ANNUAL GOVERNANCE STATEMENT 2018/19

Introduction

Under the Accounts and Audit (England) Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance). The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

1. Standards of Governance

1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

2. Scope of Responsibility

2.1 The 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 to secure continuous improvement.

2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2016 edition. The Council has adopted a local code based on this framework Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.

The Seven Core Principles are

(a) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;

(b) Ensuring openness and comprehensive stakeholder engagement;

(c) Delivering outcomes in terms of sustainable economic, social and environmental benefits;

(d) Determining the interventions necessary to optomise the achievement of the intended outcomes;

(e) Developing the Council's capacity including the capability of its leadership and the individuals within it;

(f) Managing risks and performance through robust internal control and strong public management;

(g) Implementing good practice in transparency, reporting and audit to deliver effective accountability.

2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads 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, cost effective services.

3.2 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, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on- going process (supported by quarterly risk review and the work of Internal Audit) to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2019 and will be reviewed up to the date of approval of the statement of accounts. The Governance Framework is constantly reviewed to take into account organisational changes and changes in regulation and best practice.

3.4 Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

3.5 The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the Authority's governance framework which encapsulate the seven principles above include:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Corporate Plan 2018/19 to 2020/21 (approved February 2018) and Corporate Delivery Plan sets out the priority areas for the Council. It is reviewed annually to ensure the key activities meet the needs of the community. The Council priorities remain the same as The Place, The People, Your Council.

- The Council's Medium Term Plan 2016/17 to 2019/20 (approved February 2016) which outline the Council's financial plans and priorities - these inform the service and financial planning process;

- Performance Management and Risk and Opportunity framework manage delivery of Council priorities;

- Corporate Management Team provides strategic and operational leadership to the Council;

- The Council's communication and consultation strategies.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes. A revised constitution was approved by Council during 2017/18 and subsequent amendments in 2018/19.

- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected from members and officers;

- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

- Regular Portfolio Holder Briefings between Executive Members and Corporate Management Team to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options;

- The Council operates a 'strong leader model' with an Executive. The constitution clearly set out these roles;

- Designated statutory officers – Head of Paid Service (Joint Chief Executives), Chief Financial Officer (S151 Officer), Monitoring Officer (Head of Legal and Democratic Services).

Taking Informed and transparent decisions which are subject to effective scrutiny and managing risk

- The democratic decision making and accountability processes contained within the Constitution;

- The Ethical Governance Committee, Governance and Audit Committee, Scrutiny Function and other Regulatory Committees;

- The Council's Information Governance Framework, data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;

- Project Management Framework to manage the Council's change programmes;

- Risk Management and Opportunity Framework;

- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);

- A Legal Services Team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;

- The development of internal controls and checks within new systems and when existing systems are reviewed;

- The Council's communication and consultation strategies.

Developing the capacity and capability of members and officer to be effective

- The Council's workforce/organisational development procedures and induction processes seek to develop skills on a continuing basis to improve performance and resilience;

- The Council regularly seeks Member engagement and guidance through Member workshops, Executive Advisory Panels. Member Project Board. Specific training has been provided in areas such as planning;

- Officer and Member Induction Programmes.

Engaging with local people and other stakeholders to ensure robust public accountability

- The Council consults using a variety of methods including consultation, surveys. Feedback forms, focus groups;

- The Council's vision and priorities are regularly communicated to the Community through Harborough News and to Businesses through the Business Newsletter;

- Committee and Council meetings are open to the public and can be recorded if they so wish;

- Active Parish Liaison including an annual parish liaison meeting;

- The Council encourages all types of feedback (complaints, compliments comments and suggestions) which can be accessed via the website, face to face, telephone, email and letter;

- Promoting consultation and other feedback through social media and other communication methods;

- Internal audit, on a risk basis, reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

- The Head of Internal Audit annually assesses the delivery of Internal Audit Services against the Public Sector Internal Audit Standards;

- Progressing a Local Plan to ensure planning decisions are made and determined in accordance with the National Planning Policy Framework (NPPF).

5.   Review of Effectiveness

5.1   The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-

- the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;

- the work of internal audit;

- the operation of the Council's Governance arrangements;

- Reports and observations made by the external auditors and other external review agencies and inspectorates;

- Customer complaints and comments.

5.2   The Executive monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Executive members undertake monthly portfolio holder meetings with individual members of Corporate Management Team in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Executive. The Council has a report writing guide and sign-off arrangements for committee reports.

5.3   The Council's Scrutiny function continues to review the development of policy, performance and risks as well as undertaking reviews of particular areas of the Council's activities through their work plan and task groups.

5.4   The Audit and Governance Committee receive reports from the Council's External and Internal Auditors.

5.5   The Internal Audit service undertaken by LGSS delivered 100% of the audit plan. Their work concluded there was a sound system of Internal Control in place during 2018/19 as detailed in the Head of Internal Audit's annual report where she concluded

- That **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment that has been operating for 2018/19. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a generally consistent level from 2017/18.
- Controls relating to those key financial systems which were reviewed during the year were concluded to be generally operating effectively with an opinion of Substantial Assurance given over the adequacy and compliance with the key controls tested.

- For the audits completed in 2018/19, all opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance, with an increase in Substantial Assurance opinions from 2017/18. Progress made by management in implementing the actions arising from 2018/19 audit reports has been reasonable, with 81% of the high and medium priority actions due for implementation being completed during the year.
- During 2018/19, all opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance, with an increase in Substantial Assurance opinions from 2017/18.
- During 2018/19, Internal Audit has made 35 recommendations compared to 60 in 2017/18. This reflected an improvement in the control environment from the previous year.

Improvements in implementing audit recommendations (a previous governance priority) were made in 2018/19 leading to a reduction in outstanding audit recommendations from 9 in 2017/18 to 4 in 2018/19.

5.6 During 2018/19 100% of the agreed Audit Plan was delivered. A planned audit of Cyber Security and Disaster Recovery was deferred into 2019/20. The summary of the assurances is detailed below.

Area	Substantial	Good	Satisfactory	Limited	None
Financial Systems	2	0	0	0	0
Governance & Counter Fraud	0	5	1	0	0
Corporate and Cross Cutting	1	2	1	0	0
Delivery of Corporate Objectives	3	3	2	0	0
Total	**6**	**10**	**4**	**0**	**0**

The Audit Plan for 2018/19 was informed by a risk based review of the Council's service and financial planning processes, and external inspection reports (including audits). Internal Audit, Corporate Management Team and the Governance and Audit Committee also fed into the final programme.

Internal Audit report to each Governance and Audit Committee, and attend to present and take questions on their reports. Where appropriate, Joint Chief Executives and Heads of Service will attend the Governance and Audit Committee to provide additional assurances or to be questioned on the effectiveness of their internal control arrangements.

5.7 The latest External Auditors Annual Letter from the Council's appointed External Auditors, KPMG for the financial year 2017/18 issued unqualified opinions on the financial statements and Value for Money Arrangements of the Council. These confirm that the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year included the following headlines and that the Council has proper arrangements for securing financial resilience, economy, efficiency and effectiveness.

The Council have appointed through PSSA new auditors, Mazars for the 2018/19 financial year. Introductory meetings and an interim audit have taken place.

5.8 The Council has an integrated business and performance management framework and reporting mechanism (TEN). Assurances are sought and evidenced through 1:1 meetings with staff. Corporate Management Team and Service Managers are required to produce annually a 'Senior Management Assurance Statement' that is used to inform this Annual Governance Statement.

5.9 The Council's ICT arrangements were assessed in 2018/19 against the Government's Public Services Network Code of Connection (COCO) protocol. This identified a series of actions required to obtain compliance. The Council in 2018/19 made significant investments in ICT hardware and adopted revised protocols and controls to improve cyber security and improve resilience. Testing was undertaken by NTA monitor during the year and any areas for improvement acted upon to allow the submission of the Government's Public Services Network Code of Connection. The Council has implemented changes to its Business Continuity arrangements through the replication of its servers and data to the Cloud (Microsoft Azure). This will be tested in 2019/20 and remains a key priority.

5.10 The Council's payroll service is provided by Leicester City Council under a delegation agreement. During 2018/19 the City Council migrated their system to Midland ITRENT. This migration was undertaken over a very short period of time during 2018/19 with the consequential impact that the Employee Self Service (ESS) has not yet been implemented to replace the previous MyView system. Despite this the data migration and core payroll functionality of the new ITRENT system was delivered as planned. A follow-up audit consultancy to review the payroll controls is scheduled for 2019/20. Additional controls and checks remain in place until this assurance is received.

5.11 The Council during 2018/19 set up a wholly owned Local Authority Company linked to property acquisition. The Council invested Share Capital and provided a loan to the Company. Executive will act as the Shareholder

5.11 The Council has an Anti-Fraud & Corruption Policy. This was refreshed in 2017/18 and considered by the Ethical Governance Committee, Governance and Audit Committee and subsequent approval by Council. There were no incidences of corporate fraud reported in 2018/19. An updated Whistleblowing Policy was approved in 2018/19. The Council has agreed to work with Leicester City and other Councils in Leicestershire in a single fraud hub. An information sharing agreement has been signed.

5.12 The Council monitor its performance using the corporate performance management system, TEN. This system is accessible by Council Members and Officers with quarterly performance and risks reports being considered by Executive and Scrutiny. The Council undertakes regular data quality reviews to ensure the integrity and accuracy of reported information. These are reported to the Performance Improvement Board. There were 33 Key Activities agreed in the Corporate Delivery Plan for 2017/18. The performance at the end of 2018/19 was, 2 (6.1%) Key Activities were completed. 27 (81.8%) Key Activities had a status of Green, 4 (12.1%) had Amber status. The Council adopted a three year Corporate Delivery Plan in 2018/19 to delivery longer term priorities and objectives and therefore the

majority of key activities are shown as green as the deliverables were over more than one year.

5.13 The Council monitors strategic risks through Executive and the Performance Scrutiny Panel. There were two risks assessed as red in 2018/19. These were Cost of Planning appeals and legal challenges exceeding the budget and Uncertainty following the United Kingdom's imminent departure from the European Union. Mitigations are in place but at the end of 2018/19 it was not possible to reduce the residual risk down to an acceptable level. These risks are being closely monitored. Risks are managed by the risk owners and mitigating actions monitored by the Corporate Management Team.

5.14 The Council has in place an approved constitution which governs the decision making of the Council. Decisions have been made in accordance with the Council's constitution with no need for either monitoring officer or s151 officer reports to be issued. The Council has continued to review its governance framework through the Constitutional Review Committee.

5.15 The Council in line with the revised Local Development Scheme (the timetable for approval of the local plan by Council and subsequent issue for public examination) was approved by Council for examination in March, with the examination scheduled for October 2018. Since the end of 2018/119 the Council's formally adopted the Local Plan in April 2019 following the inspector finding the plan 'sound' after the examination.

5.16 The Council recorded 12 data incidents in 2018/19 Of these the Council made 3 reports to the ICO for breaches of GDPR in line with the new reporting requirements. All were returned with no recommendations and marked NFA.

5.17 There was one complaint to the ombudsman against HDC upheld (out of 10 received). Five were closed following initial enquiries, 2 were not upheld and I referred back for local resolution. I complaint is pending.

5.18 Business Continuity Plans were further developed in 2018/19 and a recent audit gave a substantial assurance for this area.

5.19 The Council has implemented most of the recommendations of the LGA Peer Challenge undertaken in March 2018. A follow up visit is planned for 2019/20.

5.20 Corporate Directors, Heads of Services and Service Managers have signed annual assurance certificates confirming that the governance framework has been operating effectively within their areas of responsibility, subject to the actions outlined in **Appendix B**.

5.21 Progress against the areas identified for improvement in the Annual Governance Statement 2017/18 is outlined in **Appendix A.**

6   Conclusion

6.1 The Council will throughout the year monitor and seek assurances in respect of the Governance Framework and will monitor implementation as part of the next annual review.

APPENDIX A

Signed

Cllr Phil King , Leader of the Council

Norman Proudfoot, Joint Chief Executive

Progress on areas identified in 2017/18 Annual Governance Statement for Focus

	2017/18Recommendation	Responsible Officer & Target Implementation Date	Update
1	Test the Council's ICT Disaster Recovery Arrangements - Offsite Restore - Test Business Continuity Plan for unavailability of The Symington Building - Review Maintenance and Support Agreements - Implement updated ICT Security guidance for staff and test **(Carried forward to 2018/19 Priority Areas)**	Head of Finance and Corporate Services and Service Manager, ICT Target Date 31/03/2019	During 2018/19 the Council made significant investment in its ICT hardware to improve resilience and security. The Councils servers have been replicated to the Cloud during 2018/19 improving the Council's recovery arrangements – A recovery exercise is scheduled for 2019/20. A business continuity exercise about the loss of ICT was undertaken in 2018/19
2	Streamline Decision making processes, business intelligence and performance management systems to promote efficiency and secure clearer outcomes	Joint Chief Executive (BJ) Head of Finance and Corporate Services Target Date 31/12/2018	Business Planning processes have been refreshed and updated. Revised report writing format implemented for Executive reports initially and for wider implementation in 2019/20
3	Implement Local Plan Policies following inspection and promote actions to achieve 5 year housing supply	Joint Chief Executive (NP) Head of Planning and Regeneration Target Date 31/03/2019	Following examination by the Planning Inspector in 2018/19 the Local Plan was found to be sound and subsequently adopted by the Council at the end of April 2018

4	Implement successfully new requirements in respect of Data protection (GDPR) and measure its compliance	Head of Finance and Corporate Services and Service Manager, Corporate Services Target Date 25/5/2018 Implementation Target Date 31/12/2018 Review of effectiveness	The Council implemented GDPR on schedule. A Corporate Governance Group has been set up and seeks assurances on its operation

APPENDIX A

Areas identified in 2018/19 Annual Governance Statement for Focus

	2018/19 Recommendation	Responsible Officer & Target Implementation Date
1	Test the Councils ICT Disaster Recovery/Business Continuity Arrangements Develop a Cyber Security Policy and embed through training Implement quarterly penetration testing to test security and controls	Head of Finance and Corporate Services Target Date: 31/12/2019
2.	Embed Shareholder arrangements for the Council's wholly owned local authority company	Joint Chief Executive (BJ) Target Date: 30/09/2019