

**SOUTH KESTIVEN DISTRICT COUNCIL  
ANNUAL GOVERNANCE STATEMENT 2012/2013**

**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 addition to this in preparing this statement account has been taken of both the statutory codes and the delivery of good governance in Local Government framework addendum published by CIPFA in December 2012.

### **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 External Audit or the Local Government Ombudsman.

The Council has approved and adopted a Local Code of Corporate Governance, which 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) of which 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 statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which required all relevant bodies to prepare an annual governance statement.

### **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 its activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate services and value for money.

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 2013 and continues to be in place up to the date of the approval of the Statement of Accounts.

### **THE GOVERNANCE FRAMEWORK**

#### **Outlining the vision and monitoring performance**

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 corporate plan for 2011-15 which was approved by Council at its meeting on 1<sup>st</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.

The Council recognizes that it can only achieve its ambitions through the hard work of its staff and in order to support them through these tough but exciting times it has developed a Business Plan. This brings together all the information about our agenda for the forthcoming year so staff can share in the vision and how we plan to meet it with teams in order for everyone to understand and be engaged in the exciting journey on which South Kesteven has embarked.

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. The Council has in place a Programme and Performance board (PPMB) which has strengthened the performance management arrangements for all Council activities. The board provides leadership, direction and management of the Council's overall performance, ensuring momentum on key projects and review strategic performance measures. 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 (PPMO) provides monitoring, control and reporting across the programmes of activity and have also supported managers and leading officers with training on Project Management tools and techniques.

The Council will be looking to publish an Annual Report for 2012/13 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**

During 2012/13 the Council has been working on developing an over arching Customer Access Strategy which is derived from the values and behaviours identified in the Councils Unlocking Potential programme that will be used to really drive improvements and efficiencies for our customers. At South Kesteven putting customers at the heart of everything we do is the way we want to do business. We want to provide high quality, accessible services to our customers in a manner that is appropriate to their needs. The strategy will apply to people who live, visit or work in South Kesteven of which we want to deliver exceptional services to all our customers and allow them to easily interact with us. The customer access strategy will set out our approach and details a number of challenging targets that will see the way we interact with our customers change and is underpinned by a detailed action plan which shows the steps we will take to achieve our vision. We will be looking at developing an action plan to support delivery of the strategy over the coming year, however we still have made a number of key achievements this year which include:

- We have made substantial changes to the way we operate, streamlining management and back office costs, as well as delivering services differently to improve things for our customers. This has included joining up with other councils to share management expertise.
- We have enhanced our service provision in the south of the district and unveiled plans to make further improvements over the coming year. This includes introducing a community access point that will see both County Council and District Council services provided under one roof.
- We have changed the way that we consult with residents by getting out and about in the district. Traditional questionnaires have also helped us to gather views on development ideas, community safety issues and travel patterns.
- 85% of our customers tell us that we get it right first time and 93% are happy with the advice and information we provide
- We have reduced the time it takes us to process new housing/council tax benefit claims and changes. These have further reduced from 9.5 days to 7.14 days.
- Satisfaction figures for our website show that the improvements we are making are taking us in the right direction, with satisfaction levels rising to 75%. We now have 1,000 visits daily.
- Our customer service team answered more than 162,000 calls and dealt with over 63,000 enquiries at our offices.

## APPENDIX A

We have also established a citizens panel of 1000 people to get residents involved in their local community and who are passionate about the place they live and want to share their views to help improve local services. Members of the panel will be contacted up to four times a year and asked to comment on a whole host of services provided by the council, whether they think South Kesteven is doing a good job, and what they would like the authority to focus on in the future. The majority of people will be contacted by telephone, but some people have been recruited on-street to make sure that the panel is representative of the local population by age, gender, ethnic group and geography. From the initial work undertaken with the panel 79% said they were very or fairly satisfied with the way the council run things.

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 PPMB. 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.

Following consultation with users the Council specifies service standards for those aspects of service delivery which are reflected in new Corporate Service Plans. In the preparation of the corporate service plans, Head of Service and Service Managers have established a key number of value for money indicators to monitor the efficiency of service delivery.

The budget process for 2013/14 was supplemented by community drop in sessions during the early part of 2013 which engaged with the community around those areas which the Council is focusing its service delivery to ensure this meet the needs of the local community. The drop in sessions also consulted with the public over the level of council tax to be charged alongside an online survey of which supported the budget proposals to Council.

Since 2010, South Kesteven has suffered a reduction in grant of £2.4m in government grant following the Comprehensive Spending Review together with a reduction in income from fees and charges such as planning income and growth in costs in some areas. In March 2013 the Government announced a further 1% real cash reduction for most Government departments on top of the previous savings targets already announced. Whilst indicative grant allocations have been given for 2014/15 the additional requirement for further savings announced in the March 2013 Budget have yet to feed through with a new funding formula due for 2015/16 onwards. The financial crisis continues to bite in Europe and the Austerity measures in the UK continue to be enforced and with the increasing demand for its services, the financial position of the Council remains challenging. Despite this, 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 no reduction in the level or quality of services.

Despite the 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, all of which has saved £1.5m so far. Rather than just passing on government cuts, we are putting money behind our priorities and pushing ahead with existing projects to drive economic regeneration making South Kesteven a great place to live, work and invest. Growing the economy continues to be an important focus with just under £2m spent during 2012/13 on redevelopment projects within Grantham and

## APPENDIX A

Bourne and a further £7m allocated in future years. Some of our key achievements for 2012/13 are:

- Number of days that our housing properties has been void for letting or repairs has reduced by 4 days to only 26 days
- We have seen an increase in the number of visitors to our leisure centres, up by over 30,000 to 786,144 for 2012/13
- 98% of Council homes are now classed as meeting decent standard which exceeded the target for the year
- Sickness absence has reduced by 11% from the previous year
- 90% of our residents have continued to participate in the green waste scheme following the introduction of charges
- The council has achieved green flag status at one of its parks
- Over 92% of all local suppliers are paid within 10 working days which again is an improvement when compared to 2011/12

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 plan 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

The Audit Commission in its 2011/12 Annual Audit Letter published in December 2012, confirmed that “the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. As part of the Annual Governance Report prepared by the Audit Commission it assessed the Council’s corporate arrangements regarding Value for Money which focused on 2 main areas; Financial Resilience and Securing economy, efficiency and effectiveness.

- **Financial resilience** – the Audit Commission reviewed whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables the Council to operate for the foreseeable future. The Commission concluded there were proper arrangements in place to secure resilience and identified no significant risks. The monitoring of financial performance during the year maintained a stable position with the council successfully managing the HRA self-financing transition.
- **Securing economy, efficiency and effectiveness** – the focus was on prioritising resources within tighter budgets, for example achieving cost reductions and by improving efficiency and productivity. The council was found to have proper arrangements in place for challenging value for money with specific modelling undertaken around the self financing, localising of support for council tax and business rate retention.

## **APPENDIX A**

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 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 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 have been collated as part of the SK Business Plan which has been developed to align with each of the priorities and is used to 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. 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 Monitoring Officer. The Council has put in place arrangements at a local level to maintain high levels of conduct and ethical behaviour amongst its members. The new code of conduct is consistent with the 7 principles of standards in public life and the introduction of 'Disclosable Pecuniary Interests' was reviewed and adopted in July 2012 in accordance with the Localism Act 2011.

The Council has also 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**

The Council's Constitution is updated to ensure it remains fit for purpose and reflects legislative change, etc and is currently being reviewed. There have been amendments during the year which have been considered and approved by the Council based on the recommendations from the Constitution Committee.

## APPENDIX A

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 approval by Council at its meeting on the 20<sup>th</sup> October 2011.

During 2012/13 the Council took the opportunity to update its Contract and Procurement Procedure Rules which introduced support for Local Suppliers with the proposed amendments being endorsed by the Governance and Audit Committee prior to formal approval by Council at its March 2013 meeting. This also gave the Council opportunity to undertake some refresher training with officers around the Contract and Procurement Procedure Rules which also complemented the roll out of a new electronic contract's register database.

### **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) is 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 has been well established for a number of years now with its terms of reference prepared to ensure that it complies fully with the guidance provided by CIPFA<sup>1</sup>. The key areas covered by the committee's terms of reference are Audit Activity; risk management, governance, counter fraud and bribery, regulatory framework; accounts and financial reporting; and ombudsman. In addition to this it also receives annual reports for health & safety, business continuity and partnerships.

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. As part of the Committee's ongoing development, external Treasury training was undertaken by the Council's external treasury advisors.

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<sup>1</sup> Audit Committees – Practical Guidance for Local Authorities published 2005

The Committee undertook a self assessment to determine their effectiveness and ensure their ability to fulfill their terms of reference. This assessment was facilitated by internal audit and has resulted in an action plan that will be implemented during 2013/14.

At the meeting of Council in April 2013, 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 2012/13. 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 for 2013/14 was also presented to Council at the same meeting. In order to strengthen the role of the committee additional meeting dates have been agreed to ensure sufficient opportunity is available throughout the year to report and discuss Governance issues.

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

Matters arising in respect of Governance are regularly received and discussed with senior officers of 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. During 2012/13 the reporting template has been updated to place more emphasis on raising member awareness of key risks to further strengthen the decision making process.

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. The Council has adopted procedures during the year to manage applications from the public on the community right to challenge and community right to bid processes. We have also prepared an annual pay statement which articulates the policies on the pay of its workforce which was approved by full Council at its meeting on the 1<sup>st</sup> March 2013.

Service managers and Heads of Service 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 meetings with heads of service and strategic directors and where required these will be escalated to PPMB.

### **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

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.

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 continued 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 2012/13 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. During 2013/14 a review and update of the member training programme will be undertaken to ensure those members elected in May 2011 are continued to be supported in performing their roles.

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.

During 2012/13 the Council rolled out its Unlocking our Potential programme which is centred around providing opportunities for staff to grow and develop through a learning and development plan. This is built around three main themes which are work force planning, leadership and management development and all staff training. Some of the initiatives delivered to staff during the year included developing a coaching culture, team leader programme, hearts and minds workshops building on the art of brilliance and customer service focused skills sessions. This will be further strengthened with the development of a People Strategy during the coming year.

### 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. In addition to this the Council has established a citizens panel to strengthen its processes for consulting with our community.

This year's consultation events have been on key strategic issues including major growth plans for the town of Grantham and on more local issues including how a paddling pool in a local park should be redeveloped. 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 £250, 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 "SKtoday" 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 the South Kesteven vision.

The Council has also responded to the growth in social media and use of website. From a standing start we now have 213 Facebook followers and 1,800 people who regularly message us on Twitter. Our website now carries all our news and information items and we are making our own films to promote and record events which last year included major festivals and the Olympic Torch Relay.

Telephone answering has improved with more calls being answered within 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 has been 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 and Grantham Growth Point.

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 has been approved by the Governance and Audit Committee.

The Council routinely reviews the performance of significant 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 toolkit 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 25<sup>th</sup> September 2012.

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 External Audit (previously Audit Commission now KPMG) 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 KPMG will be consistent with those made by internal audit.

The Council has in place recommendation tracking software to record, track and follow-up internal audit recommendations which 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.

In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011

the government published a consultation paper and, in January 2012, announced its response to that. Subsequently a procurement exercise was undertaken which meant all of the Commission's in-house work will be outsourced in time for the audit of 2012/13 accounts

Members of the Governance and Audit Committee have been kept informed of developments throughout the year and at their meeting in June 2012 were notified that KMPG has been awarded the contract from 2012/13 to 2016/17 for the provision of external audit services with effect from 1<sup>st</sup> November 2012.

### **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 2013 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 2013/14. The committee also receives updates on risk management during the course of the year

During 2012/13 the risk management group met on a number of occasions with discussions focusing on all aspects of managing Risk including peer challenge within the group of key service risk. The group also looked at other governance and risk areas such as internal audit, insurance and counter fraud.

The Civil Contingencies Act 2004 places a statutory duty on local authorities to maintain plans that ensure they can continue to perform their functions in the event of an emergency, so far as is reasonably practicable. As defined by the Act, South Kesteven is a Category 1 responder and is subject to the full set of civil protection duties. In order to support the achievement of these duties 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 2012/13 however the Olympic Torch relay travelling through the district in the year did draw upon resources on an unprecedented level. This provided a good indication as to the flexibility we can expect from our staff should it ever be necessary to deliver critical services in response to a significant business continuity incident. During 2012/13 the councils Emergency Plan has been reviewed and updated and a mutual aid agreement is now in place between all districts within Lincolnshire. A desktop business continuity event was held in November 2012 with service managers to test elements of the Corporate Business Continuity Plan which was also updated during the year and a major multi-agency live exercise has taken place during 2013/14. During the course of the year a Business Continuity Annual Report was presented to the Governance and Audit Committee at its meeting on the 6<sup>th</sup> December 2012.

**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>○ Six 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 including Health and Safety and business continuity</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>
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>

## APPENDIX A

Performance and Programme Board (includes senior officers of the council from Management Team)	<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> <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> </ul> </li> <li>○ review of risk registers</li> </ul>
Risk Management Group	<ul style="list-style-type: none"> <li>○ Officer meetings (membership drawn from service areas) to review operational risks, business continuity, insurance and any other governance and risk areas</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>

### Internal Audit:

In accordance with the Accounts and Audit Regulations and CIPFA Code of Practice on Internal Audit, the Council's Head of Internal Audit (HIA) is required to provide an opinion on the overall adequacy and effectiveness of the Council's risk management, control and governance processes. In particular, we have been advised by the HIA of the issues highlighted in his Annual Report to the Governance & Audit Committee in June 2012 and this is set out below.

Internal Audit has completed the program of internal audit work for the year ended 31 March 2013 comprising 24 reviews (plus 5 advisory reviews and 3 follow-up reviews. Overall, this resulted in 16 'Substantial' assurance opinions (green), 5 'Reasonable' assurance opinions (amber) and 3 'Limited' assurance opinions (red). From the 24 reports a total of 112 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 with a positive green opinion being awarded. The implementation and management agreement to the recommendations raised during the course of the year was an important contributing factor when assessing the assurance opinion on Governance. The HIA noted it was pleasing management appear receptive to recommendations made and work towards implementing and addressing the issues identified and raised within internal audit reports. Three follow up reviews were undertaken during the year which overall resulted in 'good' progress being made to implement audit recommendations.

## APPENDIX A

- **Risk Management** – the Council received effective assurance. Internal Audit found that Risk Management continues to be embedded within the culture of the Council and there were marked improvements within the area. The advisory review of Risk Management did not identify any major weaknesses. In addition to the advisory review on Risk Management audit were able to confirm the Risk Management culture within the Council through other internal audit work and were satisfied that management understand the importance of identifying and addressing risk. Therefore they were able to grant a green traffic light rating within this area again this year.
- **Control** – The Council has adequate control arrangements; however it was identified some areas where it is considered that the control environment could be improved and recommendations were raised within reports to highlight these areas. Based on the reviews undertaken this resulted in 16 substantial, 5 reasonable and 3 limited assurance opinions. Last year there were no red ratings awarded and five amber assurance ratings awarded. Whilst this year has seen some improvements within areas it has also identified areas within the Council where the control environment is currently considered weak. Management are working towards improving these areas and it is anticipated these controls will have been strengthened and the next internal audit review will identify the strengthened control framework. Overall audit have raised 12 high risk recommendations, 45 medium risk recommendations and 55 low risk recommendations

### **SIGNIFICANT GOVERNANCE ISSUES**

#### **Action Plan**

In addition, to the effectiveness review underpinning this Governance Statement it has also identified the following key areas for improvement and these will be addressed during 2013/14. Accordingly, there is a need to:

- Keep under review the relationship between performance and costs with further potential cuts in Government grant funding with an update and refresh of the Medium Term Financial Plan.
- Further improve the learning and development of members and staff - linked to corporate priorities and staff roles in the 'unlocking their potential' programme and People Strategy.
- Strengthen the links between the overarching corporate plan and service delivery plans with the continuation of an annual South Kesteven Business Plan and production of an annual report.
- 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.
- Improve the arrangements for tackling fraud by engaging with the Fighting Fraud Locally initiative and production with an Annual report on Counter Fraud.
- Further develop the governance and risk framework by undertaking a review of assurance mapping, risk register formats and reporting to management.

## **APPENDIX A**

- Implement any required improvements arising from the Governance and Audit committed effectiveness review action plan
- Keep under review the issues flowing from the Localism Act and consider the impact on the Council's policies and procedures
- Undertake an independent peer review assessment on how well the Council is doing in its overall achievement of its vision and priorities.

### **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**