

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, Active4Today Ltd and Arkwood Developments 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, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority 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 2019. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

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 during the year were: 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 2018/19 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 2018/19 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.

During April 2018, the Council appointed a new Chief Executive (who commenced work during July 2018), replacing the previous Chief Executive who left during February 2018. During the interim time the Deputy Chief Executive was appointed as interim Chief Executive.

Since the appointment, the Council has restructured its Senior Management tier in order to clearly create lines of responsibility. The new Senior Management structure is:

Chief Executive

Director of Communities & Environment

Housing, Health & Community Relations

Parks & Open Spaces

Public Protection

Transport & Waste Services

Deputy Chief Executive and Director of Resources (s151 Officer)

Asset Management & Car Parks

Commercialisation & Major Projects

Financial Services

ICT

Revenues & Benefits

Director of Governance & Organisational Development (Monitoring Officer)

Administrative Services

Customer Services & Communications

Elections & Democratic Services

HR & Organisational Development

Legal Services

Director of Growth & Regeneration

Heritage, Culture & Visitors

Housing Strategy & Development

Planning Development

Planning Policy

Tourism

Town Centre Development

This structure deletes two vacant positions (Deputy Chief Executive and Director of Communities) and creates a new Director of Growth and Regeneration. Other service responsibilities have been re-designated throughout the new Senior Leadership Team.

The responsibility for the statutory role of Monitoring Officer has been designated to the Director of Governance and Organisational Development, post the implementation of this restructure. 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 is combined with the Deputy Chief Executive position and 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 2018/19 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 Senior Leadership 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 Senior Leadership 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 2018/19 financial year, the opinion of the Head of Internal Audit is that the Council is performing well across the areas of Risk and Financial Control and performing adequately across the areas of Governance and Internal Control. Some improvements were identified in the arrangements for the area of Internal Control. Three reports gave limited assurance (five during 2017/18) relating to:

- Cyber Security – The Council was assessed against the NCSS/NAO Cyber Security Steps. This review highlighted a number of areas of improvement in order to further mitigate itself against a cyber-attack;
- Business Continuity – Business Continuity should be embedded as part of business as usual within the organisation and should be reviewed by SLT every 6 months. Business Impact Assessments should be completed for each service area to ensure that business continuity arrangements have been identified at service levels;
- Procurement Cards – There are a number of controls that should be added to the process for procurement cards in order to further mitigate the potential for fraudulent activity.

Additionally a report for Emergency Planning was issued as substantial borderline limited.

Recommendations are being implemented to address the weaknesses identified by Internal Audit.

To build and further improve on this performance it is intended to undertake a Governance Review in conjunction with the Council's internal auditors, Assurance Lincolnshire, towards the end of the financial year 2019/20. Assurance Lincolnshire have developed a "maturity model" which tests the extent to which ethics and good governance is having a positive effect on the organisation, recognising that good ethical governance is not achieved by rules and procedures alone.

Within the Annual Governance Statement for 2017/18 it was reported that 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. The s151 Officer reminded all staff that orders should be raised at point of order, rather than retrospectively. A further review in 2018/19 showed that this percentage had increased to 58.79% of all orders. A further communication will be sent through to all officers responsible for authorising orders to remind them of their responsibilities. Should this prove ineffective then a report will be brought to the Audit and Accounts Committee to inform Members of those officers who do not comply with these regulations.

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.</p> <p>Following consultation with residents and elected members a new Community Plan has been established which includes the key objectives of the Council. The Strategic Leadership Board have carried out an exercise to allocate future resources to enable delivery of the objectives.</p> <p>The objectives in the Community Plan will be included in the forward plans for each Committee and in the forward plan for the Strategic Leadership Team. These objectives will also form a framework for business plans and personal appraisals.</p> <p>The MTFP will be updated and presented to full Council for approval in March 2020.</p> <p>Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established, supported by the creation of a Commercialisation and Major Projects</p>	<p>Sanjiv Kohli</p> <p>Deputy Chief Executive, s151 Officer</p>

	<p>service team 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 business cases are being prepared.</p>	
<p>Development Company</p> <p>The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>The Company has been formed and robust governance arrangements are in place.</p> <p>The Company is currently working on its Business Plan and a Business case for its first development site on land at Bowbridge Road. Once prepared these will be submitted to the Council, via the Shareholders' Committee for scrutiny and forward approval the of Policy and Finance Committee in order to release the equity capital and loan funding into the Company.</p> <p>Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	<p>Karen White Director- Governance and Organisational Development</p>
<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>	<p>Planning permission has been granted on the site on 2nd April 2019.</p> <p>A focussed project team has been established and the consultancy support to the project has been extended in order to further develop the business case for the site, working in partnership with an external developer once appointed.</p> <p>The project sits across the Council's Housing Revenue Account and the General Fund. External funding continues to be sought through conversations with Homes England and value engineering will conducted with the appointed developer in order to reduce the existing deficit of</p>	<p>Karen White Director – Governance and Organisational Development</p>

	funding within the project.	
<p>Emergency Planning</p> <p>Emergency Planning received a substantial borderline limited rating in the recent audit, highlighting that whilst significant progress has been made in the last 12 months, several improvements are required for it to reach a level that the Council requires for complete confidence.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> • Keep up to date written logs showing all recommendations identified following an exercise/incident. • Report to Senior Leadership Team (SLT) every 6 months regarding current state of Emergency Planning, recommendation progress and the progress of the 12 month action plan. • Keep all relevant staff regularly trained and keep a written log for scrutiny. • Develop a notification system and increase staff awareness of all Council alarms. • Train staff and test the lockdown procedure to highlight weaknesses. • Regularly review the flood plan to keep up to date and refresh the current plan in line with guidance from the Multi-Agency in early 2020. 	<p>Matt Finch</p> <p>Director – Communities and Environment</p>
<p>Business Continuity</p> <p>Business Continuity received a limited rating for the 2nd follow up audit in two years. It found slow progress and exposes significant gaps that require immediate resolution. It is important to note that Emergency Planning has taken priority over the last 18 months due to its outward facing/public nature.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> • Provide service managers with realistic completion dates for the Business Impact Assessments and their Service Plans. • If deadlines are missed, the issue will be escalated to Senior Leadership Team (SLT). • Maintain an 18 month plan showing how it will be integrated into business as usual. • Report to SLT every 6 months and to most monthly Business 	<p>Matt Finch</p> <p>Director – Communities and Environment</p>

	<p>Manager Meetings.</p> <ul style="list-style-type: none"> • Continue to liaise with NSDC partners regarding immediate actions and Health and Safety. • Develop and carry out a plan for testing and report to SLT on progress. 	
<p>Re-integration of Housing Management Function</p> <p>During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the “in principle” decision to bring the service in-house for direct service provision by the Council, subject to tenant consultation.</p>	<p>Tenants must be consulted prior to any decision to ratify the re-integration of housing services to the Council, and hence an independent organisation will be engaged to assist with the consultation.</p> <p>Should the decision to re-integrate be taken post this consultation there are a number of actions that must be taken to mitigate this risk further, namely:</p> <ul style="list-style-type: none"> • Design and implement a revised structure for the Council to include the housing landlord service and associated support services; • Engage temporary housing/project management resource and support to provide additional capacity and expertise for the Council, to ensure the smoothest service transfer; • Develop the necessary HR plan to manage the transfer of staff from the current company to the Council on the transfer date in accordance with the requirements set out under the Transfer of Undertakings (Protection of Employment) Regulations 2006. <p>In order to support this, a project team will be established, which will span the services that will be affected by this, to enable the smooth integration of the service.</p>	<p>Karen White</p> <p>Director - Governance and Organisational Development</p>
<p>Business Continuity Arrangements.</p> <p>The Council’s Business Continuity Plan has been</p>	<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</p>	<p>Karen White</p> <p>Director - Governance and</p>

fully revised and was subsequently approved by Senior Leadership Team on the 6 th March 2018. The plan was subjected to live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.	the plan are aware and fully trained.	Organisational Development
Counter-fraud arrangements 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.	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
Compliance with Financial Regulations re. authorisation of goods, works and services. A review by the deputy s151 Officer found that 58.79% of all orders raised during 2018/19 were raised post the date of the invoice.	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. Continued failure to raise orders before goods and services are received will be appropriately addressed.	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

S. Kohli
Deputy Chief Executive and
Director of Resources
24th July 2019

D. Lloyd
Leader of the Council

24th July 2019