## ANNUAL GOVERNANCE STATEMENT 2019/20

**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.

The Annual Governance Statement assesses governance in place during 2019/20 so the majority of the year has been unaffected by coronavirus and therefore the conclusion on whether or not governance is fit for purpose reflects normal operations. However, COVID-19 did impact on governance during March 2020 and Annual Governance Statement 2019/2020 therefore a second conclusion has been included at the end of the Statement to reflect the impact of the COVID-19 pandemic on governance.

**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 2020 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 24 February 2020) 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.

  ***Area identified for Focus***   An interim update to the Corporate Plan to reflect the change in priorities because of the Coronavirus crisis.

- 2019/20 was the final year of the Council's Medium-Term Plan that covered the period 2016/17 to 2019/20 (approved February 2016). The plan outlined the Council's financial plans and priorities which then informs the service and financial planning process. All Councils are facing ongoing and unprecedented uncertainty which means robust medium-term financial forecasting remains problematic. The lack of detail on the significant changes to be made by government to the local government finance system in 2021/22 (see section 5 of this report) has meant that the Council has not produced a medium term financial strategy for the next four years (2020/21 to 2023/24).

  ***Area identified for Focus***   A medium term financial strategy (MTFS) will be produced over 2020/21 and will stretch out until 2024/25. The MTFS will be based on the government's intentions on the timing, detail, and impact of future funding of local government, as well as modelling current and future service change; including the potential impact of the Coronavirus crisis on both the Corporate Plan and the Councils resources.

- 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. During 2019/20 there were various changes, notably on 12th November: Planning Call In, Delegation of Planning Decision and Public Speaking at Planning Committee, Proposed changes to Members' Code of Conduct. Also on 4th March 2020 changes to Financial Procedure Rules and a Review of SORP.

- 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 Cabinet 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 a Cabinet. The constitution clearly set out these roles;

- Designated statutory officers – Head of Paid Service (Joint Chief Executives), Chief Financial Officer (S151 Officer), Monitoring Officer (Chief Officer Governance & Monitoring Officer)

**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, Cabinet 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 Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet 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 Cabinet. 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 Standards Committee receive reports from the Council's External and Internal Auditors.

5.5    The following has been received from the Head of Internal Audit:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2019/20. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinions given in recent years.

**Governance**

During 2019/20, the Council's governance arrangements have remained generally c consistent with previous years.

There are no significant governance issues that I wish to draw to the attention of the Council for inclusion in its Annual Governance Statement, based on the findings of Internal Audit work in 2019/20.

**Financial control**

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with a level of Good Assurance given for the control environment and compliance.

**Risk management**

Established structures and processes for identifying, assessing and managing risk remained consistent during 2019/20. During 2019/20 the Governance & Audit Committee has started to receive copies of risk registers, upon recommendation by Internal Audit, and this has strengthened the committee's awareness of risk management and their role in exercising this key element of their terms of reference.

Internal Audit work is targeted upon the Council's key areas of risk and work completed in 2019/20 has assessed assurances in relation to controls in some of these areas.

**Internal control**

For the audits completed in 2019/20, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory

Assurance. There have been no opinions given of Limited Assurance or Major organisation risk during the last twelve months.

Of these audits, one resulted in an organisational risk score of 'Moderate' and this related to Cyber Security. This is an area where further work was required to improve the control environment and strengthen resilience and there also remain some historic overdue audit recommendations in this area. Internal Audit will continue to seek assurances on the control environment in this area during 2020/21.

It is noted that action plans have been agreed to address all areas of weakness. Of the recommended actions agreed, and due for implementation, 77% had been completed in a timely manner during the year.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

5.6    The latest External Auditors Annual Letter from the Council's appointed External Auditors, Mazars for the financial year 2018/19 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.

5.7    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.

5.8    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). During 2019/20 an Offsite 'restore' of all protected systems completed and tested in IT. The agreement with Daisy was terminated and a new solution implemented on Microsoft Azure, which is where the testing has taken place. Some elements of the Disaster Recovery arrangements have been utilised during the Covid 19 crisis. .

5.9    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. Cabinet will act as the Shareholder. During 2019/20, the principle activity of the company has been operating and leasing of real estate."

5.10    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.

5.11    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 Cabinet 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 37 Key Activities agreed in the Corporate Delivery Plan for the 2019/20 year. The performance at the end of the 2019/20 year was: 3 (8.1%) Key Activities were completed. 30 (81.1%) Key Activities had a status of Green, 1 (2.7%) had Amber status, 1 (2.7% had Red status and 2 (5.4%) were deferred to start at a later date. 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. The Corporate Plan and Corporate Delivery Plan are being reviewed as a consequence of the Coronavirus crisis.

5.12    The Council monitors strategic risks through Cabinet and the Audit and Standards Committee. There were several risks assessed as red status during the 2019/20 year. These included:

-    The Council not having sufficient funding to deliver its current services in the medium term.
-    Uncertainty following the United Kingdom's imminent departure from the European Union.
-    An increase in homeless presentations results in an increase in Council support for relief.
-    Coronavirus: Unforeseen, unfunded financial burdens as a result of responding to the ongoing situation weaken the Council's financial stability.
-    Coronavirus: Loss of income, as economic activity reduces, weakens the Council's cashflow and financial sustainability.
-    Coronavirus: The focus on high-priority, short-term needs prevents the medium-term financial planning and decision-making needed to balance the Council's finances in the medium term.

5.13    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.

5.14    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. The Council's formally adopted the Local Plan in April 2019 following the inspector finding the plan 'sound' after the examination.

5.15 The Council recorded 16 data incidents in 2019/20 Of these the Council made 1 report to the ICO for breaches of GDPR in line with the new reporting requirements. It was returned with no recommendations and marked NFA.

5.16 There were 2 complaints to the ombudsman against HDC upheld (out of 8 received). Five were closed following initial enquiries, 1 is still being processed by the LGSCO but their assessment began in March 2020 before LGSCO work was suspended during lockdown

5.17 Progress against the areas identified for improvement in the 2018/19 Annual Governance Statement are outlined in **Annex A**. Those areas identified for improvement in this year's Annual Governance Statement are outline in **Annex B**.

## 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.

## 7 Conclusion in relation to COVID-19

7.1 With the Coronavirus crisis, including lockdown, commencing in March 2020, it is appropriate to comment on the Councils governance response. The Council reacted immediately to the needs of both its local residents and businesses. In respect of:
- Residents, this included:
  - o The formation of a Community Hub which provided direct support in a number of ways to its most vulnerable residents.
  - o Providing emergency funding to local support agencies (i.e. food banks).
  - o Immediate housing accommodation for the homeless.
- Businesses, this included:
  - o Waiving rents for many of its commercial tenants.
  - o Providing a car parking holiday for its market towns.
  - o Implementing the governments Business Grants initiative, which in the end provided grants to over 1,600 businesses.

In addition, as an exemplar employer, it immediately introduced social distancing across its operational estate; this required the vast majority of staff to work from home which meant that the Council had to quickly introduce home working facilities. In a similar vein, the Council introduced a new operational approach for its democratic process in that it held Council meetings via video conferencing.

7.2 This change in priority has had a significant impact on the operation of Council services which has had a consequential impact on the Corporate Plan and its financial resources. Both the Corporate Plan and the Medium-Term Financial Strategy are being reviewed to ensure that the impact of the crisis is duly reflected in both strategic and operational priorities and resources.

# APPENDIX A

Signed

Cllr Phil King , Leader of the Council

Norman Proudfoot, Joint Chief Executive

**Annex A:**

**Progress on areas identified in 2018/19 Annual Governance Statement for Focus**

| | 2018/19 Recommendation | Responsible Officer & Target Implementation Date | Update |
|---|---|---|---|
| 1 | a. Test the Council's ICT Disaster Recovery Arrangements<br>- Offsite Restore<br>- Test Business Continuity Plan for unavailability of The Symington Building<br>- Review Maintenance and Support Agreements<br>- Implement updated ICT Security guidance for staff and test<br><br>**(Brought forward from 2017/18)** | Head of Finance and Corporate Services.<br><br>Target Date 31/12/2019 | Offsite 'restore' of all protected systems completed and tested in IT. The agreement with Daisy was terminated and a new solution implemented on Microsoft Azure, which is where the testing has taken place. Some elements of the Disaster Recovery arrangements have been utilised during the Covid 19 crisis. |
| | b. Develop a Cyber Security Policy and embed through training | | The Information Security is still in draft and requires bringing to CMT. |
| | c. Implement quarterly penetration testing to test security and controls. | | NCSC are now scanning Council internet IPs daily for vulnerabilities and producing a daily report. Quarterly PCI DSS scanning will commence from October 2020. |
| 2 | Embed shareholder arrangements for the Council's wholly owned local authority company | Joint Chief Executive (BJ)<br><br>Target Date 30/09/2019 | Scrutiny of the Company by the shareholders will take place by regular reports from the Company to The Cabinet (who act as the shareholders). A report will go to Scrutiny to enable them to look at how HDC has operated as the Shareholder. These reports are on the Forward Plan. |

APPENDIX A

**Areas identified in 2019/20 Annual Governance Statement for Focus**

|   | **2019/20 Recommendation** | **Responsible Officer & Target Implementation Date** |
|---|---|---|
| 1 | An interim update to the **Corporate Plan** to reflect the change in priorities because of the Coronavirus crisis. | Joint Chief Executive (BJ/NP)<br><br>Target Date October 2020 |
| 2 | A **Medium-Term Financial Strategy** (MTFS) will be produced over 2020/21 and will stretch out until 2024/25. The MTFS will be based on the government's intentions on the timing, detail, and impact of future funding of local government, as well as modelling current and future service change; including the potential impact of the Coronavirus crisis on the Corporate Plan and the Councils resources. | Chief Officer: Finance & Assets<br><br>Target Date February 2020 |