

NEWARK AND SHERWOOD DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT

1 Scope of responsibility

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, with the addition of Newark and Sherwood Homes and Active4Today Ltd, its Group business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District 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, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

2 The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The 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 Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2018. Since May 2013 the Council has operated governance arrangements through the use of a Committee system. The Financial Regulations within the Council's Constitution were due for review throughout this financial year and were duly updated; being approved at Council on 13th February 2018.

3 The governance framework

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, which was revised in 2016. The Council's Code of Corporate Governance

was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of *Regulation 6(1)(a) of the Accounts and Audit Regulations 2015* which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (*England*).

The Council's strategic priorities are: Prosperity; People; Place; and Public Service. A process to review and refresh these priorities started after the election in May 2015 and these were agreed by full Council in July 2016. The delivery of these priorities is being conducted in accordance with the Governance framework.

During 2017/18 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

The District Council has a cross-departmental Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this a Fraud Risk Register is in place and a full refresh took place during 2017/18 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

At the end of February 2018, the Council's Chief Executive left the authority and the Deputy Chief Executive was appointed interim Chief Executive, pending the appointment of a new Chief Executive. Since the interim Chief Executive could not also be the Council's Monitoring Officer, the Director - Safety, who is legally qualified, was appointed to the role of Monitoring Officer for this interim period. It is the function of the Monitoring officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. Both of these documents were refreshed during the year. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post was recruited to and the appointment was made, commencing 7th August 2017. Up to this point the Business Manager - Financial

Services was acting in an interim capacity as the Council's s151 Officer. The Director of Resources post has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with the community and its stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation.

4 Review of effectiveness

Newark and Sherwood District 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 informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

During 2017/18 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and Finance Committee and the three functional committees as well as the Audit and Accounts Committee

Internal Audit is responsible for reviewing the quality and effectiveness of systems of internal control. An annual audit plan is approved by the s151 Officer together with the Corporate Management Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Corporate Management Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2017/18 financial year, her opinion is that the Council is performing well across the areas of Governance, Risk, Internal Control and Financial Control. Some improvements were identified in the arrangements for the Governance and Internal Control areas. Five reports gave limited assurance (one during 2016/17) relating to:

- ICT starters, leavers and movers

- Estates Management
- Business Continuity
- PCIDSS Compliance
- Performance Management (Strategic Alignment aspect)

Recommendations are being implemented to address the issues raised.

An internal review conducted by the Deputy s151 Officer revealed that almost 40% of the Council's orders for goods and services in the 2017/18 financial year were raised retrospectively. This is being addressed by reminding budget managers of the process for the approval of orders and by including this in the financial training for business managers and budget holders that will take place in July 2018.

External audit review reports are produced by internal audit to inform their risk assessment. The internal audit function is carried out by Assurance Lincolnshire. During 2016, an independent external review of Assurance Lincolnshire was undertaken by CIPFA and no areas of non-compliance with the Public Sector Internal Audit Standards were identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

Conclusion

The Council has assessed the governance arrangements in place throughout 2017/18 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

5 Significant governance issues

Issue	Action	Responsible Officer
<p>Organisational Change</p> <p>In common with all local authorities, the Council will need to continue to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has planned for the continual reduction of central government funding and has actions in place to address the removal of revenue support grant in 2020/21. The MTFP will be updated and presented to full Council for approval in June 2018.</p> <p>Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established with Key Business Managers from the Council and led by the Deputy Chief Executive/Director of Resources. The Commercials Group has agreed a Programme of service reviews. These reviews are underway and individual options appraisals and outline</p>	<p>Sanjiv Kohli Deputy Chief Executive, s151 Officer</p>

	business cases are being prepared.	
<p>Community and Activity Village</p> <p>The Council has determined that the YMCA is the preferred partner to deliver the Community and Activity Village. The project currently has a funding gap.</p>	Officers are working with all stakeholders to ensure a funding package is in place and that the Sports Hub is delivered and meets the needs of the community.	Kirsty Cole Deputy Chief Executive
<p>Development Company</p> <p>The Council has approved the formation of a wholly owned development company. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>A number of presentations were made during 2017 and early 2018 to cross-party elected members by the Deputy Chief Executive/ Director of Resources and the Chief Executive.</p> <p>A business case which supported the establishment of the Company was supported by Policy and Finance Committee and was unanimously approved by full Council.</p> <p>The Company has been formed and robust governance arrangements are in place.</p> <p>Progress will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	Karen White Director- Safety
<p>Estate Regeneration Programme</p> <p>The Council has been awarded capacity and enabling funding from CLG to consider the next steps in a project to redevelop the Yorke Drive estate and Lincoln Road Playing Fields</p>	An approved project timetable is now being delivered and the Council has commissioned Campbell Tickell to project manage this activity. Senior Member and CMT briefings have been held with approval to progress the project to deliver the objective of submitting outline planning application by the end of 2018.	Karen White Director - Safety
<p>Business Continuity Arrangements.</p> <p>The Council's Business Continuity Plan has been fully revised and was subsequently approved by Corporate Management Team on the 6th March 2018. The plan was subjected to</p>	The Plan will be subjected to testing in order that it remains relevant to the Council's working arrangements and that those with responsibilities within the plan are aware and fully trained.	Karen White Director - Safety

live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.		
<p>Counter-fraud arrangements</p> <p>As the Council has no dedicated fraud investigators (due to the transfer to the DWP of that team during December 2015) the Council must look at its arrangements to combat fraud. The Council's Counter Fraud strategy has been amended and approved by Council during 2017/18.</p>	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
<p>Compliance with Financial Regulations re. authorisation of goods, works and services.</p> <p>A review by the deputy s151 Officer found that 40% of all orders raised during 2017/18 were raised post the date of the invoice.</p>	<p>The s151 Officer has sent a reminder to all senior managers, business managers and budget holders reminding of the procedure for raising orders for goods, works and services.</p> <p>Training sessions will take place in May/June 2018</p>	Sanjiv Kohli, Deputy Chief Executive, s151 Officer

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Signed

Kirsty Cole
Interim Chief Executive
25th July 2018

David Lloyd
Leader of the Council
25th July 2018