

ANNUAL GOVERNANCE STATEMENT 2022/23

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 2023 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 2022 -2031 (approved 21 February 2022) sets out the priority areas for the Council, these have been revised to: place and community, healthy lives, environment and sustainability, and economy. It is reviewed annually to ensure the key activities meet the needs of the community.
- 2022/23 Budget Report (approved 21 February 2022) and Medium-Term Financial Strategy (MTFS) 2023/24 to 2026/27. 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 because of the legacy of the Coronavirus pandemic, cost of living crisis, higher than recent

inflation, ever increasing customer demand and the continued implications of the government's austerity agenda which makes robust medium-term financial forecasting problematic. 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 review and prioritization process. It also includes an extensive sensitivity analysis that "stress" 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 2020/21. During 2022/23 there were various changes approved by the Constitutional Review Committee around financial procedure rules, and a review of Corporate Governance took place.
- 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 until the post holder left now Interim 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.
- Audit and Standards 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).

4.2 **CIPFA Code of Financial Management;** a self-assessment review of the CIPFA Code of Financial Management (FM Code) has been undertaken and was reported to the Audit & Standards Committee on the 28th June 2022 (Agenda Item 6). This self-assessment gave the Council an "Amber" rating, in that its compliance with the FM Code is

"fair but some development and clarification is needed to ensure financial sustainability is achieved and good financial governance is embedded within the Council."

Consequently, a number of recommendations have been made, and these are expected to be implemented over the next 12 months or so.

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 Internal Audit for 2022/23, was received in July 2023. Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion of the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2022/23. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2022/23. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be operating at a level of Satisfactory Assurance for compliance and Good Assurance was given for the design of the control environment.

Bank reconciliation procedures were found to be generally sound and testing confirmed that reconciliations were complete and accurate. Controls over suspense accounts were found to be effective with good evidence of review and clearance of outstanding balances at the time of audit.

Treasury management arrangements are robust and could be strengthened through the routine recording of the basis for selection of investment counterparties.

Sundry debt collection has been adversely affected by staffing reductions and associated work pressures in 2022/23 and the Council is significantly under-performing against target. Management should ensure that sufficient resources are allocated to debt recovery activities to ensure recovery action is brought up to date in the short term and maintained going forward.

Risk management

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2022/23. The Internal Audit plan was risk based and informed by the Council's risk management framework and reporting.

Internal control

For the audits completed by the Internal Audit service in 2022/23 and finalised at the time of reporting, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.

Of the high and medium priority agreed management actions due for implementation during 2022/23, 89% had been completed during the year. Of the low priority actions, 43% remained overdue at 31st March 2023 – but these actions have not been

assessed as representing a risk to the authority and, rather, seek to achieve further improvement.

There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness and management have sought to accept the risk, rather than agree an appropriate action.

Internal Audit has not been made aware of any further significant 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 2021/22 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 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 (Pentana). 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 2022/23, 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 2022/23. 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, Pentana. 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 32 Key Activities agreed in the Corporate Delivery Plan for the 2022/23 year. The performance at the end of the 2022/23 year was: 26 (81%) Key Activities had a status of Green, 6 (19%) had Amber status, and 0 (0%) had Red status.

5.12 The Council monitors strategic risks through Cabinet and the Audit and Standards Committee. Amendment has been made during the year to the Risk Management Framework to use a 5 x 5 matrix instead of a 4 x 4 matrix to improve the accuracy of recording risk and mitigations There were 8 risks assessed as red status during the 2022/23 year. These included:

- Costs of planning appeals, and legal challenges, weaken the Council's financial position.
- Increase in homeless presentations results in an increased demand in Council support for reactive temporary accommodation that exceeds the current budget and weakens the Council's financial position.
- Loss of income, as economic activity reduces, weakens the Council's cashflow and financial sustainability.
- Loss of ability to provide a comprehensive service due to cyber security attacks.
- The Council does not meet its budgeted for planning fee income targets, particularly in regard to major applications which could have a negative impact on the Council's financial position.

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 14 data incidents in 2022/23. 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 in the opinion of the Data Protection Officer.

5.15 There were 18 complaints received by and responded to by the Local Government and Social Care Ombudsman in 2022/23. None of the 18 have been recorded as '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.

Signed



Phil Knowles

