

## Annual Governance Statement 2021/2022

### **Executive Summary:**

Melton Borough Council is committed to improving the lives of all residents and creating opportunity and prosperity for local people and businesses.

This commitment is set out in the council's Corporate Strategy which describes how the council will meet the challenges ahead and make the most of opportunities. To be successful the council must have a solid foundation of good governance and sound financial management.

The Council's Local Code of Corporate Governance sets out how we aspire to and ensure that we are doing the right things, in the right way and in line with our values.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Local Code have been working. This statement gives assurances on compliance for the year ending 31 March 2022 and up to the date of approval of the statement of accounts.

The AGS shows that in many areas the Council has very effective arrangements in place. We will continue to review, streamline and improve our processes to ensure these arrangements remain effective, now and into the future.

Throughout the period covered by this statement the coronavirus pandemic continued to have a significant impact upon the Council's services. Despite the significant challenges, the Council, together with its partners, has continued to deliver and co-ordinate services, alongside providing a robust and effective response to the pandemic.

The Leader and Chief Executive confirm they have been advised of the implications of the review of governance arrangements by Senior Management and the Audit and Standards Committee and are satisfied that the arrangements continue to be regarded as fit for purpose and the steps outlined in this document will address the areas identified for improvement.

Signed on behalf of Melton Borough Council:

Chief Executive

Leader

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## Introduction

Melton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging the overall responsibility, the Council is responsible for putting into place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council adopted a revised Local Code of Corporate Governance in 2021, which is consistent with the principles of the CIPFA/ SOLACE Framework 'Delivering Good Governance in Local Government' 2016. A copy of the Code is available on our website at [www.melton.gov.uk](http://www.melton.gov.uk) or can be obtained from the Council Offices in Melton Mowbray upon request. This Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement.

The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

The Annual Governance Statement assesses governance in place during 2021/22 recognising that some of the year was affected by coronavirus and therefore the conclusion on whether or not governance is fit for purpose reflects both normal operations and those operations under the easing of covid restrictions. A conclusion for each has been included at the end of the Statement to reflect the impact of the COVID-19 pandemic on governance.

## The Governance Framework

### The Purpose of the Governance Framework

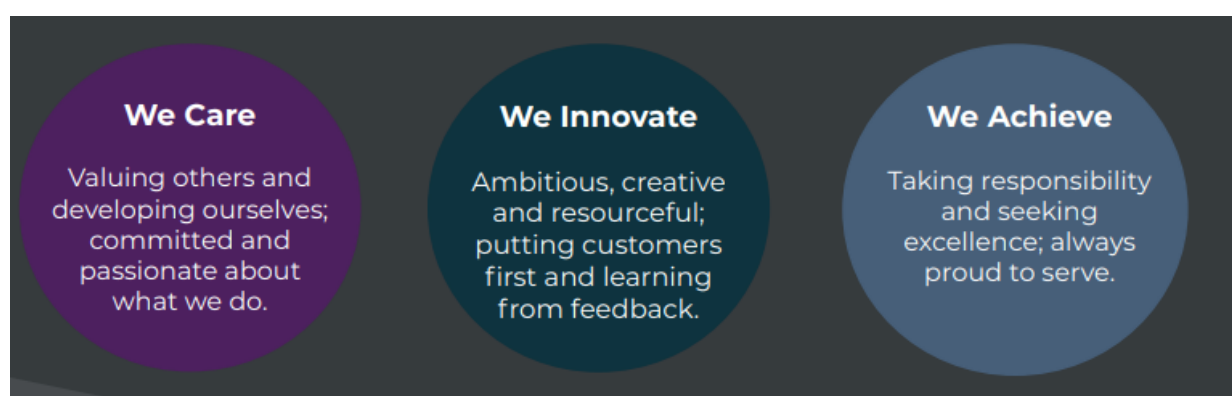
The governance framework comprises the systems, processes, culture and values, by which the Authority is controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Authority's 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 or failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The governance framework has been in place for the year ending 31 March 2022, and up to the date of the approval of the Statement of Accounts.

### The Governance Framework- Our Vision, Priorities and Values

The Council's vision, priorities and values are set out in the Corporate Strategy which was adopted by Council in September 2020 following an update to take into account the impact of Covid. The new Strategy confirmed the Council's Mission as "Helping People, Shaping Places". The identified priorities support this and are detailed in a series of critical activities which are incorporated into Action Plans managed by relevant Directors as members of the Senior Leadership Team and the Medium Term Financial Strategy. The Council's vision is:

*"We want to be a first-class council: on the side of our communities and providing great services, where the customer comes first. We want to help people reach their potential, support the most vulnerable, and protect our rural environment. We want to provide more and better homes, create better jobs and regenerate the town. We want to ensure Melton prospers, benefitting those who live here and attracting others to visit and invest"*

The Council's values are:



The Council's strategy is designed to present a clear focus for the council during this time and is separated into six priority areas:

- 1. Excellent services positively impacting on our communities**
- 2. Providing high quality council homes and landlord services**
- 3. Delivering sustainable and inclusive growth in Melton**
- 4. Protect our climate and enhance our natural environment**
- 5. Ensuring the right conditions to support delivery (inward)**
- 6. Connected and led by our community (outward)**

The strategy has been developed using a range of sources to ensure it is evidence based and responds to the issues facing both the council and the community. Further details of the resources and evidence used to develop the strategy can be found on the website: <https://www.melton.gov.uk/strategies/corporate-plans/corporate-strategy-2020-2024/>

Whilst strategies should be long term, they must always be kept under regular review. The State of Melton Report includes key information to guide Councillors and Officers as they consider which areas of our corporate strategy need a particular focus at any given time. By using this document at the outset of the budget setting process, it allows the Council to consider how most effectively to use and reallocate resources to areas of greatest need. It also helps us to check that nothing is missing from our strategy and that it stays relevant and maximises impact. It can be found here [State of the Borough 2021 \(melton.gov.uk\)](#)

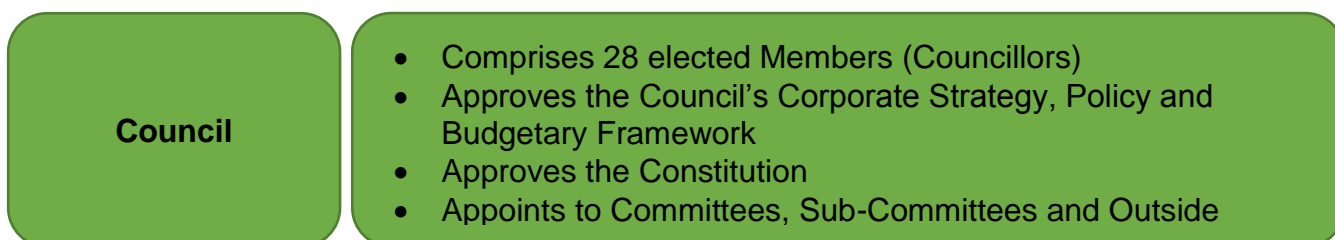
## The key elements of the Governance Framework

### Role of Governance Arrangements

From May 2019, the Council has operated Executive governance arrangements, which consist of a Cabinet and Scrutiny function. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

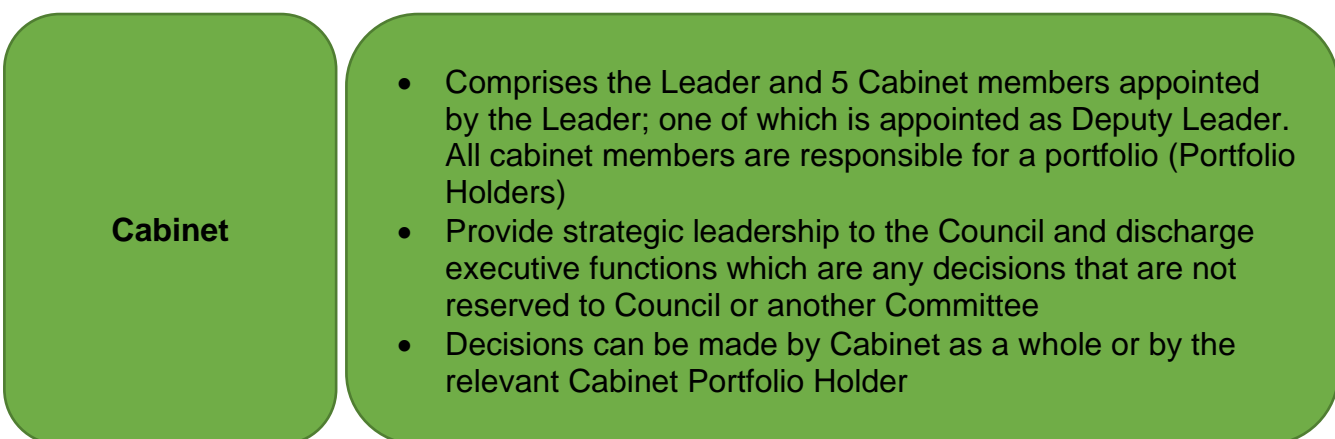
The Council has a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. This was approved in May 2021 and reviewed throughout the year.

### Role of the Council



The extent of the role of Council in reviewing and monitoring effectiveness of internal control is set out in the Council's Constitution.

### Role of Cabinet



Cabinet regularly considers strategic risk registers, performance, complaints and other items which make up the governance framework. Scrutiny Committee are encouraged to scrutinise Cabinet's work plan and consider as appropriate.

Cabinet provides strategic leadership to the Authority and is held to account by the Council's Scrutiny Committee.

## Role of Scrutiny

### Scrutiny

- Not a decision-making body but seek to influence policies and decisions prior to them being made
- Have the ability to challenge/review decisions by calling them in
- Can investigate issues of public importance

## Role of Audit and Standards Committee

### Audit & Standards

- To provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.
- Approves the Local Code of Corporate Governance, The Annual Governance Statement, and the Statement of

The Committee meets with the external auditor to discuss findings in the Annual Audit Management Letter and Reports. The Committee is responsible for ensuring that the Council's system for internal control is sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the Council's operations. There is regular liaison with the Council's Internal Auditor. Internal Audit has direct access to the Chair of Audit and Standards Committee and there is regular reporting by Internal Audit to each meeting of the committee.

## Role of Management

The Authority has two layers of management and its management teams each play an important role in maintaining the governance framework.

### Senior Leadership Team (SLT)

- Implements policy and budgetary framework set by Council and provides advice to Committees of the Council on the development of future policy, procedure and budgetary issues
- Oversees the delivery of the Council's Corporate Strategy and implementation of Council Policy
- Oversees the implementation of audit recommendations to improve weaknesses in controls in a timely manner

### Operational Leadership Team (OLT)

- Responsible for developing, maintaining and implementing the Council's governance risk and control framework
- Contribute to the effective corporate management and governance of the Council
- Responsible for ensuring audit recommendations to improve weaknesses in controls are actioned in a timely manner

The Senior Leadership Team (“SLT”) comprising the Chief Executive, Directors and the Monitoring Officer meet weekly and focus on strategic issues, projects and programmes and the health of the organisation. The Operational Leadership Team (“OLT”) comprises all service managers meet monthly to consider operational service issues and ensure compliance with corporate matters, such as performance, risk registers, compliance, before SLT consider them.

The Melton Leadership Team (“MLT”) comprises SLT and OLT meet bimonthly and focus on both the Council’s strategic direction, leadership and organisational development.

All Directors meet with their Service Managers in their respective Directorates to consider specific service matters regularly.

### Role of Statutory Officers

#### Head of Paid Service

- Overall Corporate management and operational responsibility for the Council (including overall management responsibility for all employees)
- The Head of Paid Service will determine how the Council’s functions are discharged, the number and grade of officers required to discharge those functions and how officers are organised into an overall officer structure
- The provision of professional advice to all parties in the decision-making process and responsibility for a system of record keeping for all the council’s decisions.
- Proper Officer for Access to Information

#### Chief Finance Officer (s.151)

- Accountable for developing and maintaining the Council’s governance, risks and control framework
- Ensuring lawfulness and financial prudence of decision making and the administration of financial affairs
- Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget & policy framework issues
- Support and advise Councillors in their respective roles
- Contributes to the effective corporate management and governance of the Council



### **Monitoring Officer**

- Monitoring, reviewing and maintaining the Constitution
- Ensuring lawfulness and fairness of decision making
- Supporting the Audit and Standards Committee by conducting investigations and/or undertaking other action in respect of matters referred by the Committee
- Advising whether decisions are in accordance with the Constitution
- Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget & policy framework issues. Support and advise Councillors in their respective roles. Contributes to the effective corporate management and governance of the Council

The three statutory officers; the Head of Paid Service (the Chief Executive), the Monitoring Officer (Assistant Director for Governance and Democracy) and Section 151 Officer (Director for Corporate Services) fulfil the statutory duties associated with their roles as detailed above.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council formally reviews its Financial Procedure Rules on a regular basis and a full review was completed as a part of the Constitutional review in 2019. On-going updates are implemented as part of the regular reviews of the Constitution.

### **Role of Internal Audit**

#### **Head of Internal Audit**

- Provides independent assurance and opinion on the adequacy and effectiveness of the Council's risk management and control framework
- Through the internal audit service delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity and makes recommendations for the improvement in the management of risk and control

The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has delegated its Internal Audit function to North Northamptonshire Council. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards.

Internal Audit has direct access to the Chair of Audit and Standards Committee which is responsible for the audit function within the Council.

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A risk model is used to formulate an annual audit work plan, progress against which is reviewed each quarter by Senior Leadership Team and the Audit and Standards Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director as well as the Section 151 Officer and Monitoring Officer.

The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation.

Progress against recommendations is followed up by Internal Audit and reported to Audit and Standards Committee at each meeting throughout the year.

The Internal Audit Annual Report 2021/22 was considered by the Audit and Standards Committee in 2022. Internal audit's opinion overall, based on all Internal Audit work during the year is that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. Further details are provided below.

### **Role of External Audit**

The current external auditors are Ernst and Young LLP. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended. External Auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, effectiveness on its use of resources. No significant issues have been raised relating to issues arising from audit work undertaken to date.

### **Role of Risk Management**

A robust risk management framework is an integral part of operational service delivery and the decision-making process. An up to date and regularly reviewed Risk Management Policy and Strategy is maintained. This requires that both Directorate and Strategic Risk Registers are maintained with appropriate action plans to mitigate and manage identified risks. The strategic risk registers are reviewed and updated by the Senior Leadership Team as appropriate. Directorate risk registers are reviewed within team meetings.

To ensure that risk is considered when decisions are made, all reports presented to Members must include a risk assessment of the actions or implications within the report. This assessment also covers legal and financial and value for money considerations. Decisions that are due to be made by elected members identify risks and categorise them as high and low probability and high and low impact on the Authority and plans are put in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. Risk assessments are also put in place as part of the Council's Project Management process.

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Risk management is part of the regular training delivered to officers and members. Risk Management responsibility falls within the remit of the Council's Audit and Standards Committee indicating its importance within the context of good governance. The Strategic Risk Register is also reported to Cabinet to ensure those agreeing and implementing policy decisions, do so in knowledge of the context of the risks being faced by the Council. An internal audit review of the Council's Performance and risk Management Framework was undertaken in 2021/22 and provided good assurance over both the control environment and compliance

## **How we comply with the CIPFA/Solace Framework**

The following sections list the key elements of the systems and processes that comprise the Council's governance framework with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Members' Code of Conduct, Planning Code of Conduct and Citizens' Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance.

The Constitution contains a section on the "Principles of Decision Making", and all decisions should be made in accordance with these principles.

During 2021/22 the Audit and Standards Committee had a pro-active work programme and where relevant the Committee received updates from the Monitoring Officer on current issues.

The Council has arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality).

The Officer Register of Gifts and Hospitality received regular checks by the Monitoring Officer whilst checking of the Member Register is also undertaken.

The Statutory Officers bring governance issues to SLT as part of an approved work plan and also if there are any other issues as appropriate. The Council's Whistle Blowing Policy includes members, contractors, suppliers and service providers and people working in partnership with the council (e.g. volunteers). All reports received under the policy are investigated thoroughly and no reports were received citing the Policy in year.

Regular training is undertaken on ethical standards to ensure compliance with legislation. A locally modified version of the LGA Model Code of Conduct was adopted by the Council on 16 December 2021 and became effective 1 April 2022. Mandatory Code of Conduct Member training sessions were provided in April and May 2022.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The Monitoring Officer was appointed on 25 November 2020 and reports to the Director for Corporate Services. Regular meetings with the Chief Executive also take place to ensure effective communication between the statutory officers.

The Democratic Services Manager is the appointed “Deputy Monitoring Officer” and reports to the Assistant Director for Governance and Democracy.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The “Head of Paid Service” role is undertaken by the Council’s Chief Executive.

### **Undertaking the core functions of an Audit Committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities**

The Council has an established Audit and Standards Committee whose remit and functions are based on the guidance set out in a CIPFA publication which identifies best practice in relation to roles and responsibilities. The Committee meets five times a year and receives regular reports from both the Section 151 Officer and the Head of Internal Audit. Arrangements are in place for the Head of Internal Audit to report independently to the Audit and Standards Committee should she feel it appropriate to do so.

### **The Council ensures compliance with established policies, procedures, laws and regulations through various channels.**

Two of the Council’s statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Head of Internal Audit who provides assurance on matters of internal control.

There is an in-house legal team. The Legal team work closely with all teams across the Authority providing risk-based advice.

Directors have accountability within their Directorates to ensure that policies are adhered to and understand that they must notify the statutory officers if they are concerned about compliance within their areas.

### **Whistle-blowing and for receiving and investigating complaints from the public**

The Council has in place appropriate whistle blowing policies and procedures which are reviewed annually and updated where required. The policy was reviewed and refreshed in March 2022 and staff are aware of the Whistle-blowing policy through the Council’s intranet. The Council refreshed and updated its complaints policy and will seek approval in 2022. It has previously decentralised day-to-day responsibility to

Service Managers for responding to stage 1 complaints and Directors for stage 2 complaints. Oversight of Corporate complaints remain the responsibility of Service Managers/Directors.

## **Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Council values openness and comprehensive stakeholder engagement. The Authority has a Consultation Toolkit which is used to guide effective and appropriate consultation.

The Authority has established partnership working and consultation with a number of different partners and organisations. The Council is undertaking a review in 2022/23 of partnerships in order to ensure there is clarity over those which are key and to set out expected outcomes from partnership working.

There are excellent relations with recognised trade unions on staffing matters.

The Council shares its accommodation with other partner organisations, including for example, Job Centre Plus, and the Registrars This encourages closer working and a more joined up service for customers. The Council engages with a wide set of private sector, business and community stakeholders through an established Melton Place Board; focussing on encouraging growth and prosperity in Melton.

Our range of communications policies sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication.

Internally, we communicate with staff via team meetings, the intranet, email and Chief Executive's Briefings for staff. The Authority has "Service Champion" meetings which involves frontline staff representatives from all services in the Council meeting on a bi-monthly basis with the Chief Executive. It also has a formal, regular mechanism of meetings with representatives and officials from the recognised Trade Unions.

Members are communicated to through briefings, development days and a Portfolio Holders Bulletin.

The Council's scrutiny arrangements ensure that key elements are externally scrutinised and involve all sections of the community and stakeholders as necessary.

## **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

### **Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements**

The Authority participates in a range of joint working arrangements with other bodies. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and to protect reputational risk, but the Council also works with partners on a range of issues without formal arrangements, aiming to influence their activity to maximise the benefits to our area. Should there be corporate risks based on partnership arrangements these will be detailed within the strategic and directorate risk registers.

The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

## **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

The Corporate Strategy and our Medium-Term Financial Strategy detail how we have planned all our resources, both financial and staffing to deliver against our priorities. Our corporate management and performance framework has been developed to strengthen the performance of the Authority and the achievement of key objectives and outcomes. Performance is regularly and publicly reported through Cabinet.

## **Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it**

The Authority adopted a Way We Work Strategy to replace the previous workforce strategy in December 2021. The strategy sets out how we will learn and develop, and how we work to ensure we have the right people, with the right skills and behaviours, in the right place to deliver the Council's vision and priorities over the next three years. Our Way We Work is underpinned by a Behaviour Framework and hybrid working model. A new performance management process based on more regular quality conversations, focussed on what and how achievements have been delivered and ensuring greater opportunity for reflection and learning will be introduced in 2022/23.

The Council fully supports the requirements to ensure that both members and senior officers have the necessary skill sets to fulfil their strategic role in the organisation; The Council has managed to maintain a healthy training budget to assist with staff and member development.

A comprehensive induction programme exists for both members and officers which was developed to deal with all relevant core issues. The Authority is committed to creating an environment where elected members' skills can develop and thrive with regular courses being delivered and bespoke training needs are identified.

The corporate priorities, the streamlining of governance arrangements, a continuing focus on digital and demand reduction are all helping to ensure that capacity is maintained and enhanced. A cultural shift to greater use of influential power should also help to lever in partner resources when looking at how to achieve required outcomes.

### **Enhancing the accountability for service delivery and effectiveness of other public service providers**

The Council is a partner in the Leicestershire, Leicester and Rutland Resilience Partnership (LRP). All Councils at Unitary, District and Borough levels are members of the Partnership to bring together emergency management resources to prepare for and respond to civil emergencies within the Leicester, Leicestershire and Rutland area. The Regeneration Manager is the Authority's representative on the LRP Management Board.

### **Principle F – Managing risks and performance through robust internal control and strong public management**

The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale and risk. Reasons for all decisions must be given and these are recorded in the minutes. The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias. The Council maintains a Forward Plan of Key decisions to maximise transparency and consultation.

The Audit and Standards Committee have undertaken the functions of an audit committee as identified by CIPFA guidance. It receives regular reports and presentations from the External Auditor and is independent of cabinet.

The Authority has a customer feedback complaints system and this information is sent to the relevant Director and is used to improve service delivery and customer satisfaction. It is also considered by the Senior Leadership Team quarterly.



The strategic risk register is reviewed by Cabinet and management bi-annually. The risks identified have been allocated lead officers that manage each risk. Risk Management also forms a key element of the Directorate Actions Plans and risk management is an integral part of the Authority's performance management arrangements.

The Authority is committed to the effective use of IT and has a digital strategy and IT acceptable usage and Security Policy which are kept under regular review.

The Council's 2021/22 Treasury Management Strategy was approved by Council in February 2021, and risks are fully evaluated as part of this strategy.

### **Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

#### **Ensuring the Authority's Financial Management Arrangements conform with the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)**

The Director for Corporate Services undertakes the role of Chief Finance Officer and the Authority's financial management arrangements continued to conform with good governance.

#### **Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)**

The Authority's internal reporting arrangements are designed to ensure the independence of the internal audit function. Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Head of Internal Audit reports directly to the Audit and Standards Committee on all matters appertaining to audit outcomes. The Head of Internal Audit and the Section 151 Officer meet on a bimonthly basis to discuss and review governance and risk matters.

## **Impact of coronavirus on Governance**

### **Impact on business as usual in the delivery of services**

In March 2020 the Council declared a Major Incident and a governance structure consisting of strategic meetings and operational meetings were held regularly throughout the year. All meetings were chaired by the Chief Executive and were supported by senior and service managers. All statutory officers were in attendance.

In addition, the Council attended meetings facilitated by the Leicester, Leicestershire and Rutland Resilience Forum (LRF) which brought together Local Authorities and other Agencies in the response effort.

The pandemic continued through into 2021/22 and the Council continued to prioritise its emergency response whilst it worked on recovery and plans for service continuity. This disruption to normal corporate business and the service, resource, staffing and financial consequences was continually assessed as part of the corporate planning and influenced the commitments made in this Statement which will be kept under review.

An internal audit review of Covid – 19 recovery was undertaken during 2021/22 with a substantial assurance rating provided for both the control environment and compliance.

The Council also had a successful spot check by the HSE in relation to its workplace compliance.

### **The funding and logistical consequences of delivering the local government response and services post pandemic.**

The Council continued with work from home arrangements and as part of the Way We Work Strategy developed a hybrid working model to ensure the lessons learnt from covid were incorporated into working practices post pandemic. Work continues into 2022/23 on the use of the council's property assets taking into account new hybrid working arrangements. Digital services continue to be developed also. With regard to financial resources the council continued to separately account for Covid-19 expenditure to understand the ongoing impact on the council's finances.

## Review of effectiveness during 2021/22

The governance framework comprises the systems and processes, culture and values by which the Council is enabled, directed and controlled and through which it accounts to, engages with and leads the community. Part of that framework involves the management of risk. No risk management process can eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's approach to risk management is robust as evidenced by the internal audit undertaken during 2021/22 and the strategic risk register is monitored by SLT and Audit and Standards on a six monthly basis. The framework was further strengthened during 2021/22 by the approval by Council of a Performance and risk Management Framework. Although performance and risk management has been embedded within the Council for some time, there has not always been sufficient visibility of how they link together and inform the development of policies and the Council's budget. The new framework provides visibility and assurance that there is a robust approach to managing performance and risk and that monitoring of the outputs is used to develop new and existing policies and practices and to identify gaps in service provision that need to be addressed.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Local authorities were required to apply the requirements of the FM Code fully from 2021/22 following a shadow year in 2020/21. Following a self assessment by the Director for Corporate Services Internal Audit undertook a review in 2020/21. No area of compliance with the code was below Satisfactory with many being Good or Substantial assurance. Where it was considered there was merit in increasing the assurance rating an action plan was drawn up and is being monitored regularly by the Senior Leadership Team. No areas of improvement identified are significant enough to warrant being included in the AGS action plan.

### Internal Audit Conclusion

Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. 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 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management.

### Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with opinions for control environment and compliance being of at least Satisfactory Assurance. A high priority recommendation relating to debt recovery will be subject to ongoing audit follow up to ensure controls are strengthened in this area.

### **Risk management**

Structures and processes for identifying, assessing and managing risk have been further developed and embedded during 2021/22. An audit of the revised Risk and Performance Management framework was delivered in 2021/22 and resulted in an opinion of Good Assurance for design and compliance.

### **Internal control**

For the audits completed in 2021/22, 93% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. The areas of Limited Assurance relate to Planning Enforcement and an action plan is in place to address the areas for improvement.

Of the recommended actions agreed during 2021/22, and due for implementation, 84% had been completed during the year. In addition to these, there remained 14 audit actions outstanding from previous financial years.

The Council's IT network has been subject to review as part of the Public Sector Network compliance process and has valid certification, providing assurance over security measures.

There have been no incidences where Internal Audit have highlighted a fundamental risk or weakness during 2021/22 and management have sought to accept the risk, rather than take appropriate action.

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 Council follows up on all actions arising from audit reports on a regular basis and provide reports to the Audit and Standards Committee. Where an opinion of limited assurance and major impact is given, a full follow up audit is included in the current year audit plan and findings are included in the next annual report. Where the impact is assessed as minor or moderate, the action plan is subject to follow up by Internal Audit but a full follow up audit may not be considered necessary – subject to risk assessment in annual audit planning and review of the plan coverage.

During 2021/22, the only audit to receive Limited Assurance opinions was Planning Enforcement. Of the twelve actions arising from this audit, two are due for implementation by September 2022 and ten by March 2023.

All outstanding actions are monitored on a regular basis and reported regularly to SLT and Audit and Standards Committee. The outstanding actions from previous financial years have been highlighted to SLT and monitoring is ongoing to ensure completion of these is prioritised.

## **Senior Leadership Team - Annual Assurance Statements**

At the end of the year annual assurance statements are issued to each member of the Senior Leadership Team to provide assurances on the identification and assessment of risks and that sound operational arrangements exist within their service. Following their return these are considered by the Senior Leadership Team to identify which areas of improvement are appropriate to be included within the Annual Governance Statement.

The conclusion from the review is that the Council has continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective and are consistent with the Local Code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework.

The areas of improvement identified in the last Annual Governance Statement have been addressed in the Table below. Following on, a further table shows the improvement areas identified for 2022/23 which will be administered by Senior Leadership Team on a quarterly basis:

**Areas for improvement highlighted in 2020/21 Governance Statement**

DIRECTORATE	IMPROVEMENT	OWNER	UPDATE
<p>Corporate Services</p>	<p>Ongoing consideration of the council’s future financial sustainability including how the Council will balance its budget from 2022/23. The council is vulnerable due to its low reserves and vulnerability highlighted in the CIPFA financial resilience indicator set. There is uncertainty regarding future funding due to the deferred spending review, ending of New homes bonus, review of the business rates baseline and uncertainty regarding any replacement and further subsequent funding decisions by central Government and the impact this will have on the Council’s finances into the future.</p> <p>The council may wish to borrow to fund property investments and regen schemes also there could be a need to fund any one off costs of any service reductions.</p> <p>There also remain uncertainty regarding the impact of COVID on income recovery and lost business rates.</p> <p>Improve proactive checking of compliance with data protection including regular checks on cleansing of data particularly electronic data in line with retention schedule and updating of Record of Processing Activity</p>	<p>Director of Corporate Services</p>	<p>This remains a concern for 2022/23. A new programme “Be the Change” has been launched in 2022/23 with the aim being to generate savings ideas that can be used to populate a 3 year financial sustainability programme.</p>

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DIRECTORATE	IMPROVEMENT	OWNER	UPDATE
Corporate Services	Review and strengthen financial awareness to further enable budget holders to effectively manage budgets.	Director of Corporate Services	Steady progress has been made in this area with a new finance system implemented which continues to be developed. Phase 1 focused on transactional services and Phase 2 to be implemented in 2022/23 to be focussed on budget management. Increased support has been provided to management and budget holders and this will continue forward. Not considered a serious enough risk to include in the action plan for 2022/23.
Senior Leadership Team	Complete a lessons learnt review in relation to the Council's response to Covid-19	Chief Executive	This has been undertaken by Internal audit and the outcome reported to the Audit and Standards Committee. This was awarded a substantial assurance rating. Completed.
Housing & Communities	Health and Safety- Following recruitment to the Health and Safety post improve corporate oversight across the organisation through a review of the policy and ensure the refreshed health and safety group which includes member representative is working effectively.	Director for Housing & Communities	Completed.
Housing & Communities	Complete Stock Condition Survey and use to inform a fully revised HRA business plan. This to be then used to inform revenue and capital budgets.	Director for Housing & Communities	Stock condition surveys complete. The HRA business plan will be finalised in 2022/23 alongside an Asset Management Plan which will be used to inform the budget for 2023/24. This will remain for 2022/23

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<b>DIRECTORATE</b>	<b>IMPROVEMENT</b>	<b>OWNER</b>	<b>UPDATE</b>
<p>Growth &amp; Regeneration</p>	<p>Complete the programme of General fund stock condition surveys.                      As these surveys are completed they will be used to inform the Council's capital strategy, Asset Management Plans, Capital Programme and Revenue budgets.                      The Asset Register and Land Registry will need to be updated accordingly.                      Timescales for the completion of this work will need to be developed and communicated</p>	<p>Director for Growth &amp; Regeneration</p>	<p>The stock conditions surveys were completed and used to inform the 2022/23 capital programme. The Asset Management Plan remains outstanding for 2022/23.</p>



**Areas for Improvement 2022/23**

<b>DIRECTORATE</b>	<b>AREA OF RISK/IMPROVEMENT</b>	<b>OWNER</b>
Corporate Services	Risk of future financial sustainability due to vulnerability from lower reserves than other similar councils, the possibility of borrowing to fund capital investment, uncertainty of the timing and outcome of the Governments intended funding review potentially impacting on retained business rates and NHB and increases to debts. Should there be the need to make savings to fund any shortfall in finances then there could be a need to fund any one off costs of any service reductions. A similar financial vulnerability also exists in the HRA in the context of the need to maximise income including debt recovery and the risk of changes to the government rent charging policies.	Director of Corporate Services
Housing & Communities	Improve to the monitoring arrangements to detect Council tax fraud and follow up on NFI matches.	Director for Housing & Communities
	Develop and approve an Asset Management Plan to support the HRA business plan thereby informing the capital strategy and 5 year capital programme for the HRA	
	Following debt profiling work devise and implement an action plan for the management of long standing debt, primarily relating to housing rents and sundry debts.	
Growth & Regeneration	Implement Recommendations arising from the internal audit review of planning enforcement	Director for Growth & Regeneration
	Develop and approve and Asset management plan following the stock condition surveys on General Fund assets	

## **Overall opinion and conclusion**

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in undertaking the annual review. The Authority will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review. The council continues to demonstrate an ability to mobilise effectively to emerging threats and risks it faces as demonstrated by its response to both Covid and the Ukrainian refugees response.

### **Conclusion in relation to COVID-19**

The Council is satisfied that appropriate governance arrangements are in place. The Authority continues to use a risk based approach to decision making and monitors progress to ensure good governance. The Council had a successful spot check by the HSE in relation to its workplace compliance and an internal audit review which gave a substantial rating to the Council's response.

### **Statement of Leader and Chief Executive**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework carried out by members of the Senior Leadership Team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Chief Executive

Leader