

**SOUTH KESTIVEN DISTRICT COUNCIL  
ANNUAL GOVERNANCE STATEMENT 2011/2012**

**Introduction**

The Council is committed to ensuring good governance principles and management practices are adopted throughout the Council. This Annual Governance Statement (AGS) conforms with the governance requirements of the CIPFA Statement on the Role of the Chief Financial officer in Local Government as set out in the Application Note to the “Delivering Good Governance in Local Government: Framework” and meets the statutory requirement set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

The statement is an open and honest review of the effectiveness of the Council’s system of internal control, including performance across all of its activities. It is inevitable that during a rigorous and robust review of the Council’s operations issues will be identified to be addressed. Therefore, a key element of good governance is to ensure that there is a clear action plan for addressing these issues and this reflects the approach taken by this Council, i.e. the AGS sets out the actions being taken or required in the future to address areas of concern identified.

The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council’s activities, including the following:

- The Council’s policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The Council’s values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published performance information are accurate and reliable
- Human, financial, environmental and other resources are managed efficiently and effectively.

The self-assessment contained within this statement has been produced taking into account reports by Internal Audit together with a wide range of external sources, including the Audit Commission’s Annual Audit Letter and Annual Governance Report that feature the results of the annual audit of the accounts and the Council’s arrangements for securing value for money in its use of resources. The statement has also been prepared by taking into account assurances from both Heads of Service and Service Managers from across the organisation together with regular reviews of risk management. In preparing this statement account has been taken of both the statutory codes and the ethical governance tool-kit produced by the IDEA<sup>1</sup> and the CIPFA Financial Advisory Network.

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<sup>1</sup> IDEA – Improvement and Development Agency

### **The Importance of Good Governance**

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes for residents and service users. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Good governance means:

- Focusing on the purpose of the Council and outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

### **Scope of responsibility**

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. 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 this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs including the management of risk. Whilst the Cabinet and Senior Managers are responsible for delivering the Council's services and activities within these arrangements, the Governance and Audit Committee is responsible for reviewing the effectiveness of these arrangements on behalf of the Council. It is also responsible for making any recommendations necessary as a result of its review together with any issues identified as a result of reports from external review bodies such as the Audit Commission or the Local Government Ombudsman.

The Council has approved and adopted a Local Code of Corporate Governance the most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting on 29<sup>th</sup> June 2012. The Code is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the Code is available on our website at [www.southkesteven.gov.uk](http://www.southkesteven.gov.uk).

### **Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and through which it accounts to, engages with, and leads the community. It enables the Council to monitor the extent to which it has delivered on its corporate priorities and to consider whether this has led to the delivery of appropriate cost-effective services.

The Council'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 of 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. It evaluates the likelihood of those risks coming to fruition and their impact should they do so, and identifies ways to manage them efficiently, effectively and economically.

The governance framework has been in place throughout the financial year which ended on 31 March 2012 and continues to be in place up to the date of the approval of the Statement of Accounts.

### **The Governance Framework**

During the year the Council has realigned its visions and priorities for the future by establishing a 2021 vision for South Kesteven which is a place that has vibrant communities where people want to live, work and invest (healthier, wealthier, happier, safer people). Underpinning the Council's vision is the new corporate plan for 2011-15 which was approved by Council at its meeting on 3<sup>rd</sup> March 2012 and provides the strategic direction over the coming years.

Putting customers at the heart of all we do is the focus of the Council's priorities which encompass 4 themes: Grow the Economy, Keep SK Clean, Green and Healthy, Promote Leisure, Arts and Culture and Support Good Housing for All. These themes allow us to focus on what really matters to local residents and businesses and to deliver on the things that make a difference to them. We will continue to consult and engage with the local community to make sure we focus on creating the right environment to deliver the Council's vision which is all underpinned by the ethos of a Well Run Council.

Progress against these priorities is monitored by both the Cabinet and the Management Team, through a process of regular monitoring and reviewing key performance measures and data. A Programme and Performance board has been established, strengthening performance management for all Council activities. This will take ownership for the achievement of the Business Transformation Plan objectives, and will also address the Corporate Priority Programme as it progresses. Governance arrangements have been developed to ensure that the necessary controls and assurance processes are in place to support successful delivery of the Programme. The Programme and Performance Management Office (PMO) provides monitoring, control and reporting across the programmes of activity.

The Council publishes an Annual Report which provides an overall view of performance. Feedback on the report is encouraged and the form and content is changed taking into account the needs of local residents. In addition, a summary of accounts is produced annually that is simple for residents to understand.

### Measuring the quality of services for users

Following consultation with users the Council specifies service standards for those aspects of service delivery which are reflected in new Corporate Service Plans. Satisfaction surveys are undertaken by key services following the provision of services. In the preparation of the corporate service plans, Head of Service and Service Managers have established a key number of value for money monitor the efficiency of service delivery. Alongside this all service areas have undertaken Equality Impact Assessments on delivery of their services with high impact customer focused areas having been through a peer challenge undertaken by the Community Focus Forum. The Council has also been through a self assessment and peer challenge were it successfully gained an *achieving* level standard as set out in the Equality Framework for Local Government.

The Council also has in place a customer feedback process which monitors the level of both positive and negative comments from residents in the delivery of council services. This is tracked through the corporate performance management system in order to provide meaningful data to the management team. The added benefit of using this system is to identify common themes, specific areas of improvement but to also celebrate success in the positive way we do things. During 2012/13 the Council is looking to enhance and compliment this through the development of an over arching Customer Access Strategy.

The budget process for 2012/13 built on the detailed public consultation undertaken during 2010 and was supplemented by community drop in sessions during the early part of 2012 which was designed to establish the areas that local people were most likely to agree to service changes should the need arise. This also gave the Council important and detailed information on what services were most valued by its customers. As a result of the listening to residents feedback when formulating the councils plans the 'Cleaner, Greener, Safer' campaign came out as a key focus area which has subsequently become one of our four key priorities under the 'Keep SK Clean, Green and Healthy'.

Against the background of the economic downturn, recession and the increasing demand for its services, the financial position of the Council remains challenging. Following the 2010 Comprehensive Spending Review, the Council suffered a significant reduction in central government funding together with a reduction in income from fees and charges and growth in costs in some areas. In addition, the impact of the economic climate continues to place a higher demand on particular services in relation to social care and well being, specifically benefit advice and support and homelessness. Despite this and the prospect of further cuts in government funding in future years with the proposals around Business Rate retention and Universal credit, the Council is doing everything it can to continue to provide high quality services to local residents whilst maintaining a sound financial base. For 2012/13, a balanced budget was achieved with zero council tax increase (for the second year in a row) and no reduction in the level or quality of services.

According to the Audit Commission in its 2010/11 Annual Audit Letter published in December 2011, "the Council has demonstrated leadership in a difficult economic climate and has responded positively to the Comprehensive spending review. The financial resilience is robust and has taken appropriate action through the year to maintain an appropriate medium term financial plan."

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Despite a large cut in the Councils grant from central government the Council has been working hard to minimise the impact on local people through a carefully managed programme of spending reduction. There have been substantial changes to the way we operate, streamlining management and 'back office' costs, as well as delivering services differently, including joining up with the other councils to share management expertise. The regeneration of our towns (growing the economy) continues to be an important focus with over £5m being allocated to redevelopment of projects within Grantham and Bourne. Some of our key achievements are:

- Improved street and environmental cleanliness
- 96% of Council homes are now classed as meeting decent standard which exceeded the target for the year and was a 5% improvement on the previous year.
- 94% of customers are now seen within 10 minutes of their appointment time.
- All levels of planning applications have seen a significant increase in their processing times compared to 2010/11
- Over 387,000 people visited the council's website during 2011/12 which was a 74% increase on the previous year.
- There has been a 6.5% increase in the number of visitors to the councils leisure centres
- A survey of leisure centre users found that 95% are satisfied with their facilities
- Nearly 90% of all local suppliers are paid within 10 working days which again is an improvement when compared to 2010/11

The Council has established an ambitious Corporate Plan which sets out our Strategic direction over the coming years and reflects the four focus priorities areas. A copy of the corporate is available on our website at [www.southkesteven.gov.uk](http://www.southkesteven.gov.uk). We will also continuously monitor our progress against delivery to ensure ongoing service quality and value for money in the delivery of local services. In order to support the successful achievement of our ambitions the Councils has strengthened its performance management framework through the establishment of a Performance Programme Board.

### *Value for Money*

During 2011, the Audit Commission assessed the Council's corporate arrangements and concluded that, overall, the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. More specifically, it reported that the Council:

- Have a history of good financial controls and have maintained these arrangements
- Demonstrated leadership in a difficult economic climate and responded positively to the Comprehensive Spending Review
- Has a clear understanding of the financial position and a number of cost saving initiatives have been successfully implemented
- Has significant reserves in place to help it deliver its plans
- The medium term financial plan is in line with Councils Strategy
- Understands the impact of reductions in government funding and has plans in place to respond
- Resources are prioritised in line with the vision, using consultation and reporting
- Benchmarking data shows South Kesteven to be a low cost council
- Decision making is underpinned by good financial information and reporting
- Works well in partnership and is exploring new ways to help meet the future funding gaps

The Council has plans in place to secure continuous improvement in all these areas. It is tackling the issues that local people recognise as priorities and has plans in place for improving services and performance that are actively monitored. As part of the new corporate service plans developed by Heads of Service these contain VFM indicators to measure the efficiency of service areas. Performance and progress is also monitored in monthly one to ones meetings between each Head of Service and a Strategic Director.

Alongside the performance measures outlined in the corporate service plans a suite of performance measures are also being collated as part of the SK Business Plan which is being developed and are aligned to each of the priorities they will be used monitor our performance to ensure our direction of travel is moving positively towards improving our district. The Council's Corporate Performance Management system is being effectively used as a tool to manage performance data; risk; and the project management of key projects.

### **The roles and responsibilities of members and officers.**

The Council's Constitution defines the responsibilities of the members and officers involved in building and maintaining high standards of governance. Also, the Constitution defines the role of the various Member forums, including the role of the Cabinet, Policy Development Groups, Scrutiny Committee and the Governance and Audit Committee. During the year these have been clearly communicated to both members and officers through training and development sessions. These will continue to be developed to reflect the changing needs and requirements of the Council. There is a specific area on the council's website on 'becoming a councillor' which contains information on what they do and the role of councillors in general.

### **Standards of behaviour for members and staff**

The Council has adopted codes of conduct for both members and staff and these are detailed within the Council's Constitution. Compliance with the member's Code of Conduct is currently monitored by the Standards Committee. With the announcement that the Standards Board regime is to be abolished during 2012 (although we are still awaiting the final details regarding regulations etc), the Council will ensure appropriate arrangements are put in place at a local level to maintain high levels of conduct and ethical behaviour amongst its members. This includes adopting a new code of conduct which is consistent with the 7 principles of standards in public life and the introduction of 'Disclosable Pecuniary Interests'.

The Council has approved and adopted a Local Code of Corporate Governance. The most recent version was reviewed, updated and approved by the Governance and Audit Committee at its meeting in June 2012.

### **The Constitution, Financial Regulations, Scheme of Delegation and Contract Procurement Procedure Rules**

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The Council's Constitution is reviewed and updated to ensure it remains fit for purpose and reflects legislative change, etc. Various amendments have been considered and approved by the Council based on the recommendations of the Constitution Committee. In April 2011, the Committee considered a number of amendments to the terms of reference of the Governance & Audit Committee. These were approved by Council in May 2011.

The Council's Financial Regulations are regularly reviewed and updated by the Head of Finance to ensure they remain fit for purpose. These were updated during the course of 2011 with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal sign off by Council at its meeting on the 20<sup>th</sup> October 2011.

During 2011/12 the council also took the opportunity to update its Contract and Procurement Procedure Rules to ensure they were in line with current best practice and supported the Council in making efficient and effective procurement decisions. Again these proposed amendments were endorsed by the Governance and Audit Committee prior to formal sign off by Council at its October 2011 meeting.

Both of the polices reviewed above were rolled out to the relevant officers via the councils corporate policy management software.

### **Ensuring 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 (2010)**

The Council's financial management arrangements complied in all respects with the governance requirements of the above Statement. In particular:

- the role of the Chief Financial Officer (CFO) was undertaken by the Strategic Director – a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. They also have direct access to the Governance and Audit Committee and external audit
- through the Head of Finance, who is also a professionally qualified accountant, the CFO has a line of professional accountability for all finance staff and the finance function is fit for purpose
- the Council has established robust arrangements to manage its finances, including, a Medium Term Financial Plan, annual budget process and compliance with CIPFA's Codes and Guidance on a Prudential Framework for Capital Finance; Treasury Management; and the management of reserves, etc.
- the Council maintains an effective internal audit service and an effective risk management system is in place

### **Undertaking the core functions of an Audit Committee.**

The Governance and Audit Committee was established by the Council in March 2007 and its terms of reference were prepared to ensure that it complies fully with the guidance provided by CIPFA<sup>2</sup>. The key areas covered by the committee's terms of reference are Audit Activity; Risk Management, Governance, Regulatory Framework; Accounts and Financial Reporting; and Ombudsman. More recently, further amendments to the terms of reference were approved by Council in May 2011 in order to bring them into line with best practice and the Council's developing needs. These included:

- The committee, led by the chairman may request private meetings with both the internal and external auditors (a private meeting with Internal Audit was held in December 2011)
- Incorporate the changes regarding the Bribery Act 2010 as part of its Counter Fraud remit
- Review an annual report for Health & safety, Business Continuity and partnerships.
- To produce a Chairman's Annual Report on the activities of the Committee and present to Council (this was presented to Council at its meeting on 3<sup>rd</sup> May 2012)
- To consider the outcome of a self-assessment of the effectiveness of the Committee's work (at least bi-annually)

Members of the Committee are required to undertake some mandatory training including training on the role of an effective Audit Committee and its terms of reference. In line with its revised terms of reference, members of the Committee have also received training during the course of the year in specific areas, including treasury management, risk management and counter fraud.

At the meeting of Council in May 2012, members considered the Chairman of the Committee's Annual Report on the key outcomes arising from the work of the Governance and Audit Committee for 2011/12. Members acknowledged that these outcomes had helped to improve and strengthen the Council's overarching control environment and governance arrangements. In line with best practice and to ensure that Members become better informed and therefore engaged with the work of the Committee, an indicative annual work plan and timetable was also presented to Council in May 2011. It was also noted by the Audit Commission in their Annual Governance Report that the Governance and Audit Committee provides robust challenge of financial assumptions and plans.

### **Compliance with laws, regulations and internal policies and procedures**

Matters arising in respect of Governance regularly received and discussed with senior offices for the council at its management team meetings. Reports to Council, Cabinet, Policy and Development Groups, Governance and Audit Committee, Scrutiny Committee and Portfolio holders for non key decisions contain comments from Legal & Democratic Services and from Financial Services. Reports are also reviewed for compliance with internal policies. The Member Report Template for key and non-key decisions is regularly reviewed and updated to ensure it remains fit for purpose.

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<sup>2</sup> Audit Committees – Practical Guidance for Local Authorities published 2005

The Council has procedures in place to identify and implement new and changing legislation. More specifically, changes to policies and procedures as a result of the Localism Act (2011) are being closely monitored at service and corporate level which actions being taken to implement the requirements. These include the publishing of a pay policy statement and the abolition of the Housing Revenue Account (HRA).

Service managers and corporate heads have continued to complete Quarterly Assurance Statements in relation to the effectiveness or otherwise of the systems and controls in operation on a day to day basis. The outcomes of these are discussed in the monthly one to one meetings with heads of service and strategic directors. Where required these will be escalated to management team by exception.

### **Whistle-blowing and Investigating complaints from the public.**

The Council's Counter Fraud, Corruption & Bribery Framework was reviewed, updated and approved by the Governance & Audit Committee in March 2011 with specific reference to the new requirements relating to the Bribery Act 2010 and the addition of a fraud response plan. This incorporated the following 5 key elements:

- Seven principles of public life
- Whistle-blowing Policy
- Housing Benefit & Council Tax – Counter Fraud Policy
- Fraud Response Plan
- Anti-Money Laundering Policy (revised June 2009)

The Council's whistle-blowing policies and any complaints from the public regarding governance matters are considered, where appropriate, by the Management Team. Training is provided as part of the Induction programme for new employees on Counter Fraud and Whistle blowing. The latest version of the framework was rolled out to all staff via the council's policy management software to ensure they have been read and understood.

During 2011/12, the Council completed the implementation of the final recommendations arising from a fraud thematic review previously undertaken by internal audit which showed that compared to good practice, the Council's arrangements are sound. They also suggested areas which the council look at which would strengthen further the current arrangements, including fraud awareness. This was achieved through the launch of a new intranet site specifically focused on Governance and Risk issues and in particular a whole section around Counter Fraud.

The Council also takes part in the Audit Commission's National Fraud Initiative and has set procedures in place for dealing with any highlighted data matches identified by this process.

A range of customer information is produced, including the level of customer feedback received in connection with various services in order that issues of concern can be addressed and lessons learnt. The number of enquiries and complaints received by the Ombudsman has fallen to a relatively low level in recent years of which the last report stated there were no findings of maladministration. There has also been a marked improvement in response times with the Council recognising that it needs to do all that it can to ensure enquiries are dealt with efficiently and effectively and complaints resolved as quickly as possible.

### **Training for members and senior officers**

During 2011/12 relevant members of Council Committees have attended training courses that deal with corporate governance as well as other corporate issues. The Council has recognised that it is important to ensure that all Members are actively engaged in helping to improve and strengthen the Council's governance arrangements in all areas of their work for the local community. In May 2011 the council saw an influx of new members following the elections which required them to undertake core mandatory training as part of their new roles and also induction training for the 24 newly elected members

The training needs of all employees are formally assessed through their Performance Development Reviews with specific training has been provided for officers in respect of risk management and understanding the governance framework.

### **Communication and consultation**

Under the Localism Act (2011), there is a greater requirement for consultation and engagement with local communities. One of the main provisions resulting from the act is the ability for the public to require a local referendum to be held on any issue that they thought important, specifically around Council Tax increases.

The Council is already committed to consulting and engaging with the local community and has a Consultation Strategy and toolkit in place to facilitate this. There is a clear framework for consulting with its communities through resident drop in sessions held during the year which have also been supplemented by specific consultation events on key issues such as the Southern Quadrant. There are also various community events which the Council attend to provide an opportunity to engage with residents which are all outlined in the councils Consultation Calendar.

Following the call on local authorities to provide greater openness and transparency, all elements of the transparency agenda, including the publishing of payments to suppliers over £500, member's allowances and headcount of staff are now published on the website each month so that the public can access the information.

The Council's newspaper "SK Today" is the principal method for communicating with the Council's 131,200 residents on the roles and responsibilities of the Council. According to the Audit Commission, the Council communicates well with residents, as it uses consultation with stakeholders to prioritise resources in line with South Kesteven vision. Telephone answering has improved with more calls being answered with 28 seconds by staff thanks to targeted training which has meant the customer services team answered over 162,000 calls. A joint customer access point is being set up with partners in Bourne which will provide customers with a range of council services alongside the County Council and Town Council.

The Council's improved communications with tenants has been maintained and the resident involvement strategy has been updated. Involvement of all individuals is monitored and checked against base line tenant data to ensure they are representative and any under-represented groups are identified and targeted to ensure that there is a fair access for all customers. No barriers to involvement were identified in a recent equality impact assessment. Work is ongoing to comply with the localism act and tenant scrutiny obligations and increase on-line remote accessibility.

The Council will continue to develop external accountability through continuing to seek stakeholder views and incorporate information in relation to the Council's environmental footprint. It will also continue to improve the way information is made more accessible to customers by developing its website publication scheme and consulting on the form and content of the information provided.

### **Governance arrangements for partnerships**

The Council has participated in a number of partnerships aimed at improving the services it provides to the community such as the South Lincolnshire Community Safety Partnership, Grantham Growth Point and Town Centre Management Partnerships.

The Council has incorporated the impact of joint plans and partnerships within the Medium Term Financial Plan (MTFP) which was reviewed as part of the 2012/13 budget setting process.

When drawing together different partners with varying organisational cultures and methodologies for handling governance issues, it is important that clear protocols are established at an early stage to minimise and manage risk. Accordingly, a Protocol on Partnerships was approved by the Governance and Audit Committee and adopted in December 2008.

The Council routinely reviews the performance of partnerships to ensure that they are achieving their aims and objectives but further work is required to ensure they are providing good value for money and remain fit for purpose. The Lincolnshire Bridge partnership tool is used for assessing partnerships and the Council produces an annual report on the performance of partnerships, including an action plan.

The Council has in place procedures for assessing the risks of partnerships, including the compilation of joint plans and joint risk registers. Following a recommendation by Internal Audit the Council also strengthened its reporting arrangement on partnerships with the production of a Partnerships Annual Report. This was reviewed by Governance and Audit Committee at its meeting on the 30<sup>th</sup> June 2011.

With the gradual introduction of Local Enterprise Partnerships, some of the Council's partnership arrangements may be subject to change. Governance, performance reporting, data quality and information sharing for significant partnerships will continue to be reviewed in light of future requirements.

### **Internal and External Audit**

Internal audit files and reports for key financial systems are reviewed annually by the Audit Commission in order for them to place reliance on this work. As in previous years, it is expected that they will be able to place full reliance on the work of internal audit and any recommendations made by the Audit Commission will be consistent with those made by internal audit.

New arrangements for the recording, tracking and follow-up of internal audit recommendations have been introduced through the implementation of a recommendation tracking software. This has facilitated more accurate monitoring and reporting of the progress made by service managers in implementing audit recommendations. It is also used by our Internal Auditors to support a more efficient follow up review process with service areas.

The Council has responded to the Government's Consultation Paper on the future of local public audit following the planned abolition of the Audit Commission in 2012/13. Members of the Governance and Audit Committee have been kept informed of developments throughout the year and were also involved in the formulating the consultation response.

In January 2012 DCLG published the government's response to the consultation, which confirmed there was still some further work to do in a number of areas. In the Queen's Speech in May 2012 the government confirmed its intention to publish a draft Bill on the future arrangements for local public audit for further scrutiny and comment. The draft Bill will outline how the current audit regime and the Audit Commission will be replaced.

In July 2011 DCLG confirmed their preference for transferring the Audit Commission's in-house Audit Practice to the private sector by outsourcing contracts. Subsequently a procurement exercise has been undertaken which means all of the Commission's in-house work will be outsourced in time for the audit of 2012/13 accounts.

### **Risk Management**

The Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of its objectives and priorities. In particular, risk management is an integral part of the corporate, service and budget planning process. The current risk management strategy was revised and updated and approved by the Governance & Audit Committee in June 2012.

There are risk registers in place for corporate, service, project and partnership risk and these are updated on a regular basis. The Governance & Audit Committee receives a regular briefing on corporate risks and the latest Annual Report will be presented in June 2012 together with an updated version of the Corporate Risk Register. This report details the activity undertaken and provides a summary of the direction risk management will take for the financial year 2011/12. The committee also received regular updates on risk management during the course of the year.

During 2011/12 the risk management group met on a number of occasions with discussions focusing on implementing the Risk Management Road Map covering areas such as corporate risk intelligence and prioritisation, benchmarking and maintaining the service risk profile.

The Council has a service level agreement (SLA) with the Lincolnshire County Council Emergency Planning Unit for the provision of an emergency planning service; this provides the council with a dedicated officer who carries out Emergency Planning and Business Continuity work. The SLA also makes provisions for the support of the County Emergency Planning Team during emergencies and exercises, including gold standard training for strategic level officers.

No significant Business Continuity or Declared Emergency incidents arose during the year 2011/12. During 2012/13 there is a focus on ensuring service managers are committed to the continual review of their business plan. Business Continuity plans are currently being reviewed to ensure that the council is able to respond in the event of an incident. The council's Emergency Plan has also recently been reviewed and updated and is due to be issued in June 2012. During the course of the year a Business Continuity Annual Report was presented to the Governance and Audit Committee at its meeting on the 30<sup>th</sup> June 2011.

**Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is determined by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment. The review is also informed by the Internal Audit Annual Report, comments by the External Auditors and other review agencies and inspectorates.

**The process applied in maintaining and reviewing the effectiveness of the governance framework**

The key players in the process may be summarised as:

Key Players	Role and Activity during the year
Council	<ul style="list-style-type: none"> <li>○ Approve Constitution including Codes of Conduct;</li> <li>○ Approve the budget and policy framework</li> </ul>
Cabinet	<ul style="list-style-type: none"> <li>○ Priority setting in line with the council's vision and recommending the budget proposals to council that underpin their delivery.</li> <li>○ Financial, performance and risk management of service delivery within the Budget and Policy Framework set by Council</li> <li>○ At least monthly public meetings</li> <li>○ Monthly briefings and development days</li> </ul>
Governance and Audit Committee	<ul style="list-style-type: none"> <li>○ Five scheduled meetings per annum to:                             <ul style="list-style-type: none"> <li>○ review Financial Regulations and Contract Procedure Rules</li> <li>○ review and scrutinise the Council's governance arrangements, including the outcome of Internal and External audit reports and those of other external agencies such as the Ombudsman</li> <li>○ review the arrangements for managing risk throughout the Council</li> <li>○ scrutinise and approve the Financial Statements on behalf of the Council</li> </ul> </li> </ul>
Scrutiny Committee	<ul style="list-style-type: none"> <li>○ To provide a "critical friend" challenge to the Executive as well as external authorities and agencies</li> <li>○ To reflect the voice and concerns of the public and its communities</li> </ul>
Standards Committee (subject to change following announcement of abolishment during 2012/13)	<ul style="list-style-type: none"> <li>○ Consider allegations of breaches to the Member Code of Conduct</li> <li>○ Undertake the statutory functions of the Standards Committee as set out in the Local Government Act 2000</li> </ul>

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Strategic Director (s151 Officer) and Head of Finance (Deputy s151 Officer)	<ul style="list-style-type: none"> <li>○ Overseeing financial strategy and operations and contributing to the effective corporate management and governance of the Council</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>○ Set overall internal audit strategy to meet the Council's overall strategic direction</li> <li>○ Undertake an annual programme of audits</li> <li>○ Present progress reports against the plan</li> <li>○ Make recommendations for improvement in systems and controls and value for money</li> </ul>
Management Team	<ul style="list-style-type: none"> <li>○ Monthly review of budget, performance and risk management</li> <li>○ Consider issues arising out of: <ul style="list-style-type: none"> <li>○ the assurance statements</li> <li>○ review of risk registers</li> </ul> </li> </ul>
Performance and Programme Board	<ul style="list-style-type: none"> <li>○ Monthly review of projects including: <ul style="list-style-type: none"> <li>○ Progress against milestones</li> <li>○ Resource allocation</li> <li>○ Risks</li> <li>○ Performance measures</li> </ul> </li> <li>○ Evaluation of new and emerging projects</li> </ul>
Risk Management Group	<ul style="list-style-type: none"> <li>○ Officer meetings (membership drawn from service areas) to review operational risks and business continuity</li> </ul>
Service Managers & Heads of Service	<ul style="list-style-type: none"> <li>○ Complete Quarterly Assurance statements covering: Risk Management; Staff - PDRs, risk and fraud awareness, and awareness and access to core governance documents and guidance; Health Safety; Business Continuity; External reviews; and performance monitoring arrangements</li> </ul>

Accordingly, we have been advised of the result of the review of the effectiveness of the governance framework by the Governance and Audit Committee and a plan to address the weaknesses and ensure continuous improvement of the system of internal control is in place. In particular, we have been advised by the Council's Head of Internal Audit (HIA) of the issues highlighted in his Annual Report to the Governance & Audit Committee in June 2012.

In accordance with the Accounts and Audit Regulations and CIPFA Code of Practice on Internal Audit, the HIA is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes and this is set out below.

### Significant governance issues:

#### **Internal Audit:**

Internal Audit has completed the program of internal audit work for the year ended 31 March 2012 comprising 19 reviews (plus 6 advisory reviews and 4 follow-up reviews). Overall, this resulted in 14 'Substantial' assurance opinions (green) and 5 'Reasonable' assurance opinions (amber-green). From the 19 reports a total of 63 recommendations were put forward of which all were accepted by management.

Accordingly, based on the work undertaken, the HIA opinion regarding the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control is as follows:

- **Governance** – the Council received effective assurance in relation to its governance arrangements as only 3 'low' recommendations were identified as part of the committee and reporting structure review. In addition, the assurance opinion on governance is assessed according to the extent to which recommendations are accepted and implemented by management. During 2011/12 the council has continued to make progress to implement the recommendations made by internal audit.
- **Risk Management** – the Council received effective assurance. An advisory Risk Maturity review was undertaken which resulted in no recommendations being made with the key findings showing the Council is achieving Risk Managed Status.
- **Control** – based on the 19 reviews undertaken of the control environment, the Council received effective assurance overall. More specifically, this resulted in 14 positive assurance opinions and no negative assurance opinions. Compared to the previous year which had 2 'no' assurance and 3 with only 'some' assurance opinions the HIA has recognised the marked improvement made during 2011/12

The HIA also commented on their satisfaction with the support given by the Council to internal audit in order to allow them to deliver the plan and provide their overall formal opinion which they have granted permission to use within this AGS.

#### **Other Issues**

In addition, the review underpinning this Governance Statement has identified the following key areas for improvement and these will be addressed during 2012/13. Accordingly, there is a need to:

- Keep under review the relationship between performance and costs as part of Medium Term Financial Planning and further potential cuts in Government grant funding.
- Further improve the procurement of goods and services in accordance with the Council's contract procedure rules and through engagement with Procurement Lincolnshire on the delivery of their 2012/13 work plan.
- Strengthen the links between the overarching corporate plan and service delivery plans with the development of an annual South Kesteven Business Plan to support officers internally in delivery of the required outcomes.
- Further improve the learning and development of members and staff - linked to corporate priorities and staff roles in the 'unlocking their potential' programme.

## APPENDIX A

- Continue to improve and strengthen the engagement and service delivery models to meet customer demand and expectation through the development of a customer access strategy.
- Take into account and respond to the outcome of the review on the Local Code of Corporate Governance which is currently being undertaken by CIPFA.
- Improve the arrangements for tackling fraud by engaging with the Fighting Fraud Locally initiative which has been developed through a Local Government Fraud Strategy.
- Keep under review the issues flowing from the Localism Act and consider the impact on the Council's policies and procedures
- Keep under review the proposed changes featured in the Government's Consultation Papers on Localisation of Business Rates and Universal credit.
- Continue to monitor the outcomes of the Future of public audit requirements following the abolition of the Audit Commission

### **Our commitment to continuous improvement**

The challenges and changes faced by the Council over the next few years will require the maintenance of sound and effective governance arrangements. The overarching assurance framework, including the Governance & Audit Committee is working well but improvements can still be made to further enhance and mitigate the risks of further significant change and uncertainty.

Against this background, we propose over the coming year to take steps to address all of the above areas where improvement is required to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

We give our assurance that the Council as a whole is committed to continuous improvement and believe that we have established the excellent foundations on which to build further capacity to enable us to continue to further develop and strengthen our governance arrangements.

**Signed:**

**Cllr Mrs L. Neal, Leader of the Council**

**Signed:**

**B. Agass, Chief Executive**