

Report of:	Chief Executive (Head of Paid Service), Director of Legal and Governance Services (Monitoring Officer) and the Director of Finance (Section 151 Officer)
Submitted to:	Corporate Affairs and Audit Committee
Date:	22 July 2022
Title:	Draft Annual Governance Statement 2020/21
Report for:	Discussion
Status:	Public
Strategic priority:	All
Key decision:	Not applicable
Why:	Not applicable
Urgent:	Not applicable
Why:	Report is not for an Executive committee of the Council.

Executive summary

This report sets out the current draft of the Council's Annual Governance Statement 2020/21, outlines the reasons why it is not currently able to be finalised and the planned steps to ensure it is brought to a point where it can be finalised within a short period of time.

Purpose

1. The purpose of this report is to summarise the impact of the serious and pervasive governance and cultural concerns that have been articulated by EY, the External Auditors on the finalisation of the 2020/21 Annual Governance Statement and the planned way forward.

Background and relevant information

2. As set out above, in presenting their Value for Money judgement to the Council, EY have identified serious and pervasive governance and culture concerns with the operation of the Council.
3. It is clear from the above, that the improvement required will demand widespread political acceptance of the issues raised and a fundamental change to the way that that elected members behave from across the political spectrum.
4. It is also clear that at times officers have been complicit in the delivery of poor governance arrangements. Management action has been taken to address this and will continue to be taken.
5. Having considered the evidence base, the statutory Chief Officers are in agreement with the EY judgement and are also in agreement with the actions that are required to deal with those concerns.
6. As part of steps to ensure full understanding of the issues identified and the change required, significant correspondence and discussion has taken place between the three statutory Chief Officers, the Elected Mayor and Deputy Mayor, the Chair of Corporate Affairs and Audit Committee and Ernst Young.
7. The improvement required will only be achieved through a very rapid and widespread change in the political culture of the Council and a fundamental change in the way that elected members behave. Following careful consideration of discussions that have taken place and other evidence available to them outside of the audit period, it is the view of the Head of Paid Service and the Section 151 Officer that there are significant risks that must be acknowledged and addressed fully in order to afford the best opportunity for improvement. In summary these relate to:
 - The sheer size and scale of cultural change required. Wholescale understanding of the concerns raised; full acceptance of them; an acknowledgement of the individual and collective contribution to failings and a demonstrable willingness to change behaviour is not yet evident and;
 - a belief that since April 2021 relationships between elected members and officers have deteriorated further and that as a result there now exists a more pervasive culture than that evidenced in 2020/21.
8. The Head of Paid Service and the Section 151 officer are unable sign the AGS as is required until such time that these risks are fully acknowledged and reflected within the document.

9. The Head of Paid Service and Section 151 are intent on securing the required revisions and have the statement agreed and signed by the relevant parties as soon as these points can be properly documented and agreed by all signatories.
10. Members are advised that the 2021/22 Annual Governance Statement (AGS), due to be published in draft form once the 2020/21 AGS has been finalised, will confirm that these issues continue to exist. The report further on this agenda entitled 'Commencing a Corporate Governance Improvement journey' sets in more detail, the planned actions to engage all stakeholders further, develop a consensus of opinion on the fundamental issues and development of a way forward.

What decision(s) are being recommended?

11. That the Corporate Affairs and Audit Committee notes the current position and is supportive of the planned approach to address the issues outlined.

Rationale for the recommended decision(s)

12. The planned actions will ensure the Council's Annual Governance Statement 2020/21, once finalised, will fully articulate the size of the improvement journey required by the organisation to ensure full adherence to the Local Code of Corporate Governance.

Other potential decision(s) and why these have not been recommended

13. The responsible officers could have signed the statement as it currently stands. In its current form it does articulate the governance concerns, however given the seriousness of the issues and the pervasiveness, it is felt that sections of the statement require strengthening further. Articulating the risks that exist to the successful delivery of improvement plans will provide clarity and focus.

Impact(s) of the recommended decision(s)

Legal

14. There is a legal requirement that the Statement of Accounts is finalised within a statutory timetable. This timetable has lapsed by ten months. While the decision of the Chief Executive and the Section 151 officer will delay completion of this process further, it is felt that this is the prudent approach to take, given the need to ensure that any improvement plan has the best chance of success possible.

Strategic priorities and risks

15. The risk articulated in the existing risk register and set out below is no longer a risk, it has become an issue which must be proactively and effectively addressed:
 - O8- 054 'Failure to adhere to the Local Code of Corporate Governance and deliver governance improvements outlined in the Annual Governance Statement'.

Human Rights, Equality and Data Protection

16. Not applicable.

Financial

17. There are no direct financial costs associated with this report, although the delays in the process for signing off the Statement of Accounts, which are partially as a result of the need to complete further investigations in relation to governance concerns, have increased the cost of fees payable to the auditor.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Revise the Annual Governance Statement to ensure it explicitly articulates the risk of non-delivery and the commitment of key stakeholders to ensuring those risks do not occur.	Chief Executive	August 2022

Background papers

Body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt – Best Value Inspection of Liverpool City Council	5 August 2021
Corporate Affairs and Audit Committee	Boho X – draft findings from internal audit and proposed management response	6 April 2022
Corporate Affairs and Audit Committee	Statement of Accounts 2020/21;	22 July 2022
Corporate Affairs and Audit Committee	Lessons learned – Best Value and external assurance within other councils.	22 July 2022
Corporate Affairs and Audit Committee	Commencing a Corporate Governance Improvement Journey.	22 July 2022

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