

## HARBOROUGH DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2020/21

#### 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 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 optimise 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 2021 and will be reviewed up to the date of approval of the statement of accounts. The Governance Framework is constantly reviewed to consider 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 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 noted 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. The Corporate Delivery Plan was revised and approved 28 September 2020 August 2020 in response to the Coronavirus Pandemic.

- 2020/21 Budget Report (approved 24 February 2020). 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 meant that the Council did not produce a medium-term financial strategy for four years from 2019/20 (2020/21 to 2023/24).

**Area identified for Focus** A medium term financial strategy (MTFS) was produced over 2020/21 to cover the period 2021/22 to 2024/25, (approved 22 February 2021). The MTFS considered the impact of the future funding of local government, as well as modelling current and future service change by a comprehensive budget challenge review and included the potential impact of the Coronavirus crisis on both the Corporate Plan and the Councils resources. It also includes an extensive sensitivity analysis that "stressed" tests potential service and corporate budget risks and the impact on the Councils reserves.

- 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 and 2019/20. During 2020/21 there were various changes, on 18<sup>th</sup> June 2020, it was proposed that the Governance and Audit Committee and the Ethical Governance Committee would be merged as the Audit and Standards Committee (approved 29<sup>th</sup> June) and changes to reduce the membership of the Licensing and Regulatory Committee. Also, on 26<sup>th</sup> November 2020 changes to reflect the appointment of a single Chief Executive and the redesignation of other Corporate Management Team officers to Director: thereby better reflecting their strategic role.

- 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 (Chief Executive), Chief Financial Officer (Director: Finance & Assets), Monitoring Officer (Director: Law & Governance).

### **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 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 report from the Head of Internal Audit for 2020/21 was received in March 2022:

Based upon the outcomes of the agreed programme of work delivered by Internal Audit during 2020/21 it is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment operating during 2020/21. 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 and acknowledges areas of sound control as well as some areas of weakness requiring management action.

It must be noted that this general opinion is based upon the outcomes of planned audit work and does not reflect potential issues highlighted by an ongoing investigation, which may require the opinion to be revisited. It is not possible to report upon, or discuss, the findings of this work at this time, pending conclusion of the formal investigation.

**Financial control** - Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively. Some delays noted in completion of the bank reconciliations have since been rectified and procedures must be embedded effectively going forward. It should be noted that Internal Audit have not received any assurances over key controls operating in the delegated revenues and benefits service for 2020/21 as at the time of reporting. As such, assurance cannot currently be given in this area.

**Risk management** - Established structures and processes for identifying, assessing and managing risk remained consistent during 2020/21. The risk and opportunity register was subject to review throughout the financial year and was shared with the Audit and Standards Committee. Internal Audit work is targeted upon the Council's key areas of risk and work completed in 2020/21 has assessed assurances in relation to controls in some of the key areas highlighted on the register.

**Governance** - During 2020/21, the Covid-19 pandemic resulted in a number of restrictions and a range of additional responsibilities placed upon the Council to drive the national response and support to local communities. During this time, Council,

Executive and committee meetings have been held remotely to enable decision making to continue, in line with the Constitution.

**Internal control** - For the audits completed in 2019/20, 100% of overall audit opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. Action plans have been agreed to address areas of weakness. Of the recommended actions agreed, and due for implementation during the financial year, 96% have been completed by Council officers. 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. The Covid-19 pandemic has required alternative ways of working and delayed the commencement of audit fieldwork in the first half of 2020/21. During the financial year, however the vast majority of planned audit assignments have been delivered and, as such, it is my opinion that there is sufficient basis upon which to inform an opinion.

**March 2022:** Upon the conclusion of the fact finding investigation work, referenced in the 2020/21 statement, this opinion has been re-visited. The findings of the investigation highlighted areas of non-compliance with key controls and governance procedures which exposed the Council to an increased level of risk. Those incidents were noted to have taken place in previous financial years (primarily 2018/19 and 2019/20) and none of the key failings in controls identified in the review related to the 2020/21 financial year, but have exposed potential gaps in control frameworks at that time. In re-considering this opinion, the Head of Internal Audit acknowledges the robust response from the Council's management team in 2021/22 in dealing with these issues fully and promptly, with the greatest level of transparency that was possible under the circumstances. The actions taken to address all areas of weakness highlighted by the investigation suitably address the recommendations raised and provide assurance over the robustness of controls that would be applied going forward.

On this basis, the assurance opinion for 2020/21 is caveated in that the Satisfactory Assurance rating does not extend to controls in relation to delivery of asset related major projects, upon which only Limited Assurance could be given.

- 5.6 The latest External Auditors Annual Letter from the Council's appointed External Auditors, Mazars for the financial year 2019/20 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 have been assessed by independent consultants and a new ICT Strategy has been developed and includes improved cybersecurity using the principles of Zero Trust.
- 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 2020/21, the principal 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 2020/21. 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 has monitored 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 34 Key Activities agreed in the Corporate Delivery Plan for the 2020/21 year. The performance at the end of the 2020/21 year was: 1 (2.9%) Key Activity were completed. 21 (61.8%) Key Activities had a status of Green, 4 (11.8%) had Amber status, and 2 (5.9%) had Red status. 5 (14.7%) were deferred to start at a later date and 1 (2.9%) was superseded by another activity. The Council adopted a three-year Corporate Delivery Plan in 2018/19 to delivery longer term priorities and objectives and therefore most key activities are shown as green as the deliverables were over more than one year. The Corporate Plan and Corporate Delivery Plan have been reviewed because 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 2020/21 year. These included:
- The Council not having sufficient funding to deliver its current services in the medium term.
  - Risk of failing to deliver housing in a timely way could lead to reduction in receipts of new homes bonus.
  - The council does not meet its budgeted for planning fee income targets, especially regarding major applications which could have a negative impact on the Council's financial position.
  - Costs of planning appeals, and legal challenges, exceed budget.
  - Uncertainty following the United Kingdom's imminent departure from the European Union.
  - An increase in homeless presentations results in an increased demand in Council support for relief.



- Coronavirus: Unforeseen, unfunded financial burdens because 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.
- Coronavirus: Additional homeworking requirements leads to increased demand on the Council's ICT infrastructure which subsequently becomes unstable.
- Coronavirus: The ongoing situation leads to multiple, concurrent emergency planning situations which the Council does not have the capacity to deal with.

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 recorded 17 data incidents in 2020/21. Of these the Council did not make any reports to the Information Commissioner's Office (ICO) for breaches as they did not meet the reporting threshold. However, one incident was referred to the ICO by the Complainant in question. This resulted in an infringement being recorded against the Council. There were no recommendations or further actions required by the ICO. The matter is closed.

5.15 There were 4 complaints received by and responded to by the Local Government and Social Care Ombudsman in 2020/21. 3 were recorded as 'closed following initial enquires' and 1 was recorded as 'not upheld'.

## **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 residents and businesses. In respect of:

- Residents, this included:
  - The formation of a Community Hub which provided direct support in several ways to its most vulnerable residents.
  - Providing emergency funding to local support agencies (i.e., food banks).
  - Immediate housing accommodation for the homeless.
- Businesses, this included:
  - Waiving rents for many of its commercial tenants.
  - Providing a car parking holiday for its market towns.
  - 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 most 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.

Signed



CLlr Phil King , Leader of the Council



Liz Elliot, Interim Chief Executive

Date: ..... April 2022