

### Annual Governance Statement

#### I. Executive Summary

The Royal Borough of Greenwich acknowledges its responsibility for governance and is committed to the principles of good governance as identified in *Delivering Good Governance in Local Government: Framework (2016)*.

The Council is committed to addressing the governance issues raised in this statement and keep under review the arrangements to address these issues. It will report progress to the Audit and Risk Management Panel.

The Council remains of the opinion that it has arrangements in place to manage the governance issues and is fit for purpose. As an organisation it continues to progress key strategies and developments while managing the pressures and the adverse impact of the governance issues identified and the recent pandemic.

We have considered these governance issues raised in the 2019/20 Annual Governance Statement (AGS) and we have agreed that these issues should remain in the AGS, to continue to be subject to close regular review during 2021/22.

- The Council's IT Disaster Recovery / Business Continuity system – The risk, which has been on the AGS for a number of years, had been mitigated, but as more systems move to the cloud the risks associated with loss of access and hacking were identified as the new strategic risk. The associated risks have increased with the substantial increase in remote working in response to the Covid-19 pandemic.
- No Recourse to Public Funds (NRPF) – this remained as a significant governance control issue going forward and the position is under regular review. Expenditure in this area steadily increases but the Royal Borough receives no funding to support this work and it represents a significant budget pressure as families and individuals may have a right to financial support and there are increasing legal costs incurred by the Council that are associated with some cases.
- The General Data Protection Regulation (GDPR) – this exposes the Council to the risk of a significant fine from any breach. Data breaches in recent years they have been minor. The associated risks have increased in line with the substantial increase in remote working in response to the Covid-19 Pandemic. Further measures are being taken to mitigate the risks.
- The Medium Term Financial Strategy (MTFS) – the planning process is an essential part of the Council's strategic planning framework. This governance issue was included and highlights the continued pressure and significant uncertainty around the Local Government Finance Settlement which was a one year only settlement. The Covid-19 Pandemic has significantly increased the pressure on the Council's strategic planning and the MTFS will be revised to reflect this uncertainty into future years.

No new key governance issues have been identified to include in the AGS in the current year.

## **Appendix D – Annual Governance Statement 2020/21**

Cllr Danny Thorpe  
Leader of the Council

Debbie Warren  
Chief Executive

Dated: xx September 2021

Dated: xx September 2021

### 2. Key Governance Arrangements

#### Scope of responsibility

The Royal Borough has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government: Framework (2016)*. A copy of the code can be obtained from the Director of Finance. In accordance with this framework the Royal Borough has to undertake a review of its systems of internal control at least annually. This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the effectiveness of its system of internal control.

CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remains ‘fit for purpose’ and published a revised edition in April 2016.

CIPFA issued a guidance bulletin in February 2021 setting out how the organisation should take account of the impact of Covid-19 pandemic on the governance arrangements as part of its annual review. The guidance has been taken into account as part of this review.

#### What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

#### The governance framework

The core principles of good governance are set out in the CIPFA/SOLACE Framework and the first two are expected to permeate the other core principles:

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

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The Royal Borough's governance framework is summarised in its Local Code of Corporate Governance. The following paragraphs outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements, in place in 2020/21 and summarises how the principles of good governance have been met.

### **What is the purpose of a Governance Framework?**

The governance framework is set out in the Code of Corporate Governance, which is reviewed annually and updated. The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk;
- secures continuous improvement in the way that it operates;
- enables human, financial, environmental and other resources to be managed efficiently and effectively;
- properly maintains records and information; and
- ensures its values and ethical standards are met.

The governance framework has been in place during the year ended 31 March 2021.

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The AGS is an annual assessment of the governance assurance processes in place to meet the governance framework. This includes Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

In addition, 'an assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, what level of reliance they are able to place on that assurance and what potential gaps are identified in that assurance.

Effective risk management and control assurance can come from many sources within the Council:-

- functions that own and manage risks e.g. management and supervisory controls;
- functions that oversee risks e.g. Governance structures and processes such as Audit and Risk Management (ARM) Panel, Scrutiny, and Boards; and
- functions that provide independent assurance on the management of risks e.g. OFSTED and Internal/External Audit.

These help the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. This summarises the Council's governance assurance framework.

### **How does the Council monitor and evaluate the effectiveness of its governance arrangements?**

The Council annually reviews the effectiveness of its governance arrangements that have been in place during the preceding financial year. The key sources of assurance that inform this review are outlined below:

- The continued development and implementation of a Member / Management governance assurance framework, which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- Internal Audit's independent review of the effectiveness of the Local Government Pension Scheme's governance arrangements, which includes the administration of the pension fund;
- The Head of Internal Audit's annual report 2020/2021, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- The outcome of risk management activity during 2020/2021 and any critical risks identified; and
- Any comments made by the Council's External Auditors and any other review agencies and inspectorates.

A Corporate Assurance Checklist is prepared which sets out in detail the arrangements in place and how the Council believes that its arrangements have meet the CIPFA Principles of Good Governance.

### **3. Application of the Financial Management Code**

The CIPFA Financial Management Code 2019 (FM Code) was introduced from 2020/21 with 2020/21 as a shadow year, ahead of full implementation from 2021/22. A key goal of the FM Code is 'to improve financial resilience by embedding enhanced standards of financial management.'

The Director of Finance is able to demonstrate that the key principles of the FM Code are already in place; these are set out within the Council's Local Code of Governance and embedded in the Governance Framework:

- Leadership – The leadership of the Council receive reports on alternative applications of available resources, assesses the relative benefits of proposals and develop its Medium Term Financial Strategy to support the Corporate Plan.
- Accountability – The Council applies the Delivering Good Governance in Local Government Framework 2016; the AGS is produced annually with the statement of accounts by the Council, while the budgetary process is used to produce a budget annually and budget monitoring is presented to enable the Council's leadership team to make the necessary strategic financial decisions and keep those decisions under review during the financial year.
- Transparency – The Council engages with stakeholders and partners to help to develop the long-term financial strategy of the Council, its MTFs and its annual budget.

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- Standards – The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities, and fulfils its statutory obligation to set a budget annually with a statement by the Director of Finance on the robustness of the estimates and the adequacy of reserves.
- Assurance – Cabinet, Overview and Scrutiny Committees and the ARM Panel provide the key member led review bodies that oversee governance and internal control, receiving reports from the Director of Finance to enable members and chief officers to identify emerging risks and take corrective action.
- Sustainability – The Council has a Medium Term Financial plan for 2021/22, agreed by Cabinet is based on the best information available. The Plan assesses the pressures the Council is facing, and the proposals to address those pressures. It will remain subject to review, if the Government plans and timescales are not met and a further pandemic wave occurs.

The Director of Finance and the Council believes that arrangements are in place to comply with the FM Code, but will keep arrangements under review as part of its overall Governance Framework.

### 4. Review of effectiveness

The Royal Borough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, i.e. the Head of Internal Audit's annual report, and by comments made by external auditors.

The Local Code of Governance is the Royal Borough's governance framework; there are various levels of assurance, in particular the level of internal control exerted by the management of the Royal Borough summarised in the Corporate Assurance Checklist for 2020/21.

In reviewing the Royal Borough's governance arrangements in this year it has considered the arrangements in place and operating for the majority of the financial year ended 31 March 2021 and it has also considered the arrangements in response to the on-going Covid-19 Pandemic.

#### **Pandemic Governance arrangements**

The review has considered the evidence of how governance operated during the year when there were two national lockdowns and periods of restriction in place in response to the pandemic. The review has considered the effectiveness in the response to pandemic and how the operations of the Royal Borough have adapted to the rapidly changing situation.

The normal governance process included reviewing-;

- The Council's constitution which has been updated to reflect the roles and responsibilities of members in the current municipal year;
- Arrangements for communicating with the citizens of Royal Greenwich and other stakeholders which include providing information, online consultations and meetings;
- Performance management arrangements to ensure the delivery of objectives within the corporate plan within the planned resources;

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- Roles, responsibilities and training of members and officers responsible for governance;
- The process for making financially and legally prudent risk assessed decisions and reviewing decisions through the Overview and Scrutiny process;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Activities of the departmental management teams in the delivery of their services plans and the respective contributions to the corporate plan;
- The Head of Internal Audit report on the Royal Borough's internal control arrangements based on internal audit's work programme during the year to ensure compliance with policies and procedures;
- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- The findings of the Royal Borough's external auditors on the work undertaken on the governance of the Royal Borough which previously gave an unqualified opinion on the accounts.

The Council used the corporate plan 2018-2022 which makes explicit statements about the Council's objectives and how it intends to achieve these.

[https://www.royalgreenwich.gov.uk/downloads/file/3851/corporate\\_plan\\_2018\\_to\\_2022](https://www.royalgreenwich.gov.uk/downloads/file/3851/corporate_plan_2018_to_2022)

### **Governance arrangements and the Coronavirus Pandemic**

The Council began its preparations for the emerging pandemic in February 2020:

- The Director of Finance advised Audit and Risk Management Panel on 25 February 2020 that the council had begun initial preparations in relation to the growing Public Health Emergency of International Concern which was also beginning to affect global stock markets.
- A COVID-19 Taskforce was established and included officer representatives of all council services and was co-chaired by the Director of Public Health and Wellbeing and the Assistant Director, Communications and Democratic Services with the first meeting of the Taskforce on 13 March 2020.

On 16 March, the Prime Minister advised everyone in the UK against "non-essential" travel and contact with others, and to work from home if possible. By 23 March 2020 the country was in lockdown.

A range of initial actions were taken to prepare for the pandemic; internal and external communications were issued to advise staff and residents of the measures that they needed to take and to provide support and reassurance.

Measures were taken to increase remote access to the Council's network to enable more officers to work from home, particularly for those in critical roles who need access to systems not available through Office 365.

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- The Council's supplies of hand sanitizer were controlled to ensure that it was prioritised for customer-facing staff while procurement of new supplies were centralised, ensuring both that stocks were prioritised and that only hand sanitizer that was effective procured.
- The Council worked with local NHS services to increase the rate of hospital discharge, in order to reduce the number of patients in hospital, increasing capacity.
- The impact of school closures on families with children in receipt of free school meals was identified and efforts between the Council, schools and GS Plus coordinated to support families.

The London Local Authority Coordination Centre (LLACC) requested that all London Boroughs activate their Borough Emergency Control Centres (BECCs) on March 17. This activation established a Gold, Silver and Bronze procedures to ensure all decision response actions are properly recorded.

Greenwich BECC was been in operation seven days a week from this date and was staffed by the Emergency Planning and Business Continuity Team and staff from across the Council. A central part of the BECC's role during the pandemic has been to coordinate information flows to and from the pan-London, regional and national response arrangements.

The COVID-19 Taskforce then became the COVID-19 Silver Group. It provides daily updates on the impact of COVID-19 on Council services and coordinates the directorates' response to the pandemic. The response is cleared by Gold ahead of submission to the LLAC.

At the height of the pandemic the emergency planning and business continuity measures were in place to keep services operating as usual:-

- Establishing an operating framework to communicate and guide the organisation;
- Identifying priority services;
- Identifying staff at risk or absent;
- Identifying and redeploying staff to cover staff shielding and-self isolating;
- Identifying and responding to changes in need and demand; and
- Introducing other measures giving staff remote access to Council systems and facilities to continue to operating despite the Government restrictions.
- Introducing new operating rules around corporate buildings to minimise the risk of an outbreak
- Running Council meetings remotely
- Introducing on site testing for staff in Council buildings
- Redeploying staff to help off-site facility and to support the community

The Government introduced measures following the March 2020 Budget to support business, through Business rates relief and Government Grants to Local Businesses. In response, the Council has responded by ensuring that control measures are in place when allocating the support funds.

Although some easing of the restrictions occurred, plans anticipated a second wave and practices and processes were introduced in anticipation of a further lockdown which was introduced in December 2020.

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The impact on the financial position of the Council in 2020/21 has been assessed and reviewed throughout the year. The review regularly reported to Cabinet to take account of the changing situation. The adverse impact has recently been assessed at £56.8m.

The current Medium Term Financial Plan will need to be kept under review and will depend in part on some issues outside the Council's control - the recovery in the borough and across the South East Region, the impact upon businesses and employment, and the easing of the current restrictions into 2021/22,

### 5. Significant governance issues

The 2019/20 Annual Governance Statement included four areas that represented significant governance issues.

- IT Disaster Recovery and Business Continuity;
- No Recourse to Public Funds;
- GDPR and the risk of fines from data Breaches; and
- The Medium Term Financial Plan

It was agreed that the IT Disaster Recovery and Business Continuity issue would be removed, but IT would be introduced to reflect the risks associated with the move to remote working for a large

The IT Disaster Recovery and Business Continuity did not anticipate the need to allow a significant number of staff to work from home. Access was initially restricted to key staff. The subsequent solution introduced over the following weeks, was to provide remote access to many staff with their own equipment, while the Council ordered equipment for other staff. While the Council was able to respond to the first lockdown and rapidly deployed resources, the increase in remote working was not anticipated and system security carries risks. Some staff also continue using their own equipment to help the Council to continue to function.

In relation to no recourse to public funds this has been retained as a significant governance issue. The outturn position for Nil Recourse was £2.8m net expenditure and a variance of £1.8m overspend, this is a decrease of (£381k) from 2019/20. This remains an area of close monitoring and represents a financial pressure on the Council's financial position.

A significant fine resulting from a data breach under the General Data Protection Regulation remains a risk to the Council. Although there have been minor breaches, the risk of a material breach has increased with the arrangements to deal with the pandemic and the increase in significant remote working. Additional measures are proposed to mitigate this risk, such as compulsory cyber security training.

During 2020/21, the Medium Term Financial Strategy (MTFS) was closely monitored and the risks associated with the pandemic and the longer term uncertainty, locally and nationally, now presents a significant challenge and this should be included under the Annual Governance Statement. The MTFS will be revised building on the Council's Continuous Improvement model.

During 2021/22 Members of the Audit and Risk Management Panel will be kept abreast of on-going progress achieved in these areas with a view to removing each area as a significant governance issue in the next Annual Governance Statement.

The following items have been identified as issues of concern to be monitored:-

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Governance Area	Governance Control Issue	Action Required	Responsible Officer
IT - Disaster Recovery /Business Continuity	<p>The Council's IT Disaster Recovery / Business Continuity system remains a strategic risk to the Council, due to the pivotal nature of the service to the Council's operations.</p> <p>Having completed the move to our new Data Centre in Slough, the geographical risks have been replaced with contractor failure, network linkage and a new physical location.</p> <p>The Council's user estate is now operated in a hybrid mode, with some users on the core environment, while other work with cloud services. Loss of access to the cloud services is now a new strategic risk, along with the hacking of our cloud tenancy.</p>	<p>Having completed the upgrading of the core environment in April 2017, the primary risk around the TWC Data Centre has been mitigated.</p>	Director of Finance

Governance Area	Governance Control Issue	Action Required	Responsible Officer
No Recourse to Public Funds (NRPF)	<p>No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including many mainstream benefits such as Income Support and Housing Benefit. Families and individuals may have a right to financial support (accommodation and subsistence) from social services to avoid destitution or because of complex health needs.</p> <p>In these cases, the Royal Borough has a duty to support the accommodation and subsistence costs of residents with NRPF.</p> <p>These cases are often complex to assess and unpredictable as to how much they cost or how long they last. The Royal Borough receives no funding to support this work represents a significant budget pressure.</p> <p>There are also increasing legal costs and legal challenges. As Case Law expands there is a significant risk that the Council's duties and</p>	<p>The NRPF Team continues to manage the council's response to people who present as requiring support, despite the fact that they have no access to public funds.</p> <p>The numbers of families supported is falling slowly, through robust gatekeeping and supported families being processed by the Home Office and determined to now have access to public funds. Applications to the Council remain high.</p> <p>The outturn position for Nil Recourse was £2.8m net expenditure and a variance of £1.8m overspend, this is a decrease of (£381k) from 2019/20.</p> <p>The team also manages the Sanctuary Project, which is the resettlement of 20 families under a Government scheme to resettle families from UNHCR camps in the Middle East. This</p>	Director of Health and Adult Services

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	<p>responsibilities also expand.</p> <p>The issue remains as a significant governance control issue going forward and the position is under regular review.</p>	<p>project work in partnership with a range of voluntary organisation, including the Greenwich Islamic Centre, (GIC). The contract and details with the GIC are being revised.</p>	
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Governance Area	Governance Control Issue	Action Required	Responsible Officer
Data Breaches	<p>Under the UK General Data Protection Regulations (GDPR) the fine associated with a major data breach is £17.5 million.</p> <p>While the council has experienced data breaches in recent years they have been minor, and have not resulted in enforcement action by the Information Commissioner’s Office (ICO).</p> <p>There is a risk that a breach, if significant, could result in a material fine.</p>	<p>The Council has recently rolled out mandatory Cyber Security training to all staff. Completion rates for this training will be monitored to ensure staff complete this training.</p> <p>An individual rights improvement plan is being developed to improve directorates’ handling of individual rights requests.</p>	Director of Director of Improvement, Communities & Environment

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Governance Area	Governance Control Issue	Action Required	Responsible Officer
<p>Medium Term Financial Plan</p>	<p>The medium-term financial planning process is an essential part of the Council’s strategic planning framework. The Medium-Term Financial Strategy integrates strategic and financial planning over the current and subsequent four-year period. It translates the Council’s priorities into a financial framework which enables the Cabinet and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes. The Council presented a refreshed Medium-Term Financial Strategy which was approved by Council on 25 February 2021. This highlighted a pressure over the medium term (up to and including 2024/25) of £23m. There continues to be significant uncertainty in the medium term for the future funding for local government. The local government finance settlement for 2021/22 is again a one year only settlement, with the deferral again of significant reform of the local government funding.</p> <p><b>Fair Funding and Business rates reform</b></p> <p>The areas of possible reform that have been deferred are:</p> <ul style="list-style-type: none"> <li>· Fair Funding Review (including the Area cost adjustment - ACA)</li> <li>· Business Rate Baseline Reset</li> <li>· A move from 50% to 75% Business Rate Retention</li> <li>· The potential introduction of the Alternative Business Rate Retention System</li> </ul> <p>No timeline was discussed when the settlement was released in December 2020, for when these reforms are now likely to take place. The Minister when questioned said he hoped “there may be an opportunity to do so next year and my Department will work with the Treasury to review that” and when</p>	<p>A revised medium-term financial strategy will be produced building on the Council’s Continuous Improvement model.</p>	<p>Director of Finance</p>

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	<p>pressed said he was “not able to confirm when we will bring that forward” .</p> <p>These reforms are likely to be significant affecting the way local government resources are allocated at both the national and local level. There is a strong possibility that that these reforms mean local government resources are likely to be relocated from London to the districts and in particular to those areas in the north. The Covid-19 Pandemic has had , and will continue to have, an impact on the Council’s resources over both the short and medium term as the Local and National Economy seeks to recover.</p>		
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor the implementation and operation as part of our next annual review.

Cllr Danny Thorpe  
Leader of the Council

Debbie Warren  
Chief Executive

Dated: xx September 2021

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