

Annual Governance Statement 2016/17



districtnk
North Kesteven District Council

Contents

3	Introduction
4	Scope of Responsibility
6	The Process of Reviewing the Council's
7	Purpose
10	Activities and the Code/Charter
15	Reviewing the Effectiveness of Our
16	Statement of Significant Governance
19	Combined Assurance
21	Looking Back on 2015/16

Introduction

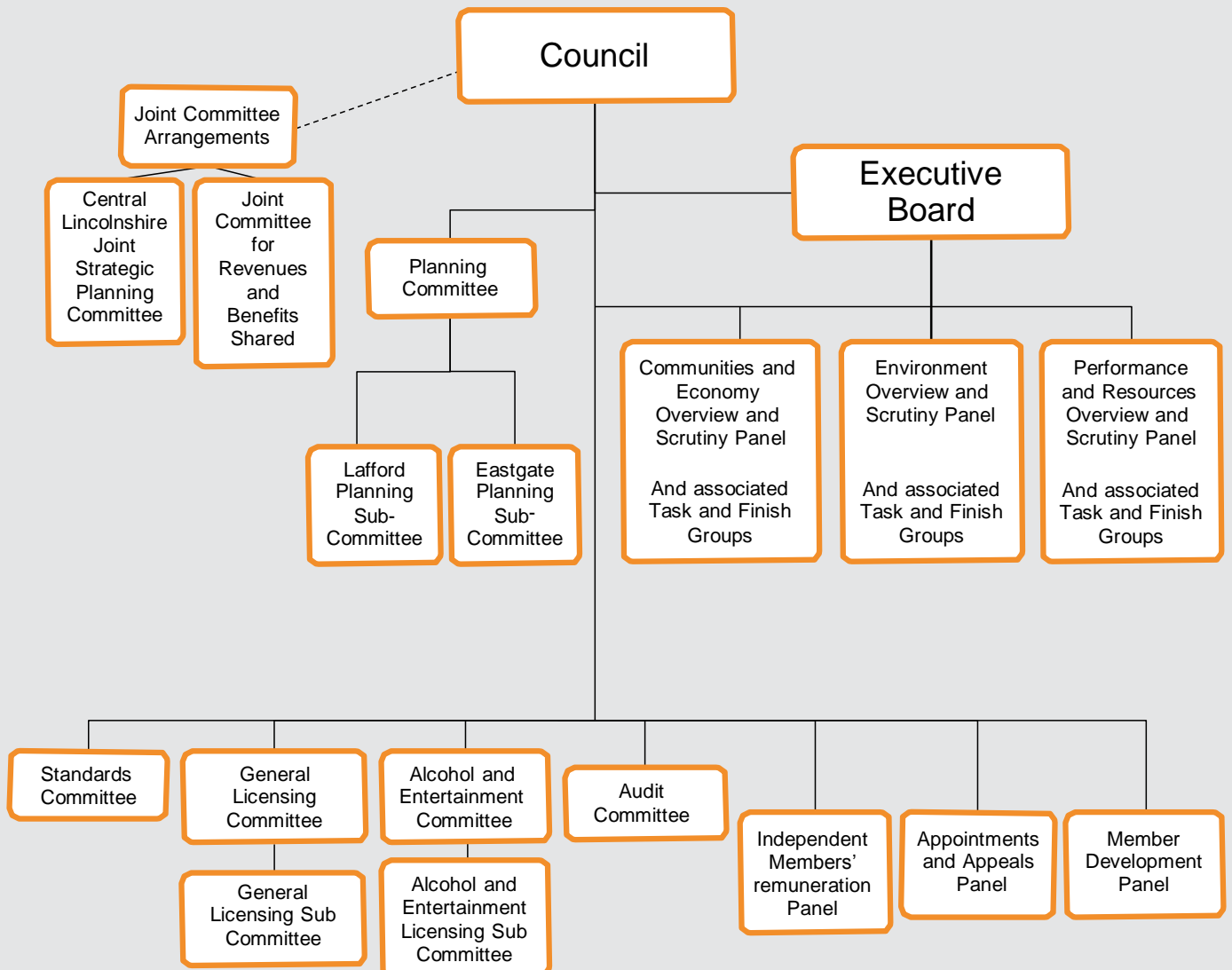
North Kesteven remains a great place to live, work, and visit. The district population continues to grow at a faster rate compared with most of England, driven mainly by people moving into the district from other parts of the UK.

Sustainable growth is key to our ongoing success. As such we will look during this year to develop the theme of “Our Environment” with a focus on four key areas: Places, Sustainability, Heritage, and Climate.

Ambitions

- 1** Customer focused NKDC
- 2** High quality, value for money NKDC
- 3** Open and accountable NKDC

NK District Council – 43 Members



Scope of Responsibility

North Kesteven District Council is responsible for ensuring that its activities are conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in exercising its functions having regard to a combination of economy, efficiency and effectiveness.

In discharging its responsibilities the Council has put in place arrangements for the governance of its activities which facilitate the effective exercise of its functions including arrangements for the management of risk.

The Chief Executive, Deputy Chief Executive (Monitoring Officer) together with the Head of Finance and Resources are members of the Councils Corporate Management Team. Through this arrangement the Council conforms to the CIPFA requirements and guidance as set out in the CIPFA framework.

The Head of Finance and Resources is the Councils Chief Finance Officer. Their role is to:

- Help the Council develop and implement strategy and to resource and deliver the Councils strategic objectives sustainably and in the public interest.
- Influence all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the Councils financial strategy
- Lead the promotion and delivery of the Councils priorities and ambitions with good financial management, ensuring that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively

In the delivery of their responsibilities the Chief Finance Officer leads a finance function that is adequately resourced and fit for purpose and they are qualified and suitably experienced.

North Kesteven District Council has in place corporate governance arrangements and has adopted a local Governance Charter. This Charter is consistent with the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

This Annual Governance Statement explains how North Kesteven District Council has complied with the Charter and Framework and it also meets the requirements of Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare and publish an annual governance statement.

Whilst a detailed analysis of the Councils governance arrangements leads to the production of the Council's AGS it should be noted that issues may arise after this date that require inclusion in the AGS. These may arise, for instance, through the Internal Audit work programme and where this does occur every effort will be made to review the implications and determine whether it should be included within the AGS.

It should also, be noted that work around the Councils Governance arrangements does not stop with the production of the AGS and continues throughout the year as part of the Councils normal operational activity.

The Process of Reviewing the Council's Corporate Governance Arrangements

To ensure an effective and fit for purpose review of the Councils governance arrangements a team of Members and Officers reviewed over 60 pieces of evidence and considered these against the CIPFA Guidance and the Councils Governance Charter with full engagement as follows;

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

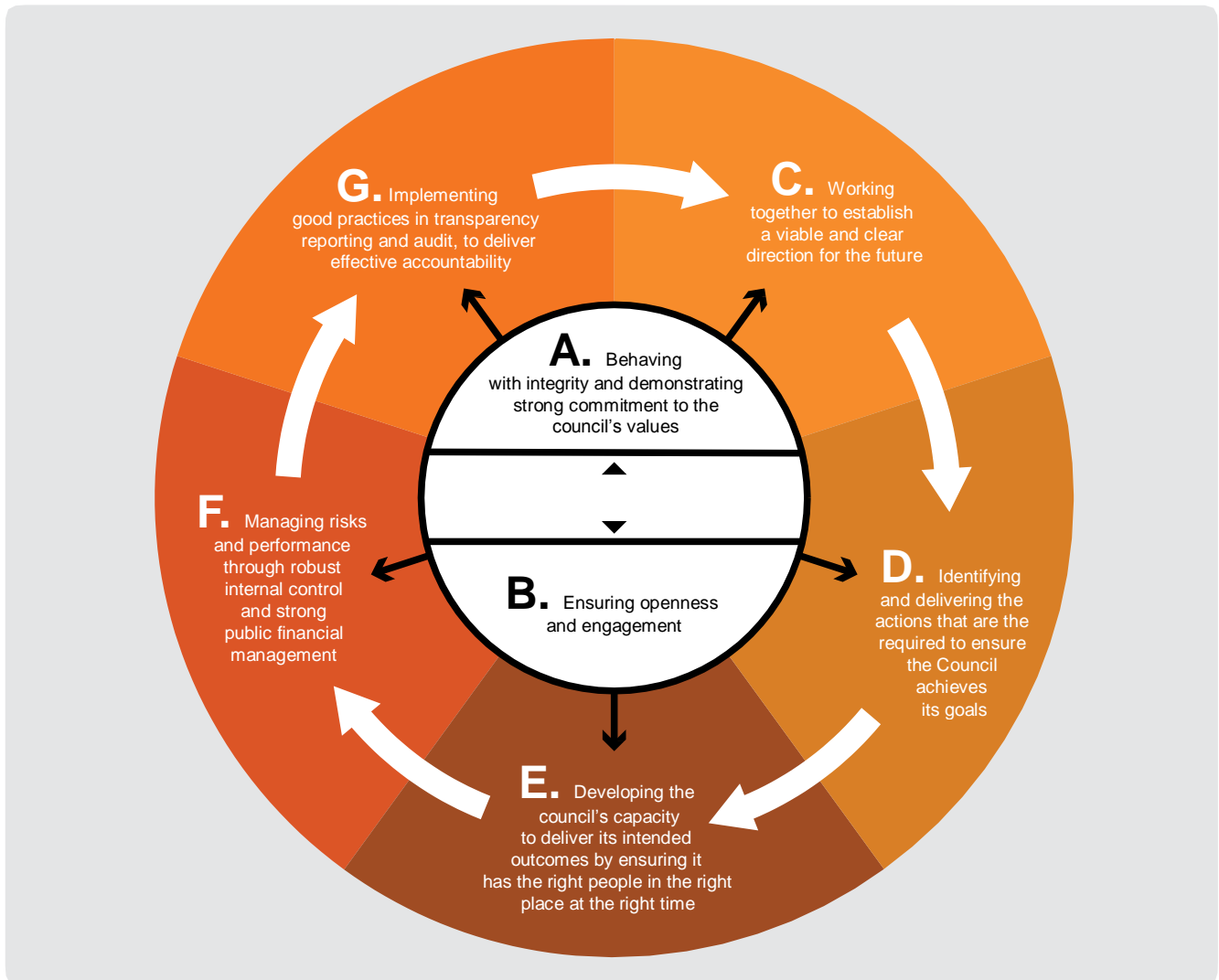
- The findings of the governance review have been reported to Corporate Management Team and the Executive Board for their consideration.

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

Purpose

The Council's Governance Charter comprises the systems and processes, culture and values by which the Council is directed and controlled. The Charter places sustainable economic, societal and environmental outcomes as a key focus for the Council's governance framework. This has been developed to enable the Council to shape its own approach to effective governance which takes into account the Council's Vision, Corporate Objectives and Values.



The purpose of the Charter is to do the right things, in the right way for the right people in a timely, inclusive, transparent, efficient and accountable manner.

At the heart of the Council's Governance Charter are the core principles of good governance. The Charter uses the International Framework as its foundation but has interpreted the core Principles to ensure they accurately reflect the Council's governance arrangements, behaviours and outcomes.

The Council's Governance Charter sets out the Council's commitment to the principles of good governance, establishes the Council's local structure and ensures that it operates effectively in practice and in a way which supports our corporate priorities.

North Kesteven District Council is committed to ensuring good governance throughout its activities and the code/charter commits the Council to following the principles as set out below:



A. Behaving with integrity and demonstrating strong commitment to the Council's values. How we do this:

- Members and officers behave with integrity and lead by example at all times
- Creating the environment to ensure that the statutory officers and other key post holders are able to fulfil their responsibilities
- Striving to use the authority's full powers for the benefit of its citizens, its communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring fraud, corruption and misuse of power are dealt with effectively



B. Ensuring openness and engagement. How we do this:

- Demonstrating, documenting and communicating the Council's commitment to openness
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, being clear about the impact and consequences of those decisions.
- Effectively engaging with stakeholders to ensure that outcomes are achieved successfully and sustainably
- Developing formal and informal collaborative arrangements with other institutional stakeholders (such as other public sector bodies, third sector or private sector entities) to allow for resources to be used more efficiently and outcomes achieved more effectively



C. Working together to establish a viable and clear direction for the future. How we do this:

- Having a clear vision and strategy of the Council's purpose and intended outcomes defined on a sustainable basis within the resources that will be available
- Managing expectations effectively with regard to determining priorities and making the best use of the resources available
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the authority's intended outcomes and short-term factors.
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible and appropriate.



D. Identifying and delivering the actions that are required to ensure the Council achieves its goals. How we do this:

- Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered
- Ensuring best value is achieved and establishing and implementing robust control processes that cover strategic and operational plans, priorities and targets by preparing budgets in accordance with organizational priorities, strategies and the medium term financial plan
- Considering feedback from service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage
- Ensuring the achievement of 'social value' through service planning and commissioning

Continued:

**E. Developing the council's capacity to deliver its intended outcomes by ensuring it has the right people in the right place at the right time. How we do this:**

- Ensuring the capabilities of senior management enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks
- Reviewing operations and performance on a regular basis to ensure their continuing effectiveness and enable learning
- Developing and maintaining robust procurement policies and procedures which place emphasis on the Council's ethical values and objectives and deliver cost effective goods and services
- Appointing a senior officer (the S151 officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and maintaining an effective system of internal financial control
- Appointing a senior officer (the monitoring officer) is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with
- Ensuring members and senior officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities
- Implementing appropriate human resource policies and ensuring that they are working effectively and creating an environment where staff can perform well and ideas and suggestions are welcomed.

**F. Managing risks and performance through robust internal control and strong public financial management. How we do this:**

- Recognising that risk management is an integral part of all activities, is regarded as a continuous process and the implementation of robust and integrated risk management arrangements which are aligned with achieving the authority's objectives
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group or function which is independent of the executive provides a further source of assurance regarding the authority's arrangements for managing risk and maintaining an effective control environment
- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used
- Ensuring well developed financial management is integrated at all levels of planning and control including management of financial risks and controls.

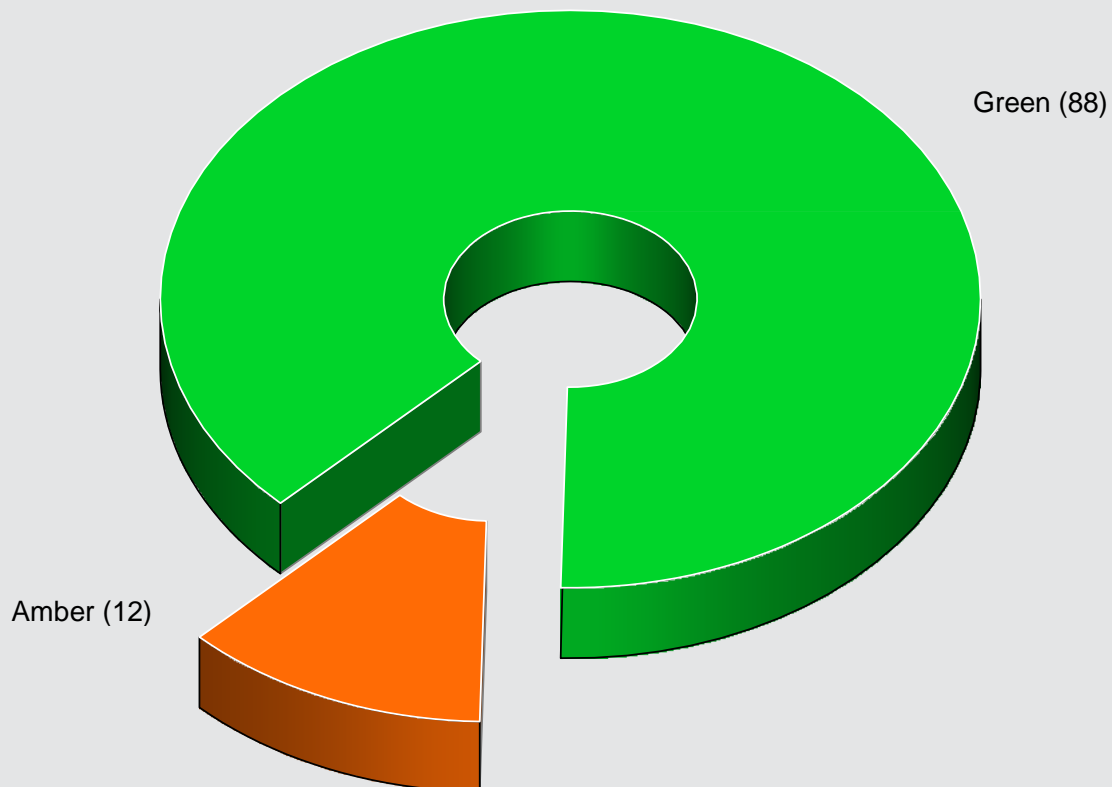
**G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability. How we do this:**

- Reporting at least annually in a timely manner to demonstrate to stakeholders in an understandable way on issues including how the authority is performing, whether it is delivering value for money and the stewardship of its resources
- Ensuring that an effective external audit service is in place and acting on recommendations made for corrective action
- Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to the authority's governance arrangements and recommendations are acted upon
- Welcoming peer challenge, reviews and inspections from other bodies.

Finance and Resources

High levels of assurance have been achieved across the Finance and Resources Division. The introduction of a new working practices and senior management changes have now been embedded and are working successfully. The lower level of assurance predominantly relates to embedding new risk management systems. Arrangements are in place to monitor use and ensure colleagues across the council are engaged and trained appropriately in the use of the new systems.

Finance and Resources



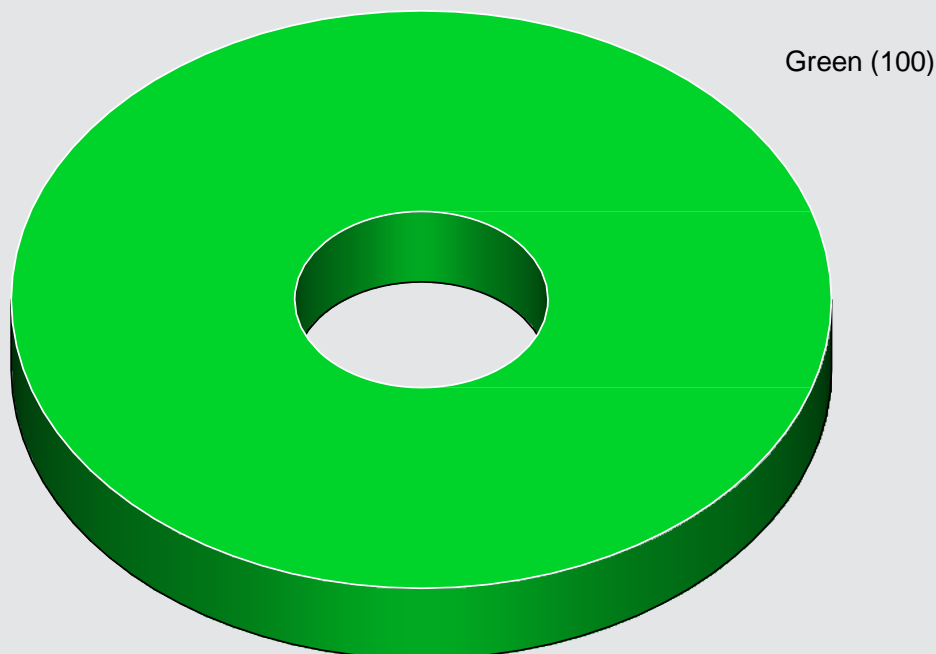
Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Development, Economic and Cultural Services

The assurance map shows a healthy position for the service which is an accurate assessment of the current position. The main priority areas for the service is supporting the delivery of the Local Plan for Central Lincolnshire, facilitating regeneration opportunities for Sleaford, the delivery of the Sustainable Urban Extensions for Sleaford and Greater Lincoln, providing focused economic development support to our Top 50 businesses and negotiating a new contract for the Councils leisure and cultural offer.

Development Economic & Cultural Services



Key

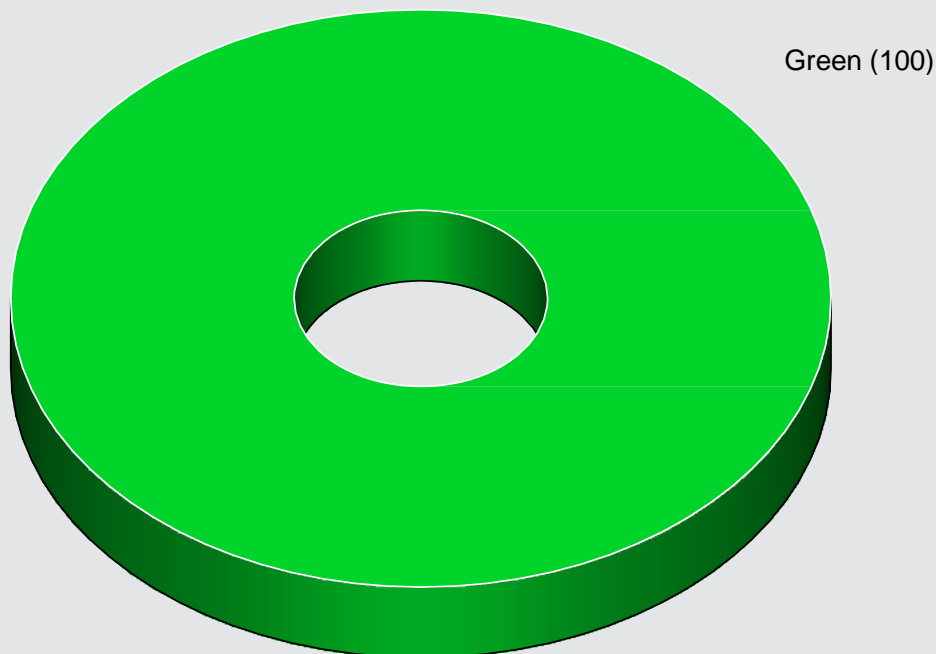
- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Environment and Public Protection

Performance and assurance for the service remains high and with the appointment of the new Environmental Health Manager the strength of the department continues with improvements in Environmental Health, Licensing and Public Sector Housing.

The main area of risk is one which is outside of the Councils control and relates to contamination levels of recyclable waste and this is reflected in the Emerging Risk part of the Annual Governance Statement.

Environment & Public Protection



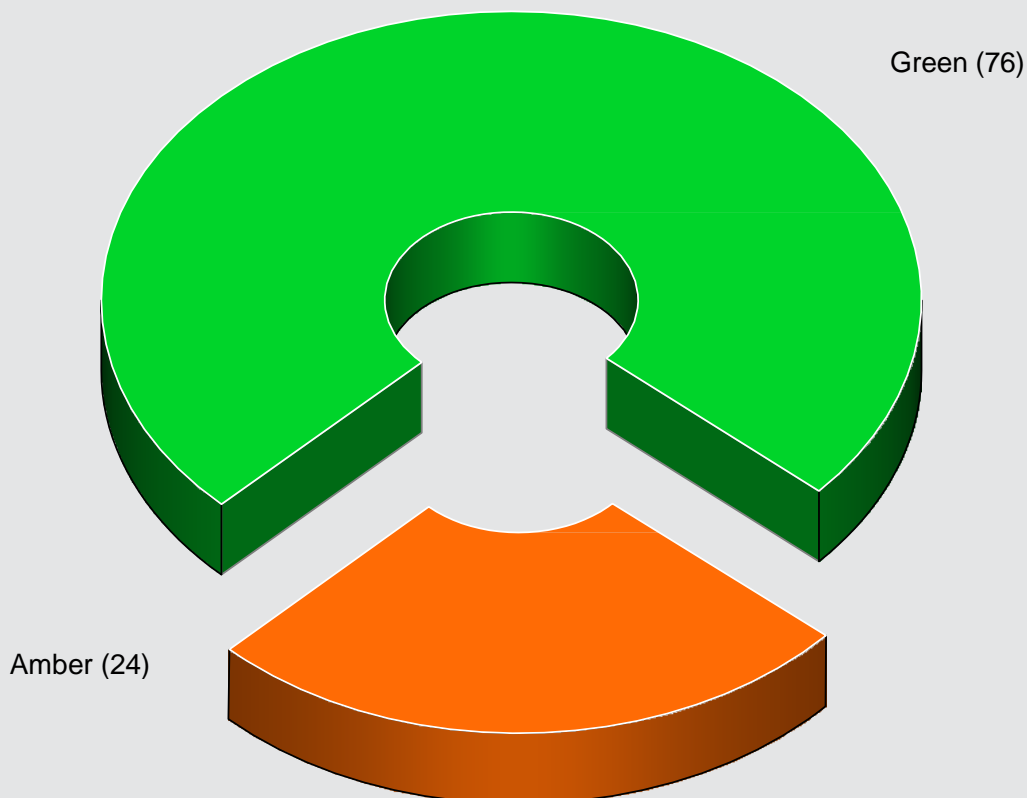
Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Housing and Property Services

The Housing and Property Service has seen a marked improvement in the number of high assurance activities compared with the previous year, moving from 56% to 74%. Key risks remain around the uncertainty over Central Government policy in relation to the funding of local authority housing services. Whilst a review conducted by Internal Audit in November 2016 found the Council's approach to be "robust and effective" the long term position beyond 2020 remains unclear and this is reflected in the Emerging Risk part of the Annual Governance Statement.

Housing & Property



Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Corporate and Customer Services

Overall levels of assurance for the service are high. Worth of particular note are the Councils excellent performance in Community Safety, the achievement of the carbon reduction targets ahead of schedule, the improved website and the robust corporate planning process. Lower levels of assurance relate to the ongoing risks associated with cyber crime, information management and the new approach and systems associated with the new performance management system.

Corporate & Customer Services



Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Reviewing the Effectiveness of Our Governance Arrangements

To ensure a thorough review of the effectiveness of the Council's governance arrangements has been undertaken a full review of the policies, procedures, codes, values, culture and other documentation was conducted.

The review measured the arrangements against a pre-determined 'ideal state'. Where a mismatch between its ideal state and current state was identified an improvement was noted.

Each piece of the Council's governance controls have been aligned to one of the seven Charter Principles to ensure the review is fit for purpose and meets the requirements of current Codes of Practice. The following arrangements were reviewed;

- **Constitution**
- **Financial Controls**
- **Code of Conduct**
- **Access to Information**
- **Whistleblowing Arrangements**
- **Council Values**
- **Consultation Arrangements**
- **Strategic Planning**
- **Partnership Working Arrangements**
- **Challenge and Review Processes**
- **Statutory Enforcement Policies**
- **Organisation Development Systems**
- **Performance Measures**
- **Internal and External Control Mechanisms**
- **Risk Management Procedures**

Statement of Significant Governance Issues and Overall Assurance

The review of the governance arrangements has identified no significant issues and the overall assessment of assurance has been determined to be:

Successful delivery of good governance appears probable however constant attention is required to ensure the identified improvements are delivered and that further governance issues do not arise. To ensure a cycle of continuous improvement the following items have been identified as requiring action;

- **Development of an internal communication plan**
- **Delivery of the Value for Money Programme**
- **Review of the Councils Fraud, Whistleblowing and Money Laundering policies and procedures**
- **Review the Councils Safeguarding meetings frequency**
- **Embed the CAMS performance, project management and risk management software**
- **Review the Councils Equality Impact Assessment process**
- **Review the Councils Sustainability Impact Assessment process**
- **Consider and act on the findings of the complaints procedure review**
- **Continue with the phased review of hard copy data and storage and retention arrangements**
- **Continue to review and monitor cyber security risks**
- **Including information Governance arrangements within the Revenues and benefits shared service**

Strategic Risks

The Councils Strategic Risks remain:

- Ineffective response to demographic change
- Resources and technology not effective
- Delivery of Council priorities and key projects not achieved
- A workforce that is highly skilled and motivated is not maintained
- Increasing or unknown financial pressure

Strategic risks are being effectively managed through the risk management system, project management, robust financial arrangements and service delivery plans.

Emerging Risks

The table below provides an overview of the emerging risks facing the Council and gives a brief summary of the actions being taken to mitigate the threat they pose.

Risk	Mitigating Actions	Risk Rating
IT Security and cyber threat	Ongoing work to identify and manage the ever changing risk presented by cyber threats	Amber
Lafford Homes – As a new venture for the Council further assurance on the governance arrangements, resources and processes is required.	An internal audit is planned to review arrangements and identify corrective actions	Amber
Housing Needs – statutory homelessness cases have increased 135% and continue to do so	Ongoing work to identify additional resources to manage this but no significant cost anticipated	Amber
Housing Needs – central government now require that Councils offer different types of tenancies not just secure tenancies	Ongoing work to identify how this will impact the Council	Green
Local Land Charges – there are risks associated to possible changes to central government's desire to introduce VAT and the Land Registry Department may take over some of the function	Monitor and respond to central government changes as advised	Green

Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Waste – increases in the amount of contaminated recyclable materials collected	Ongoing work county wide to reduce contamination	Green
Insurance – changes to the insurance provider, market and legislation	Ongoing work with the industry and a third party expert to ensure the Council is fully informed of insurance risks and the actions necessary to manage them effectively	Green
Housing and Property Services and ITC	Enhanced joint working arrangements to ensure best IT solutions offering increased value for money	Green
Housing and property income – central governments benefit cap from £26,000 to £20,000 and the 1% proposed rent reduction	Horizon scanning and planning to identify mitigating actions to reduce the impact this would have on rental income	Amber
Fraud including corruption, bribery, money laundering and collusion	Following a recent fraud health check corrective actions have been identified which include a review of existing policies and an Executive Board Member with responsibility for fraud	Green

Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Combined Assurance

A number of processes exist in addition to the annual review of governance arrangements which allow the gain assurance that it is conducting its activities in a way which gives appropriate consideration to statutory and moral obligations.

The Council adopts the 'three lines of assurance methodology' which our internal audit function (Assurance Lincolnshire) provides for us.

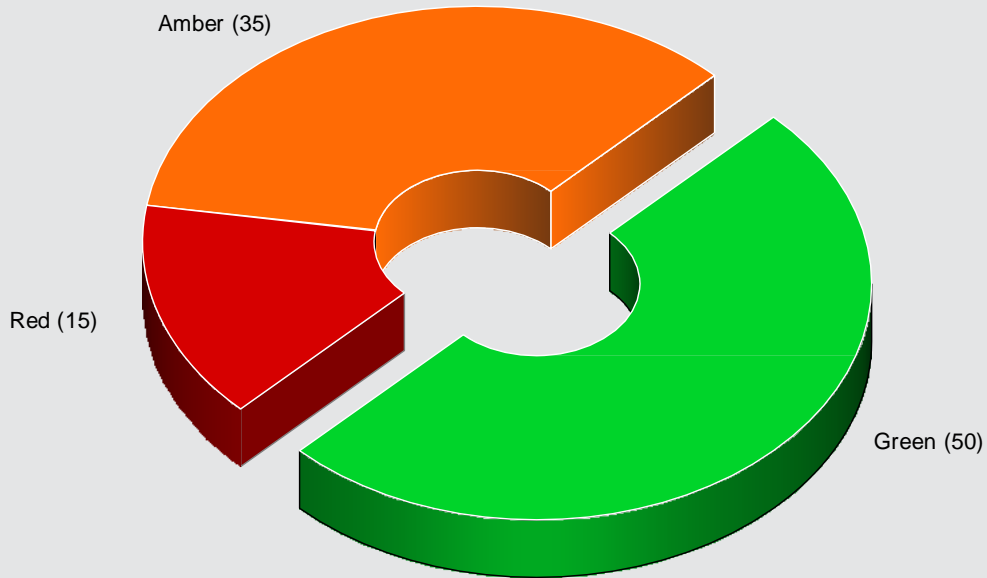


Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

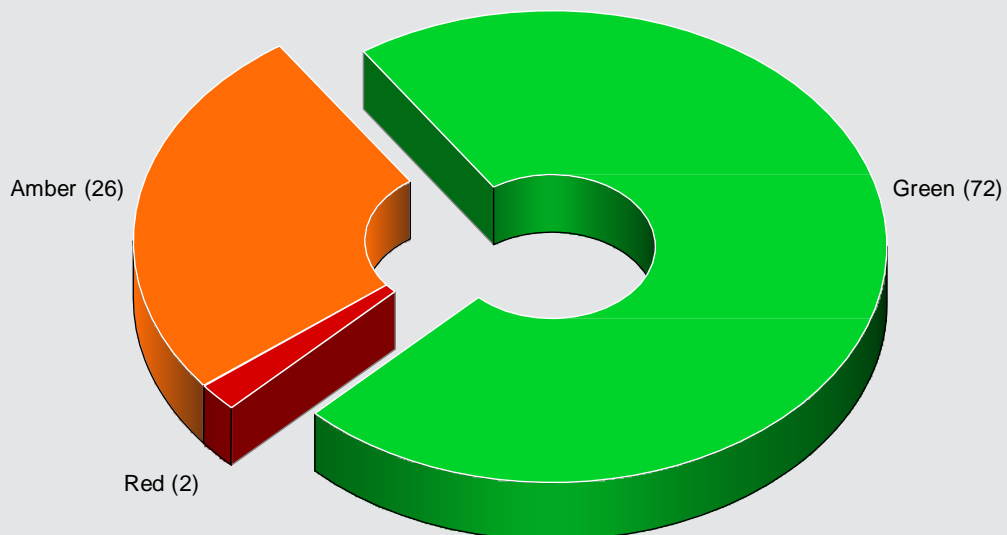
We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- Considering other information and business intelligence that feed into and has potential to impact on assurance.

Overall Assurance Status 2015/16



Overall Assurance Status 2016/17



Key

- Red** = High impact on resources, significant costs likely, high impact on service delivery
- Amber** = Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** = Monitor and be aware, activity to mitigate risk within existing service delivery plans

Looking Back on 2015/16

A number of improvement actions were identified as part of the 2015/16 Annual Governance Statement. The table below shows progress with the identified actions, some of which are considered to be distinct projects with a predetermined completion date. Others are ongoing process in a cycle of continuous improvements.

Action Identified	Progress
Embed Council's values throughout the organisation	Ongoing
Communicate and promote the Councils Whistleblowing arrangements	Ongoing
Implement the Customer Strategy	On track
Develop the Communication Strategy	On track
Embed the Impact Assessment processes	Complete
Embed new Service Delivery Plans	Complete
Embed the new performance and project management process	Complete
Implement and embed the Our People Strategy	Ongoing
Embed the Impact Assessment processes	Complete
Complete the implementation of the Risk Management Strategy	Complete
Explore governance arrangements for commercial activities	On track
Review annual assurance mapping exercise and ensure findings are robustly challenged	Complete
Review the Council's Information and Data Security controls	Ongoing

As Leader and Chief Executive of North Kesteven District Council we have been advised on the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose but recognise that to ensure continuous improvement areas have been identified which require additional work.

We propose over the coming year to take steps to address the matters identified to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvement and will take steps to monitor their implementation as part of our next annual review.

Signed

A handwritten signature in black ink, appearing to be 'Richard Wright', with a long horizontal stroke extending to the right.

Cllr Richard Wright
Leader of the Council

A handwritten signature in black ink, appearing to be 'Ian Fytche', written in a cursive style.

Ian Fytche
Chief Executive