

Committee(s)	Dated:
Audit and Risk Management Committee	05/10/2021
Subject: Annual Governance Statement 2020/21	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Town Clerk and Chamberlain	For Decision
Report author: Matt Lock, Head of Audit and Risk Management	

Summary

This report presents the Annual Governance Statement (AGS), as required by the Accounts and Audit (England) Regulations 2015 and prepared in accordance with practice guidance: "Delivering Good Governance in Local Government" – issued jointly by the Society of Local Authority Chief Executives and Senior Managers and the Chartered Institute of Public Finance and Accountancy.

Recommendation(s)

Members are asked to:

- Consider and approve the AGS, Appendix 1, for signing by the Chair of the Policy and Resources Committee and the Town Clerk and Chief Executive
- Note that the AGS will be published alongside the 2020/21 City Fund and Pension Fund Statement of Accounts
- Delegate authority to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairmen of this Committee, to amend the AGS for any relevant significant events or developments that occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

Main Report

Background

1. This report presents the City Corporation's Annual Governance Statement (AGS), preparation of this statement is a requirement of The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities. Specifically, as an audited body, the City Corporation must conduct a review each

financial year of the effectiveness of its system of internal control and publish an AGS, alongside the authority's Statement of Accounts.

2. The Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), publishes a Delivering Good Governance in Local Government: Framework and an accompanying guidance note, which represents the proper practice guidance in relation to this.
3. The AGS must be signed by the most senior officer (Chief Executive or equivalent) and the most senior Member (Leader or equivalent). Following a resolution of this Committee in March 2012, the Policy and Resources Committee approved a report on the process for producing the AGS, and approved the practice whereby the AGS is approved by this Committee and signed by the Chairman of the Policy and Resources Committee.
4. The Audit and Risk Management Committee has a key role within the 'review of effectiveness' of the City's governance framework, including the system of internal control. One of its prime responsibilities is to review the work of the internal auditors, consider the risk management framework, and consider comments made by the external auditors and other review agencies and inspectorates.

Current Position

5. While it is not usual practice for the Head of Internal Audit to take a lead role in preparation of the AGS, CIPFA guidance does allow for the Head of Internal Audit to support the process and help drive improvement in the overall effectiveness of the AGS. Owing to organisational change in the Town Clerk's department, The Head of Internal Audit has taken a more direct role in preparation of the 2020/21 statement. This included setting out a new structure for the AGS that better aligns with the published guidance, some oversight of the gathering and consolidation of supporting information and, in consultation with the Chamberlain, Deputy Town Clerk and Chief Executive and the Chief Strategy Officer, drafting the statement itself.
6. The AGS is shown as Appendix to this report, the document has been presented to the Executive Leadership Board with a deadline for comments by 4 October 2021. Any resulting amendments will be provided to the Committee, either verbally or tabled in writing depending on complexity.
7. In previous years, the AGS has been treated as standing document, setting out the governance arrangements of the organisation and something that is updated each year. This is, however, only partially in alignment with the requirements for the AGS; the intended purpose of the statement is to describe what steps the organisation has taken to evaluate the adequacy and effectiveness of its systems of governance and provide an overall conclusion thereon. Under the direction of the Head of Internal Audit, greater attention has been given to this evaluation and, as a result, the format and content of the AGS has been amended accordingly. A copy of the 2019/20 AGS is included as Appendix 2 for information and comparison should Members wish, although, Members will note that these are quite different documents and so no marked up version showing edits is available.

Conclusion

8. Members are asked to consider and approve the AGS, prepared in accordance with the requirements of The Accounts and Audit Regulations 2015 and associated recognised practice guidance. Once approved by this Committee, the AGS will be presented to the Town Clerk and Chief Executive and Chair of Policy and Resources for signature and will subsequently be published alongside the financial statements for the City Fund and Pension Fund.

Appendices

- **Appendix 1** – Draft City of London Corporation AGS 2020/21
- **Appendix 2** - City of London Corporation AGS 2019/20

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Annual Governance Statement 2020/21

Introduction

1. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.
2. The City of London Corporation is satisfied that appropriate governance arrangements are in place. The organisation is committed to continuous improvement and changes that are due to be made in the coming year will strengthen this position further.

Code of Corporate Governance

3. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the Local authority and Police Authority roles, and links together a framework of policies and procedures, all of which are published on the City of London Corporations web pages at the following location: [Corporate governance - City of London](#)

Review of Effectiveness

The Governance Review

4. Robert Rodgers, The Lord Lisvane, was commissioned to undertake an independent review of the City Corporation's governance arrangements in 2019. His findings were received in September 2020. The recommendations are far-reaching and wide-ranging and are currently in the process of being considered. Up until 31 March 2021 consideration has been given to the organisation's constitutional arrangements and support given to the abolition of the Standards Committee and the Standards Appeal Committee, the introduction of Independent Panels to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal; the creation of Innovation and Growth Advisory Board as well as an Emergency Committee to provide Member oversight in emergency situations in future. Work on the review is ongoing.

5. In parallel with the Corporation-wide Lisvane review, the City of London Police Authority undertook its own governance review in 2020/21. As a result, the Police Authority designed and implemented the following changes to improve clarity of role, the guidance and information for Members & our Communities and to strengthen decision making processes:
 - a. Role profiles for the PAB Chair, Deputy Chair, Committee Chairs, PAB and External Member
 - b. Recruitment pack along with an Induction pack for newly appointed Board or Committee Members
 - c. Refreshed Police Authority pages on the Corporation website
 - d. Bi-furcation of the Performance & Resource Management Committee into two new Committees – Strategic Planning & Performance Committee and Resources, Risk & Estates Committee to enable more detailed scrutiny of planning & performance and resource deployment.
6. The effectiveness of these new governance arrangements have not yet been tested or evaluated. An independent review by Internal Audit will be undertaken as part of their audit programme for 2021/22.
7. No material issues or weaknesses were identified in the work undertaken by Internal Audit during 2020/21. Various recommendations have been made to improve governance arrangements within individual operational areas, these recommendations do not form part of the AGS action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.
8. The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.
9. An independent debrief was commissioned during the summer 2020 recess to assess the operational response to COVID-19. The focus was on learning for the officer teams to assist in the continued mitigation of the crisis and identification of transferable learning to cope with other resilience scenarios. The results of the debrief were considered by the Policy & Resources Committee on 21 January 2021 which resolved to establish a new Emergencies Committee as part of the governance changes being implemented to address the findings of the independent review of Governance. It was further resolved that civil resilience training should be included as part of the Member development programme.

10. Lord Lisvane's Review, whilst concluded in late 2020, continues to be scrutinised by the Court of Common Council through regular Member Engagement Sessions chaired by Sherriff Christopher Hayward. Each aspect of the review and the Court's decision-making arrangements continue to be explored in detail by Members and views sought as to how the current committee structure and governance arrangements could be revised to put in place a more effective, efficient and relevant decision-making structure. Whilst some changes have been agreed and implementation is underway (Standards and Innovation and Growth), further changes will not be known until later in the year and full implementation of a revised structure is unlikely to take place until after the Ward elections in 2022.
11. New working parties (not formal decision-making), including some which were in response to COVID-19 i.e. the COVID-19 Response Working Party were created in 2020/21. Others include the Tackling Racism task Force and the Statues Working Group- all of which are Member-led and time limited with specific terms of reference.

Standards Committee

12. The review of the Standards regime resulted in the abolition of the current Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel will comprise of a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. It is currently in the process of being appointed. Its purpose will be to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal. The new regime involves a three-stage process, an informal stage which is conciliatory in nature; a formal stage involving a hearing and an appeal stage. The new Panel would also be responsible for considering requests for dispensations.
13. In the interim, other elements of the Standards Committee's work are currently retained under the auspices of the Policy and Resources Committee pending the outcome of the governance review e.g. promoting and maintaining high standards of conduct by Members and Co-opted Members and keeping under review and monitoring the following:-
 - City of London Corporation's Member Code of Conduct together with any guidance
 - City of London Corporation's Employee Code of Conduct by way of an annual update by the Director of HR
 - The Protocol on Member/Officer Relations
 - Training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct

Performance Management

14. Work is ongoing to embed a Corporate Performance Framework to ensure improved performance monitoring across the organisation. This will provide more joint up data analysis for more informed decision making.

Financial Management Arrangements

15. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "Statement on the Role of the Chief Financial Officer in Local Government" which defines the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements were reviewed and found to conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
16. The City Corporation has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency/value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee.
17. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes.
18. The EEE Health Checks are designed to achieve better alignment of business plans to the Corporate Plan, the delivery of the 2% year-on-year Efficiency and Sustainability Plan in local risk budgets, and to enable the Efficiency & Performance Sub-Committee to fulfil its duty to review periodically the performance of each Chief Officer in order to promote efficiency and value for money.
19. The City Corporation's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money.

Risk Management

20. The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management and reported to the relevant Grand/Service Committee. These arrangements have continued to operate effectively, albeit with the review of corporate and red departmental risk registers being undertaken virtually by the Chief Officers Risk Management Group.
21. The Audit and Risk Management Committee continued to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of ten corporate risks.
22. The Committee also reviewed the Chief Officer informal risk challenge process in July 2020. This has resulted in a greater focus by the Committee on the department's risk processes and arrangements. Format changes were also initiated to allow more frequent sessions being held (usually monthly) and that they take place separately from on the main Committee meetings. The new arrangements became effective from September and are considered to be working well.

Role of Internal Audit

23. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the impact of COVID-19 on frontline services, with work being reprioritised and rescheduled accordingly.
24. The Internal Audit Team completed 90% of all planned work to at least draft report stage, which is considered sufficient to inform an overall opinion as to the adequacy of the organisation's risk management, governance and internal control framework.
25. In accordance with the requirements of the Public Sector Internal Audit Standards, an annual self-assessment has been undertaken and confirmed that the City Corporation's Internal Audit function "generally conforms" with the requirements of the standards.

Audit and Risk Management Committee

26. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It has met this remit via structured independent challenge and oversight of the adequacy of Corporate and departmental risk management, in addition to the internal controls and financial reporting frameworks. Headline outcomes for the year include:

- Adding greater depth to the oversight and scrutiny of effective risk management through the Informal Risk Challenge Process and “deep dive” reviews
- Driving the continued evolution of risk management organisation wide, both on the part of Officers within departments, and also elected Members
- Challenging and supporting the organisation in its response to the COVID-19 pandemic
- Supporting the process to ensure that Internal Audit activity is focussed towards areas of most significant risk

Key Governance Issues

Impact of COVID-19

27. Under the Civil Contingencies Act 2004 the City of London Corporation is a Category 1 responder. It therefore has statutory responsibilities under the act and the emergency provisions that comes with it. The outbreak of the COVID-19 pandemic in 2020 resulted in officers deploying command and control structures in order to effectively manage the City Corporation's response to the global crisis. Officers worked, and continue to work, with Public Health England and other partners, in accordance with current Government guidance, to maintain the organisation's critical and other services and to minimise the impact of COVID-19 on the City's communities in the lead up to a return to normality.

28. At the beginning of the pandemic concerns were expressed about the level of communication with Members, particularly as not all Members were fully conversant with the emergency planning arrangements, the operation of the Gold command structure or what fell within their remit in terms of decision-making. This resulted in concerns about communication, the lack of democratic oversight and confidence in the decision-making process as well as concerns about the pace at which formal virtual meetings were introduced. It also resulted in the receipt of over 120 independent queries from Members within a 5 day period between 12-18th March.

29. A Member level Sounding Board was quickly established at the beginning of the first lockdown period, although most Members were unaware of its existence and some questioned its composition. As a result, and in order to engage Members on an informal basis more widely, a Sounding Board was replaced by thematic consultation groups covering, public services, communities, culture and finance. In doing so it acknowledged that whilst this would provide a mechanism for Members to comment on emerging issues at an early stage there were limitations as it would not always be possible or practical to canvass the views of 125 Members on all items. The Resource Allocation Sub-Committee met informally on a fortnightly basis in order to improve the transparency of urgent decisions taken.
30. The introduction of temporary emergency measures (the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020) enabled formal decision-making meetings to be undertaken in that virtually until 6th May 2021. The ability to operate in this manner was very successful, it introduced more flexibility, helped to facilitate greater public scrutiny, and aided Members and officers in conducting business more efficiently.
31. Prior to the introduction of virtual meetings, matters which required an immediate formal committee decision were dealt with in accordance with Standing Order No 41(a) i.e. under the urgency procedures. Whilst decisions taken in this manner usually involve consultation with just the Chairman and Deputy Chairman of a committee, the process was extended so that all Members of a committee were given the opportunity to comment before a decision was taken. As the emergency measures to allow for virtual meetings have now ceased, the nature in which decisions shall be formally taken, in accordance with the COVID-19 Approval Process (as agreed by the Court of Common Council on 15th April 2021) are explicit on every committee/sub-committee agenda. Those decisions are being recorded by the Town Clerk's Department as and when they are taken and are available for Member/public scrutiny. It is anticipated that these measures will remain in place until such time that the current COVID-19 restrictions, as applied by the Government, lift.
32. The management of risk has been at the heart of the governance arrangements employed to manage the City Corporation's response to COVID-19. The City Corporation's Gold group agreed a risk management protocol which set out the process by which the corporate risk for COVID-19 (CR34) and operational risks (silver/ thematic group) were identified, assessed, managed, and reported. The processes are supported by the Corporate Risk Manager.
33. The Audit and Risk Management Committee received detail of all the COVID-19 risks and in July 2020 undertook a deep dive review of the corporate COVID-19 risk.

34. An external review of the City Corporation's business continuity response to COVID-19 (undertaken in July/August 2020) recognised the positive impact of effective risk management in maintaining City Corporation services during the period from March to July 2020.

Electoral arrangements

35. The City Corporation administers electoral registration and elections in the City of London and maintains an accurate database of organisations and individuals in the City of London who are eligible to register to vote. For these purposes, three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register.

36. Common Hall is one of the assemblies through which the City Corporation operates and is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect officers of the City including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. The main role of the Sheriffs is to support the Lord Mayor in their official duties undertaken on behalf of the City Corporation. It was not possible to assemble Common Hall in June 2020 due to the pandemic. The terms of office of the existing Sheriffs and Lord Mayor were extended by one year. The Election of the Lord Mayor was conducted in October 2020 with significantly reduced attendance to ensure social distancing was maintained.

37. COVID-19 has had a significant effect on electoral arrangements. The Government passed legislation suspending the London Mayoral and Local Government Elections until May 2021. Whilst these provisions did not apply to the City of London elections, the City wide elections were due to be held within that time period. An Act of Common Council was passed in October 2020 postponing the City wide elections until March 2022. It was also agreed that no by-elections for any occurring vacancies for the Common Council prior to the 2022 elections. The Court of Aldermen also agreed to suspend the convention of resigning after a six year term or retiring at the age of 70 until Spring 2022. There have therefore been no elections held during 2020-21.

Accountability and Action Plans

38. The City Corporation proposes over the coming year to take the following actions to address the significant governance issues:

- Corporate Performance Framework will be used to provide performance information for scrutiny at Committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.
- Officer Governance has been reviewed to enable more agile and proactive working. From June 2021 The Executive Leadership Board (ELB), made up of our senior leadership team with quarterly attendance from Heads of Institutions, will set, refresh and align on strategy, share major risks, review performance, make key decisions, manage talent & succession and collaborate across the organisation. Tier 2 leaders across the organisation will also be invited to attend quarterly meetings of the refreshed Senior Leaders Forum (SLF), which will connect on plans across the organisation, shaping strategy, initiatives and decisions before they are escalated to the ELB.
- Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.
- Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.
- Risk management maturity exercise to be undertaken.

This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on xxx.

John Barradell
Town Clerk and Chief Executive
Date: September 2021

Catherine McGuinness
Chair, Policy and Resources Committee
Date: September 2021