

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 North Kesteven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.3 The Council has approved and adopted a code of corporate governance in line with good practice. A copy is on the Council's website at www.n-kesteven.gov.uk or can be obtained from the Chief Executive, District Council Offices, Kesteven Street, Sleaford, Lincolnshire NG34 7EF.
- 1.4 This statement explains how The Council has complied with the code and meets the requirements of *Accounts and Audit (England) Regulations 2011, regulation 4(3)*, which requires the Council to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework is the systems, processes, culture and values, by which the Council is directed and controlled and its activities account to, engage with and lead the community. 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.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Statement of Accounts.

3. The Governance Framework

- 3.1 The Council's governance framework is made up of the many systems, policies, procedures and operations it has in place to do the following.
- **Publish the Council's vision and objectives for local people and others who use its services.**
The Council's Corporate Delivery Plan for 2013-17, known as the NK Plan sets the framework for Members, Officers, Communities, Organisations and Individuals, to work together to deliver our vision of "100 Flourishing Communities".

The NK Plan is about making a difference in North Kesteven. It is a plan designed to ensure that the Council continues to deliver excellent services in North Kesteven, whilst tackling the main challenges facing the district, either through our own direct action, or by promoting, facilitating and supporting other partners who share our vision. As a result, the Corporate Delivery Plan shared the same priorities and key outcomes with the PartnershipNK Plan, a District wide Community Plan delivered by a wide range of stakeholders operating in the district.

The Corporate Delivery Plan had four main priorities, Our Economy, Our Homes, Our Communities and Our Council, with each underpinned by a set of objectives. To ensure that we were tackling the 'right' things, our Corporate Plan priorities objectives and actions were informed by widespread engagement with residents, communities and partners. Individual Service delivery plans were then used to facilitate the delivery of these key objectives. The core structure of the Council's delivery framework is described in detail in the following sections.

The Council also publishes an Annual Report which demonstrates the progress made against the NK Plan; as well as additional achievements of the Council during the year with the inclusion of a communications annual plan to set out key campaigns to engage or inform customers each year.

The Council was the first district council to go through the "Peer Challenge" review in 2012/13 and established an action plan which has now been delivered against. As part of its work programme for 2015/16, the Council intends to enter a Peer Challenge review again to help it mark its improvements and help identify further opportunities for improvement.

- **Review the Council's vision and objectives and the effect they have on its governance arrangements**

The Council has recognised that the conflicting pressures of significant growth within the district over the next 20 years; alongside the significant revenue grant reductions from Central Government will have a considerable impact on the way the Council will need to operate in the future.

As a result, the Council has reviewed its approach to corporate planning during 2013/14, and has developed a Corporate Delivery Plan with a five year outlook. Whilst retaining the same four priorities, which are considered to be the cornerstone to the Councils visions, the Corporate Delivery Plan is now supported by a set of focussed Objectives and Ambitions, which are more outcome-based. This is a significant move away from the annual service delivery plans previously produced; and allows the Council to plan and monitor for the future.

The Council consulted with a total of 6,686 residents, stakeholders, partners and organisations operating in the District to ensure that the focus for the next five years, would meet the expectations of our residents in achieving a good quality of life in North Kesteven, whilst ensuring that these plans contributed to the Corporate Delivery Plan.

A Revised Partnership Health Check was conducted in 2013/14 to produce a health check assessment for each Partnership.

- **Measure the quality of the Council's services and make sure they are provided in line with the Council's vision and objectives and that they provide value for money and the best use of resources.**

Performance management arrangements ensure that clear and effective management is in place, including the monitoring and delivery of key programmes of work which are targeted to achieve the Corporate Delivery Plan objectives. Regular performance reporting is made to senior officers of the Council, the Executive Board and the Performance and Resources Overview and Scrutiny Panel; demonstrating achievement of specific actions, measurement of key performance indicators, financial performance and risk management.

The Combined Assurance Report has been updated whilst Audit Lincolnshire now provides Risk Management support for the Council with a revised Risk Module in Inphase.

This is further enhanced by established budget monitoring arrangements and the establishment of a Value for Money and Efficiency Member and Officer working group that monitors the Council's services in terms of performance and cost amongst similar type councils.

The Council has adopted an updated Value for Money Strategy in line with External Audit Assessment criteria.

The Council is a partner of the Procurement Lincolnshire shared service which has helped the Council deliver £2.0 million in procurement savings during the year.

Services are delivered by suitably qualified and experienced staff with all staff subject to an annual Employee Development Interview (EDI) and Competency Framework and all posts have detailed job descriptions and person specifications. EDI's are an important tool to maintain the golden thread of the Corporate Plan through to individual officers and the work they perform throughout the year. An annual staff survey is also conducted in order to gauge the views and opinions of staff.

During the year the Council received 65 stage 1 complaints regarding its services which is very low. Also during the year the Local Government Ombudsman made decisions regarding 14 complaints and enquiries it received during the year regarding the Council and 1 which it rolled forward from 2012/13. All but one of these, which it upheld against the Council, the Ombudsman declined to investigate.

- **Define and record the roles and responsibilities of those involved in making the Council's policies and decisions, showing arrangements and procedures for effective communication.**

Following the Council's earlier comprehensive review of its Constitution further refinement was approved by Council in January 2014 to ensure it continues to appropriately reflect how the Council operates and how decisions are made. The Constitution incorporates a clear scheme of delegation showing the decisions that can be made by Members and officers of the Council and how these are to be communicated.

The Council also has a Scrutiny role that supports three Overview and Scrutiny Panels which review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. As part of their role overview and scrutiny panels have set up "Task and Finish" groups to consider specific items of concern which have been reported back to the Executive Board.

- **Develop, communicate and follow codes of conduct that define standards of behaviour for Members and staff.**

The Council's Corporate Management Team (CMT), the Head of Paid Service, the section 151 officer and the Monitoring Officer, supported by a deputy Monitoring officer and an Independent Person, oversee the Council's main ethical documents and processes and work closely with Members to ensure these are fit for purpose and upheld.

Support and Advice is given by Lincolnshire Legal Services, with a Countrywide Monitoring Officer Group establishment. An online Register of Interests for the District and Parish Councils, quarterly briefings and Police liaison all work towards this aim.

The Council has in place the following:

Codes of conduct for Members and officers;

Whistleblowing policy;

Anti-Money Laundering Policy;

Anti-Bribery Act policy;

Anti-fraud and corruption policy;

Registers of declaration of Interest, Gifts and Hospitality, Outside Commitments;

The Council Maintains a Members register of interests and Gifts and Hospitality.

Member Handbook

Member Training Plans

Member Charter

Standards Committee

Employee Code of Conduct

Staffing Policies and Procedures

Social Media ICT policies

Training Members and Officers on aspects such as Standards requirements

The Council maintains a Standards Committee which is supported by two independent advisers to monitor Member conduct of the Council, Town and Parish Councils. A Member handbook has been produced and is regularly updated and training on standards and ethics has been provided.

The Member Charter re-accreditation has been achieved in 2013.

- **Review and update the Council's standing orders, financial regulations, scheme of delegation and supporting procedure notes and manuals, all of which clearly define how the Council makes decisions and manages risks.**

Effective management is based on a framework of regular management information, financial regulations, standing orders and a structure of varying levels of responsibility. As part of the review of the Council's Constitution all of these were reviewed to ensure they are robust and reflect how the Council works.

Each year the Audit Committee approves the Council's Risk Management Strategy and receives, at each meeting, a progress report on the Council's strategic risks. The Council's Chief Internal Auditor meets regularly with Heads of Service and their management teams and with members of CMT to ensure risks and actions around both strategic and operational risks are up to date.

Policies and Procedures relating to ICT have been updated, leading to accreditation of the Government's Public Sector Networks. A shared ICT infrastructure with West Lindsey District Council has been established. Enhancements have been developed to the "Inphase" system to assist with the management of projects and programmes. Additionally during 2013/14 the Council has updated its Information Management policies, including those relating to Freedom of Information, Environmental Information Regulations, Data Protection and Records Management and Retention.

- **Make sure the Council's financial management arrangements meet the governance requirements of the *CIPFA Statement on the role of the Chief Financial Officer in Local Government*.**

The Deputy Chief Executive is the Council's Chief Financial Officer (section 151 officer) and is part of the Council's CMT. Therefore, the Council conforms to all aspects of CIPFA's Statement on the Role of the Chief Financial Officer, ensuring that the finance function is resourced and fit for purpose, is involved in all material business decisions and has in place medium term financial planning processes.

The Audit Committee has reviewed these requirements and is satisfied with the Council's arrangements.

- **Ensure the Council has effective management of change and transformation.**

The Council is committed to ensuring that its services provide value for money, are effective and are customer focussed. It also recognises that the nature of some services will need to change as a result of the growth agenda. As a result, in 2012-13, the Council commissioned a three year transformation programme, to systematically review its services and ensure that it is effective and efficient as possible, utilising resources to best effect and preparing for the future.

In 2013/14, the Executive Board agreed the Tranche 1 element of the Transformation Programme, whilst detailed projects under the programme have been identified for 2013-2015.

The Council also has a change management policy. This has been revised during the year to ensure that it remains fit for purpose and treats staff fairly.

- **Carry out the main functions of an Audit Committee, as identified in *CIPFA's Audit Committees: Practical Guidance for Local Authorities*.**

The Council has operated an Audit Committee set up on the recommendations of CIPFA's Audit Committees: Practical Guidance for Local Authorities since 2006.

The Audit Committee recommends for approval and robustly challenges, the Council's annual Statement of Accounts and also gathers many of the Council's assurances around its governance arrangements. Through the year the Audit Committee reviewed the Council's arrangements for Risk Management, Anti-fraud & Corruption, Anti-Money

Laundering, Whistleblowing, the Internal Audit Strategy and Plan and progress, Annual Audit Letter and external auditor opinion and reports.

Also the Council produced a "Combined Assurance Report" which assesses all of the Council's functions and the ways the Council achieves assurances that they are operating effectively. This has identified a number of areas for the Audit Committee to monitor as part of its work plan.

In 2013/14 Audit Lincolnshire have been engaged in a trial capacity to carry out the role of the previous Chief Internal Auditor. An update of the combined assurance map has been completed, an Audit Charter developed and Audit Lincolnshire's compliance with International Auditing Standards has been ensured.

- **Ensures the Council follows all relevant laws and regulations, internal policies and procedures, and that spending is legal.**

The Corporate Director is the Council's Monitoring Officer and is supported by a deputy Monitoring Officer. Furthermore, the Council is part of Legal Services Lincolnshire which allows access to a wider and more knowledgeable legal resource. All reports for decision are required to be considered for any legal issues and these are documented as part of the report.

The Council maintains an internal audit service which is similar to the legal partnership in that the Audit Lincolnshire partnership gives the Council benefits from wider access to an experienced resource that can report on the specialised and complicated practices of the Council.

The Council also has a Policy function which identifies upcoming changes in legislation and reports these through to Heads of Service and their management teams.

These arrangements help to safeguard the legality of all Council activities.

- **Ensure arrangements are in place for whistleblowing and for receiving and investigating complaints from the public are in place and are well publicised.**

The Council has in place a Whistleblowing Policy and a Complaints Policy, which have been reviewed by the Audit Committee during the year, and is committed to maintaining effective reporting arrangements to ensure that where an individual, whether an employee, Member, or any member of the public, has concerns regarding the conduct of any aspect of the Council's business, they can do so through a variety of avenues. All staff receive a regular leaflet detailing whistleblowing arrangements.

- **Identify the development needs of council members and senior officers and support them with appropriate training.**

The Council has the East Midlands Member Development Charter accreditation. A Member Development Panel oversees the Council's processes for the development and training of Members. Specific training plans are in place for Members along with an extensive induction plan for all new Members of the Council with an expanded Member Development Programme established for 2013/14.

The Council has a Workforce Development Strategy and is currently Investor In People (IIP) accredited and working towards the bronze standard. An officer training programme

is devised each year based on the needs identified from all the employee EDI's conducted during June. Each officer has a specific job description and person specification and is required to be assessed under the Council's Competency Framework as part of the EDI process.

- **Have in place clear ways of communicating with all sections of the community and other stakeholders, making sure the Council is responsible for what it does and encourages open consultation.**

The Council has a Communication Strategy covering both external and internal communication. It also conducts a number of consultation events specifically around the budget setting time to inform residents, businesses and partners of the work of the Council, to receive feedback on the performance of the Council and on its future expenditure plans.

The overall consultation events have engaged 6,686 residents. As part of this consultation, 87% felt the Council provides good quality services with 81% believing the Council offers value for money.

The Council produces regularly a number of publications such as NewsNK and AT Home to inform residents and tenants of the work of the Council, and issues that are likely to affect them. Furthermore during 2013/14 the Council has explored the use of social media as channels to communicate with its residents and customers.

As part of the Communications Strategy, a communications annual plan to set out key campaigns to engage or inform customers each year.

- **Include good governance arrangements in the Council's working relationships with its partners as identified in the Audit Commission's report on the governance of partnerships, and reflect these in the Council's overall governance arrangements.**

The Council has a partnership policy and maintains a register of the significant partnerships it is involved with. This includes a template and checklist to ensure key aspects of governance are included in all partnerships the Council enters into despite their varying nature, with a revised template adopted for Partnership health checks and assessments.

During the year, a detailed annual review of all partnerships has been conducted to ensure it has strong governance arrangements in place wherever and whoever it works in partnership in order to deliver against its Corporate Delivery Plan.

4. **Review of Effectiveness**

- 4.1 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 review of effectiveness is informed by officers, Members of the Audit Committee, senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments expressed by the Council's external auditors.

4.2 The review found that the Council had all the necessary parts of the framework in place. The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

- *The role of the Council:*
Members of the Audit Committee have participated in the annual review of the Council's corporate governance arrangements;
The leader of the Council and The Chief Executive have overseen the review and signed the Annual Governance Statement.
- *The role of the executive;*
The findings of the governance review have been reported to CMT and the Executive Board for their consideration and approval of the Annual Governance Statement.
- *The role of the Audit Committee;*
The findings of the annual governance review have been reported to the Audit Committee and they have satisfied themselves that the Annual Governance Statement properly reflects the risk environment and the actions required to improve it.
- The Deputy Chief Executive (the Chief Financial Officer) and the Head of Business Management have directed, co-ordinated and overseen the review.
- All Heads of Service have participated in the annual governance review.
- Audit Lincolnshire's planning processes include consultation with all chief officers and reviews of the corporate risk profile. Audit work is risk based and includes risks in relation to service objectives. Audit Lincolnshire carries out regular systematic auditing of key financial systems and produced a "Combined Assurance" report to holistically assess the sources of assurance gained around all of the Council's functions to better direct the work of the internal audit service in the future.
- The Audit Commissions Annual Audit Letter for 2012/13 is very positive and provides an unqualified opinion on the financial statements and an unqualified VfM conclusion for the Council. The report confirms that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

4.3 The Audit Committee has advised on the implications of the result of the review of effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose. The areas already addressed and those to be specifically addressed in the future are outlined below.

5. Significant Governance Issues

5.1 The table below reviews the progress made against the issues raised as part of the 2012/13 Annual Governance Statement process.

Action	Achievement
Updating of policies and procedures relating to the Council's ICT.	The Council has undertaken work to update the procedures as part of the move to accreditation under the Governments Public Sector Network compliance requires. The Council has achieved accreditation, which includes external audit of the data security and related procedures. In addition, the Unit have also updated a ranges of procedures related to Internal Audit feedback, which have been shared with Internal Audit; and are awaiting the formal audit process. This work has been undertaken in conjunction with West Lindsey

	District Council to support the future ICT shared infrastructure between the two parties.
Revised Risk Management arrangements following the retirement of the Chief Internal Auditor.	The Council has agreed to trial arrangements with its internal audit provider, Audit Lincolnshire, for the provision of Risk Management support for the delivery of a Risk Management Strategy, support to the Strategic Risk Register process and assisting Heads of Service with a review of risks within their remits. The outcome of this trial will inform the Council of a more permanent way forward during 2014/15.
Re-running of Anti-fraud training for officers and members.	Planned to be begun before the end of the financial year although it is likely to take several months to ensure all colleagues and Members of have successfully being through the training.
Arrangements to meet the adoption of International Standards for Internal Audit.	The Council has an "Audit Charter" in place and its internal audit provider, Audit Lincolnshire, has been through a process to ensure they meet the standards and identify any gaps with an action plan where appropriate. An exercise to look at the holistic view for North Kesteven is to be performed to see if it has any gaps that needs to be addressed that would not naturally be picked up through Audit Lincolnshire's action plan.
Review of the robustness of the Council's Information Management arrangements.	The Council have undertaken a review and updated their Information Management Policies; and these have been reviewed by the Audit Committee. The next stage is to update formal records of information within the Council; which has to be undertaken by the individual record holding service units. Consideration is also being given during that review as to the feasibility to move any outstanding manual or paper based records to an electronic format where possible. The Council is also in the process of replacing its intranet; which will be implemented in April 2014 and is expecting to use the intranet as a repository for corporate and shared documents; and to facilitate agile working across the organisation.

5.2 The following items have been recognised during the review of effectiveness as items to enhance the Council's governance arrangements and therefore, will be monitored and reported upon by the Audit Committee:

- Risk Management Training for Managers
- Conduct Anti-fraud eLearning training to all officers and Members
- Established revised fraud investigation arrangements.
- Delivery of Transformation Tranche 2 business cases
- Formulise relationship with Audit Lincolnshire
- Conduct a full review of business continuity plan
- Implement audit of safety arrangements.
- Review whistleblowing arrangements in light of Government recommendations
- Establish induction programme for new Members
- Completion of revised communication strategy and review of communication channels

5.3 It is proposed that over the coming year, steps to address the above matters to further enhance the Council's governance arrangements are taken. These steps will satisfactorily

address the need for improvement that was identified in the review of effectiveness and will be monitored as part of the Council's next annual review.

Signed:

Leader of the Council

Chief Executive