

Governance and Business Resilience

# ANNUAL GOVERNANCE STATEMENT 2020-21

2020-2021



**North Kesteven**  
DISTRICT COUNCIL

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# Executive Summary

As the Leader and Chief Executive of North Kesteven District Council we are pleased to present our Annual Governance Statement for 2020-2021.

The Council's vision is focused on a District of Flourishing Communities, where communities are healthier, more productive, entrepreneurial, creative and engaged. This vision provides the framework through which services are shaped and delivered in pursuit of a happier, more vibrant District where people are actively engaged in their communities.

Good governance remains essential to the Council's ability to deliver its vision and our Annual Governance Statement for the period April 2020 to March 2021 sets out to capture our principles and governance arrangements and the systems in place which ensure a cycle of review and continuous improvement.

We remain committed to the principles of good governance embedded within our Local Code of Governance (our governance framework) focusing on:

- Behaving with integrity
- Ensuring openness and engagement
- Working together to establish a viable and clear direction for the future
- Identifying and delivering the actions that are required to ensure the Council achieves its goals
- 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
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

Our commitment extends not only to the core principles of good governance but also to addressing issues identified and the process of continuous review and improvement.

During what has been a challenging year, North Kesteven is pleased to report that there have been no significant governance issues identified during our annual review and our governance arrangements remain fit for purpose.

Areas of improvement have been identified and these include the need to review and update the Council's contract and procurement arrangements, further embedding improvements to our risk management procedures and satisfying ourselves that arrangements for internal audit remain effective and appropriately resourced.

Throughout the coming year we will continue to monitor progress with the actions identified to ensure progress and improvement.

**Ian Fytche**  
Chief Executive



**Cllr Richard Wright**  
Leader of the Council



# Governance Arrangements

## Corporate Governance

The Council's corporate governance arrangements ensure that we provide effective, value for money and efficient services in a compliant and transparent way which achieve the desired outcomes for service users, communities and other stakeholders.

Our governance arrangements ensure that when the Council conducts its business and delivers services it:

- Operates in a lawful, open, inclusive and honest way which meet the needs of our communities and service users
- Safeguards public money, ensuring it is properly accounted for and spent wisely
- Manages risk in an effective way
- Identified opportunities for development and continuous improvement
- Welcomes challenge and scrutiny

## The Governance Framework

Governance comprises of the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved to support the Council's desired outcomes.

The Council sets out these arrangements in our Code of Local Governance – our governance framework. Our Code sets out how we operate in order to demonstrate compliance, ongoing improvement and our commitment to maintaining the highest ethical standards and governance.

The Code 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 Council's governance framework is based on the CIPFA/SOLACE guidance – Delivering Good Governance in Local Government. The framework sets out seven core principles for good governance and can be found here - <https://www.n-kesteven.gov.uk/your-council/how-the-council-works/governance-and-business-resilience/>

## 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.

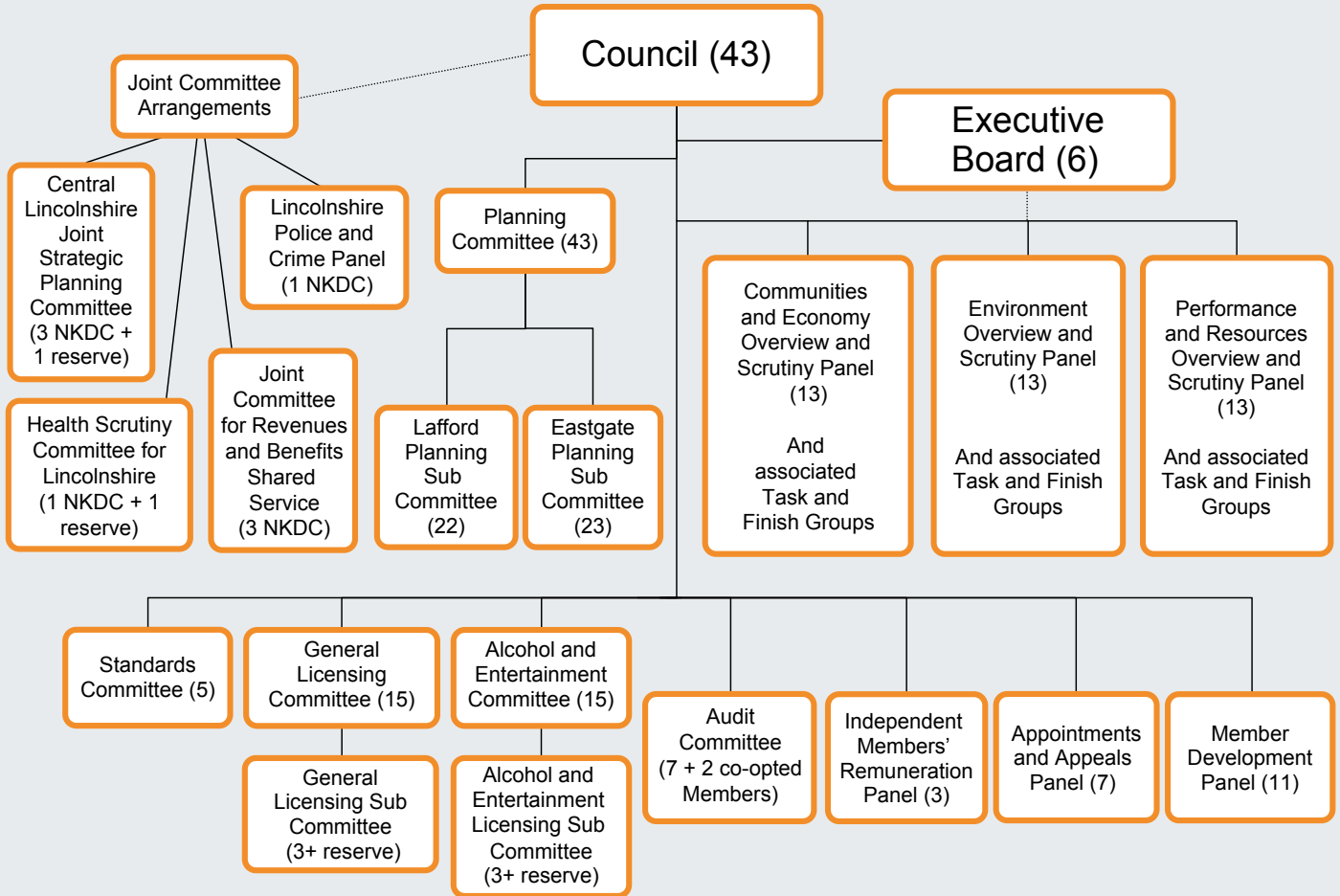
In discharging its responsibilities the Council has put in place arrangements for the governance of its activities which facilitate the effective exercise of its functions including arrangements for the management of risk.

The Chief Executive and the Deputy Chief Executive together with the Director of Resources (Section 151 Officer) are members of the Council's Corporate Management Team.

The Monitoring Officer role is being undertaken by an officer employed by Legal Services Lincolnshire, and the Democratic Services Manager at North Kesteven District Council is undertaking the role of the Deputy Monitoring Officer.

Through this arrangement the Council conforms to the CIPFA requirements and guidance as set out in the CIPFA framework.

## NK District Council - 43 Members



# Covid 19 Impact

Looking ahead, it is anticipated that the Council and our communities will continue to feel the impacts of Covid and Covid 19 continues to shape the way the Council delivers our essential and regulatory services.

Whilst the Council remains committed to ensuring adequate resources are provided to address the opportunities, challenges and issues Covid 19 presents, the future impacts will continue to be identified and managed, with the current assessment identifying the areas below as potentially significant.

We have been able to identify and seize the opportunities that arose by embracing new ways of working and delivering services to ensure good governance, decision making and transparency whilst maintaining critical services and supporting our partners across the whole of the public sector community.

Most notable however, is the impact the pandemic has had on our local communities including our business and economic community. Work continues to mitigate the impact in these areas.

Covid 19 impacted on the delivery of only one of the actions identified in the 2019/2020 Annual Governance Statement that required attention and that was the action to review paper records which were stored inside the Council Offices in Sleaford. Due to the national lockdowns experienced and the instruction to work from home, where possible, this has resulted in a slight delay to the paper record review.

The Head of Internal Audit advises in their Annual Report that Covid 19 has affected some of the audit timeframes and reported some staffing difficulties with Covid 19 cited as the cause of not being able to cover staff absences.

The Council remains committed to ensuring adequate resources are provided to address the opportunities, challenges and issues Covid 19 presents.

## **Medium Term Impact (next 12 months)**

- Resource challenges as a result of ongoing national and worldwide cases and variants.
- Remobilisation and the introduction of sustainable agile ways of working.
- Ensuring the delivery of the internal audit plan.

## **Long Term (beyond 2021)**

- Financial resilience.
- Ongoing community recovery.

# Review of Effectiveness

We review the effectiveness of our governance arrangements throughout the year as part of our ongoing cycle of improvement.

In year review, arrangements allow for elected member review and scrutiny as set out in the Council's constitution and senior management review through the Governance Risk and Assurance Project Board.

A formal review of the effectiveness of our governance arrangements takes place annually in the autumn.

During the annual review the Council seeks assurance on the effectiveness of its governance arrangements from a variety of sources such as:

- Constitution
- Local Code of Governance
- 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
- Lafford Homes Arrangements
- Counter Fraud Arrangement

## Head of Internal Audit Opinion

The Head of Internal Audit concludes that their overall assessment of *assurance determines that successful delivery of good governance appears probable.*

94% of the Internal Audit Work Plan was delivered during 2020/2021 with a 7% increase in high priority recommendations being made however, overall, high levels of assurance identified through the internal assurance mapping process have increased by 2%.

The Head of Internal Audit reports that they have not identified any significant risks requiring inclusion on the risk registers during the delivery of their audit work and have identified no unexpected restrictions to the scope of their work.

## Other Assurance Sources

The Council seeks assurance on the effectiveness of its governance arrangements from a number of sources in addition to internal audit, including:

- The Council's External Auditors - Mazars
- Independent review of which was undertaken in February 2020 by the Local Government Association Recovery and Renewal Panel.

- Our work on ICT and cyber security which has resulted in the Council successfully achieving Public Services Network accreditation
- Investors in People and achieving gold accreditation standard.
- Governance and Business Resilience Compliance Reviews. In particular work undertaken during 2020/2021 includes conducting a review of the Fighting Fraud and Corruption Locally Code and the Transparency Code.

## Risk Management

A full review of the Council's Strategic Risk Register has been carried out and risk ratings have been reviewed to take into account changes to the local, national and global threat levels with particular regard to environment and financial risks.

Early identification of emerging risks has been successfully integrated into the Council risk and performance management systems, service delivery planning and improvements made through new and enhanced project management arrangements with oversight being provided by Audit Committee and the Governance, Risk and Assurance Project Board.

Following review, the Council's strategic risks are described below:

<b>Risk</b>	<b>Current Risk Rating</b>	<b>Previous Risk Rating</b>
Failure to deliver the Local Plan	Low	Low
ICT not effective or cyber secure	Medium	Low
Ineffective delivery of key investment programmes	Low	Medium
Increasing or unknown financial pressure	High	High
Failing to identify and respond to policy or legislative change	Low	Low
Failure to respond to the risks associated with the future relationship between the UK and the Economic Union with particular regard to managing economic shock	Medium	Medium
Failure to meet climate change obligations	Medium	Low

The findings of the Member led Risk Task and Finish Group will help inform ongoing activity in relation to risk management, in particular the development of a new Risk Management Policy and additional colleague and elected member risk management training.

Recent improvements to the Council's risk compliance arrangements have resulted in a significant reduction in the number of outstanding or overdue actions for operational risks. At the time of writing the Annual Governance Statement there are no overdue or outstanding actions for any of the Council's Strategic or Operational Risks.



## CIPFA Financial Management Code 2019 (FM Code) Compliance

The Council recognises the clear links between the FM Code and the Governance Framework, particularly its focus on achieving sustainable outcomes and financial resilience.

A detailed review of the Council's compliance with the CIPFA Financial Management Code 2019 (FM Code) has taken place. The review considered the Code in its entirety with assurance and evidence of compliance obtained.

At the time of writing the Annual Governance Statement, the initial findings are still being collated but no significant governance issues have been identified.

Audit Committee will receive a report on the findings and will monitor progress and implementation of any actions or recommendations identified.

## Significant Governance Issues

The annual review of the Council's governance arrangements by internal and external sources indicate that there have been no significant governance issues identified.

The overall assessment of assurance is that successful delivery of good governance appears probable.

The review of our governance arrangements has identified the following as areas requiring action to ensure a cycle of continuous improvement;

- Ongoing review and oversight of the Council's project management arrangements.
- Review and update the Council's contract and procurement arrangements.
- Further embedding improvements to our risk management procedures.
- Review the arrangements for internal audit to ensure they remain effective and appropriately resourced.
- Ensure the actions and recommendations arising out of the FM Code review are implemented.
- Ensure the actions and recommendations arising out of the Fighting Fraud and Corruption Locally Code review are implemented.
- Continue to actively participate in the Lincolnshire LRF Covid 19 Recovery process.

## Action Plan 2020 to 2021

Action	Lead	Reporting Arrangements
Ongoing review and oversight of the Council's project management arrangements	Head of Corporate and Customer Services	Six monthly to Audit Committee
Review and update the Council's contract and procurement arrangements.	Director of Resources.	Governance, Risk and Assurance Project Board
Further embed improvements to our risk management procedures	Governance and Business Resilience Manager	Six monthly to Audit Committee and the Governance, Risk and Assurance Project Board
Review the arrangements for internal audit to ensure they remain effective and appropriately resourced.	Head of Finance and Resources	Report to Audit Committee and the Governance, Risk and Assurance Project Board
Ensure the actions and recommendations arising out of the FM Code review are implemented.	Director of Resources.	Audit Committee and the Governance, Risk and Assurance Project Board
Ensure the actions and recommendations arising out of the Fighting Fraud and Corruption Locally Code review are implemented.	Governance and Business Resilience Manager	Audit Committee and the Governance, Risk and Assurance Project Board
Continue to actively participate in the Lincolnshire LRF Covid 19 Recovery process	Chief Executive	Executive Board

## Looking Back – Action Plan 2019 to 2020

A number of improvement actions were identified as part of the 2019/2020 Annual Governance Statement.

The table below shows progress with the identified actions. Some of the actions are distinct projects with a pre-determined completion date, others are actions with an ongoing cycle of continuous improvement.

Where outstanding actions are identified the Council's Governance Risk and Assurance Project Board will continue to monitor progress and effectiveness.

Action Identified	Progress
Corporate Project Management. Additional training required to further embed the process.	Ongoing with training planned.
Information Management. Complete the outstanding action in relation to review of paper based records held in the Council offices.	Ongoing (impacted by lockdown and Covid 19)
Housing Repairs Contract. Ongoing monitoring and contractor management.	Complete (monitoring ongoing)
Contract Register. Additional work required to ensure the Council's Contract Register is accurate and up to date.	Complete. Compliance checks have been implemented, training provided and on-going support available. This area will be considered as part of the wider review of the Council's contract and procurement arrangements.
Legal Register. A Council-wide legal register is required.	Complete. Legal Register has been produced.
Implementation of the Transparency Code Review.	Complete.