered on mental health Online support and confidential contact line available to all staff.	Will continue to be a risk for as long as restrictions remain in place.
Decision-Making and Governance	Protocols for online, public meetings in place and calendar of meetings rearranged to deliver full Committee schedule through the year.	No longer a governance risk.

<u>Clarification on compliance with the Financial Management code to reflect COVID-19 pressures</u>

Statement from the CIPFA Financial Management and Governance Panel:

The COVID-19 crisis has seen Local Authorities placed under extreme pressure to respond to the needs of their communities by providing services and support in an unprecedented manner. While initially we had all hoped this would have been a short-term requirement, we now accept this is a longer-term need.

Over the period, governments and regulators have modified statutory timetables and other regulatory requirements to acknowledge the challenges of the current requirements. Understanding these pressures, The CIPFA Financial Management and Governance Panel has considered these changes against workload, reprioritisation and resource issues facing Local Authority staff at the current time.

The objective of the FM Code was to enhance standards of financial management across the sector and this aim is still fully supported by the profession. Indeed, CIPFA considers that good financial management will be even more essential during the current challenges. However, we do acknowledge that there are additional extraordinary burdens being faced by Local Authorities. CIPFA has reflected on the extent to which it is appropriate to introduce a new Code at the current time.

Much of the Code requirements are based on statutory responsibilities, the timescales for which CIPFA is not able to influence. The Code does however allow for both flexibility and for a proportionate approach:

"The manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority."

and that:

"Financial management standards are to be guided by proportionality."

CIPFA has concluded that while the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that that adherence to some parts of the Code will demonstrate a direction of travel.

We consider that commentary within the Annual Governance Statement may be used to demonstrate local decisions and will provided additional guidance.

This update Financial Management guidance does not negate the requirements to comply with current legislative and associated existing CIPFA Codes.

CIPFA has been encouraged by the progress being made towards compliance with the Financial Management Code and would encourage local authorities to continue to progress with their plans for implementation and ensure that they have the information, processes and systems in place.

Enfield Council position:

A programme is in place to independently assess the Council against the CIPFA FM code during 2021/22; this will be reported to the Finance and Performance Panel in December 2021 and the results will be included in the AGS in 2021/22.

Covid-19 Financial Strategy

A Covid-19 Financial Strategy was agreed in July 2020 and has been fully implemented resulting in a positive impact on the challenging financial position faced by the Council this year including; strengthening reserves and delivering specific in year savings identified to offset Covid-19 costs totalling £9.2m The Council's year end position is a balanced budget, with strengthened reserves and without the use of in year contingency. In the medium-term the Council's financial position continues to remain at risk due to the ongoing impact of Covid19 on the 2021/22 budget and beyond and lack of certainty in funding. However, the strengthening of reserves and the fact the 2020/21 underlying Council budget was balanced has placed the Council in a more resilient position to face this challenge. As in 2020/21, the Covid-19 costs and grant funding will continue to be separately reported and monitored to enable clarity both on the cost of Covid-19 and assurances on the underlying budget position.

General Governance Risks identified for and actions taken

Area of Focus	Progress	Status
Ongoing information governance risks, including cyber security risks and IT network security and IT network security	- Development and Implementation of a cohesive Cyber Security Remediation Programme commencing in June 2020 with expected final delivery date of Q1 2021/22, that incorporates Cyber Security, Information Governance	No longer a governance risk.

	and Data Protection as a single plan. - Adoption of the National Cyber Security Centre Standards in July 2020 and signing up to the Local Digital Declaration in the delivery of secure digital services. - Improved assurance on Cyber Security, clearing all high risks and the creation of a Security Assurance Panel covering cyber, information and all other security assurance such as entry to buildings - Increased Cyber Security added to support Remote Working in line with the pandemic by implementing Multi Factor Authentication reducing the risk of password breaches by around 99% - Improved Risk Awareness including improved communications and training tools (including campaigns using screen savers, corporate communications, Tips of the Day) and targeted testing of awareness, including test Phishing campaigns to identify level of understanding and compliance with the identification and reporting of cyber incidents.	
Health and Safety	Work of the Corporate Health and Safety Board supported through Gold, Silver and Bronze level Covid-19 Groups, to ensure continuity of effective health and safety during the pandemic, both within the office environment and for home workers. Developments to the physical office environment and review of working arrangements incorporating work-life balance and revised office layouts to promote health and safety.	No longer a governance risk (outside of Covid-19 risks detailed above).

Business Continuity Plans	General Business Continuity planning updated in light of Covid-19; IT continuity updated to take account of new Digital Strategy and move towards greater remote working and cloud-based functionality.	No longer a governance risk.
Need and Cost of demand-led services	Work undertaken to streamline homelessness pathways, encouraging and improving likelihood of preventative solutions.

Demographic growth areas plotted over five years to identify likely areas and extent of demand growth, particularly in social care, identifying the likely cost of the borough's population development. This estimate is incorporated into the Council's Medium-Term Financial Plan, which then identifies the required savings/income needed to meet the increased demand. This is supported by a multi-year monitored savings and income plan to deliver these amounts. | No longer a specific governance risk- transferred to business as usual monitoring |
| Impact of the UK leaving the European Union | Brexit Panel and Brexit Risk Register updated throughout the year.

Key implications of the new arrangements post-transition monitored, identified and analysed by service areas and reported through EMT and Board structure across the Council. | Continues to be a governance risk in some areas while new regulation is finalised. |

Other significant governance actions taken during the year

<u>Review of the Scrutiny function</u>

Enfield Council conducted a review of its scrutiny function with the Centre for Public Scrutiny during 2020/21. The outcome from the review was that six new scrutiny panels replaced the previous arrangements of committees and workstreams. The new committees are set out below:

- Children, Young People & Education Scrutiny Panel
- Crime Scrutiny Panel
- Environment & Climate Action Scrutiny Panel
- Finance & Performance Scrutiny Panel

- Health & Adult Social Care Scrutiny Panel
- Housing Scrutiny Panel
- North Central London Sector Joint Health Overview and Scrutiny Committee
- Overview & Scrutiny Committee
- Regeneration & Economic Development Scrutiny Panel

Enfield Council continues to work closely with the Centre for Public Scrutiny.

Improve Services and Enhance Customer Access through streamlined use and governance of information and data

The continued need to improve services and enhance customer access to services means that integration, improvement and security of the use of data held and managed by the Council is essential:

- The Information Governance Board Terms of Reference were broadened to incorporate the monitoring and compliance with using all forms of data including Paper retention and to incorporate changes to processing data caused by delivery of services remotely relating to the pandemic and an annual plan

- Information Governance Board has reviewed and updated the council's policies to incorporate and review the use of data in April 2020 and undertaken a programme of awareness raising

- Introduction of a Data Quality Policy in July 2020 that covers all data held by the council

- Implemented a Video Conferencing and Social Media standards and governance and risk assessment of any new platforms

- To raise standards the council joined the Information Governance for London peer group to create and share best practice, identify and treat emerging threats and risks and work together to resolve incidents such as the impact on data of cyber-attacks which occurred in 2020 to some of its members

Debt Strategy

The Debt Strategy was agreed by Cabinet on 3rd March 2021; accompanying the Strategy was a comprehensive action plan. Progress against this plan will be monitored through a new Debt and Income Board Chaired by the Director of Customer Experience.

Embedding Risk Management

Robust management of risk enables improved decision making and during 2020/21, the following significant work has been done to further embed a strong risk management culture throughout the organisation:

- A new risk framework was developed, moving the organisation away from a Traditional Risk Management (TRM) model to a more cohesive Enterprise Risk Management (ERM) model where Everyone's a Risk Manager. This enables strategic, pro-active and holistic management of risks.

- An updated Risk Strategy was published, which included detailed roles and responsibilities for all members of staff.

- A new Risk Manual was developed, providing staff with step by step guidance on the risk management process.

- Departmental, divisional and service risk registers were developed and recorded centrally on Pentana for improved reporting and monitoring.

- Extended risk management training targeted to senior managers, including accredited training, was delivered to over 100 staff from across the Council.

- Recommendations from the 2019/20 Risk Management audit were all actioned and implemented.

Areas of focus for 2021/22

Focus will be placed on the following significant governance issues during 2021/22:

Covid-19

- As the economic effect of the pandemic continues into the 2021/22 financial year, additional cost or lost income due to Covid-19 will continue to require close monitoring, in particular the impact on loss of Council Tax and Business Rates income. Therefore, although robust governance is in place, due to the level of risk and uncertainty over the end point for Covid-19 effects, this should remain. A particular challenge will be the ability to focus on implementing the 2021/22 savings whilst continuing to manage an increased and new work due to Covid-19; saving monitors will need to continue to be robustly monitored.

- Increase need and cost of services; beyond services previously identified, there has also been an increase in domestic abuse referrals during the Covid-19 lockdown period, and in response to this a Domestic Abuse multi-agency hub has been set up to enhance the service to support victims. It is predicted there will be an increase in demand for mental health services; services that prevent family breakdown; and youth provision. The government have made provisions for enhanced mental health support in schools and holiday activities and food for vulnerable children as well as an education recovery programme that provides 1:1 tuition for vulnerable children.

General Governance Risks

- The new role for the Housing Ombudsman arising from increased scrutiny of council housing in the social housing white paper. Dedicated resource will be put to central management of all Ombudsman complaints including the Housing Ombudsman, with clear responsibilities for monitoring incoming Ombudsman complaints. Progress of cases will continue to be monitored to ensure compliance with the Ombudsman's timescales and requirements.

- The transition period for the UK leaving the European Union (EU) has now ended. The status of some regulation replacing former EU regulation remains unclear (e.g. Subsidy Control). The Council will need to continue to monitor developments and risks in these areas.

- Themes identified within No and Limited Assurance audit reports (see below section on Internal Audit Plan). While many of these risks will relate to operational services to deliver and mitigate, it is important that the themes and action implementation continue to be monitored corporately through the Assurance Board.

General governance and Risk Management Actions for 2021/22

- We will be undertaking a full refresh of the Corporate Risk Register. This will include incorporating the residual risks from the Brexit and Covid-19 risk registers.

- We will be building on the Risk Management training offered in 2020/21 and will extend this to all staff, including new starters, to further advance the understanding and practical application of our Risk Management Strategy.

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 system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The effectiveness of governance arrangements is monitored and evaluated throughout the year and activity undertaken includes:

- Consideration of governance issues by the Executive Management Team, the Assurance Board and Departmental Management Teams including risk registers, counter fraud updates and internal audit reports
- Preparation of a rolling plan of audit coverage provided by the Head of Internal Audit and Risk Management which is primarily based on an assessment of the Council's risk profile.

- The Annual Audit Opinion which is provided by the Head of Internal Audit and Risk Management.
- Ongoing assessment of internal management processes including performance management and compliance monitoring
- The work of the Council's governance boards and working groups, including the Executive Management Team, the Assurance Board, other Management Boards, Departmental Management teams and working groups (e.g. the Risk Management Group)
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission
- The views of external auditors regularly reported to the General Purposes Committee including regular progress reports and the Annual Audit Letter
- The work of the General Purposes Committee that includes ensuring best practice in corporate governance is applied across the Council.

Internal Audit Plan

The Council operates an Annual Internal Audit Plan to review the effectiveness of its governance in specific areas. The development of the audit plan targets those areas considered to be extremely high-risk for the Council and for residents. Due to this, the likelihood of negative assurance levels on individual audits increases, as any control weakness identified will be proportionally more significant in high-risk areas. The methodology of financial auditing continued to encompass comprehensive whole system reviews of key financial processes, in accordance with the change from continuous audit monitoring in 2019-20. Rotational school audits continued to be undertaken where possible under Covid-19 restrictions.

The Council (via the General Purposes Committee) commissioned the 2020/21 Internal Audit Plan leading to 27 assurance opinions given within the year, of which one received a *No Assurance* rating, and 10 received a *Limited Assurance* rating. Combined, these represent 41% of opinions given during the year; this compares to 2019-20, where *Limited* and *No Assurance* reports constituted 54% of total opinions. This shows a substantial improvement in the control environment year-on-year.

The number of assurance opinions given overall is substantially lower than 2019-20; this reflects the effect of Covid-19 restrictions and service pressures. The 2020-21 audit plan was developed prior to the full extent and longevity of pandemic restrictions becoming clear. Therefore, some planned audits became practically or logistically difficult to conduct effectively as a result of continued restrictions, pressures on services from increased demand, and remote working. These reviews were deferred to 2021-22, with the approval of the General Purposes Committee.

Two *Limited Assurance* reviews related to financial process (Schools' Financial Monitoring, Treasury Management, and Prepaid & Purchase Cards). The sole *No Assurance* review related to Planning Enforcement.

Common high-risk findings within the corporate *No* and *Limited Assurance* reviews related to:

- Compliance with Contracts Procedure Rules, as well as general contract management and supplier resilience practices. It should be noted that these areas are affected by changes in regulation following the end of transition arrangements with the EU.
- Accuracy of local service policies and procedures; some policies and procedures were found not to have been fully updated to reflect current operational practice, partially as a result of unclear review and authorisation arrangements for the procedures.
- Opportunities to improve local service area performance monitoring and assessment of compliance with corporate policies and procedures.
- Inconsistent evidence retained on systems to identify compliance with corporate policies and/or operational procedures. It is possible some document retention may have been affected by remote working due to Covid-19.

None of the *No* or *Limited Assurance* reviews related to individual schools.

Audit action monitoring

Audit actions recommended to address control weaknesses identified are monitored through the year for implementation by officer Assurance Board. The Assurance Board membership includes the Chief Executive, Section 151 Officer and Monitoring Officer.

For 2020-21, as at 31st March 2021, all actions due were implemented except for 15 high risk actions and 40 medium risk actions. This compares to 25 overdue high-risk actions and 110 overdue medium risk actions at 31st March 2020.

Assurance Statement
Based on the work undertaken by the Internal Audit team during 2020/21 the opinion of the Head of Internal Audit and Risk Management is that the arrangements for governance, risk management and internal control provided *Reasonable Assurance* that material risks, which could impact upon the achievement of the Council's services or objectives, were being identified and managed effectively. This is based on the work undertaken by the Internal Audit team during 2020/21. Improvements are required in the areas identified in the audit reports to enhance the adequacy and effectiveness of the framework of governance, risk management and internal control.

Conclusion
The Council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take the steps to address the matters identified above to further enhance our governance arrangements.

Signed on behalf of Enfield Council:

Ian Davis

Chief Executive

Date:

Councillor Nesil Caliskan

Leader of the Council

Date: