

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 27 September 2022

From: Chief Executive Officer (s151 Officer)

Subject: **Annual Governance Statement 2020/21**

Portfolio Holder: Governance
Councillor Mrs I Sanderson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Good governance is important to all involved in Local Government, however, it is a key responsibility of the Leader of the Council and Chief Executive (s151 Officer).
- 1.2 This report presents to Members of the Audit, Governance and Standards Committee the Annual Governance Statement for 2020/21. Due to a number of factors, the hand over between the departing and incoming s151 officers and the fact the Audit had not started this was not presented to the committee last year as a stand alone item. For completeness it is now presented.
- 1.3 The preparation and publication of an Annual Governance Statement (AGS) in accordance with the CIPFA / SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 1.4 The Annual Governance Statement attached at Annex A refers to the year 2020/21 and has therefore been written to reflect the processes, management and committee structure at that time.

2.0 The System of Internal Control

- 2.1 The internal control system encompasses the policies, processes, tasks, behaviours and other aspects of the Council, taken together:-
 - Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Council's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud.

- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation.
- Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

2.2 The scope of internal control accordingly spans the whole range of the Council's activities and includes those controls designed to ensure:

- The Council's policies are put into practice;
- The Council's values are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published information are accurate and reliable;
- Human, financial and other resources are managed efficiently and effectively, and
- High quality services are delivered economically, efficiently and effectively.

3.0 The Review Process

3.1 The CIPFA/SOLACE Framework defines proper practices from the form and content of a Governance Statement that meets the requirement to prepare and publish a statement on internal control. The Annual Governance Statement is attached at Annex A and is also included within the Annual Financial Report - Statement of Accounts – 2020/21 for publication. There is no requirement to prepare and publish a separate statement on internal control.

3.2 Subsequent to the CIPFA “Statement on the Role of the Chief Financial Officer in Local Government”, which was issued in 2010, it is now expected that the Annual Governance Statement will include a specific statement on whether the Council’s financial management arrangements conform to the governance requirements of the statement - this is included in the ‘Summary’ section of the document. Furthermore where they do not, it is necessary to explain why and how the Council’s arrangements deliver the same impact.

3.3 At Hambleton there is full compliance as the Director of Finance & Commercial (s151 Officer) had unfettered access to Senior Management Team and reports directly to the Chief Executive during 2020/21.

3.4 The External Auditor considers the Annual Governance Statement as part of their review of the Annual Financial Report - Statement of Accounts - 2020/21. The Auditor is required to issue their opinion on the accounts as to whether they present a 'true and fair view' of the financial position of the Council at the balance sheet date.

- 3.5 The Annual Governance Statement provides public assurance that the Council has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The Annual Governance Statement should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets out priorities, monitors performance and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance.
- 3.6 In common with most Local Authorities, the Council has a well established system of internal control in place. However, the Annual Governance Statement process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.
- 3.7 Assurance can be provided by evidence from a number of sources including: inspection records, external audit reports, internal audit reports and direct assurance from managers. It is the responsibility of both Members and Chief Officers to obtain and provide such assurance. The production and publication of an Annual Governance Statement is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.

4.0 Conclusion

- 4.1 Having taken evidence from a number of sources that could potentially identify whether there are any significant weaknesses in the Council's system of internal control as detailed in the Annual Governance Statement, none have identified any such weaknesses in the system. Members can take assurance from this that the Council's system of internal control is adequate and effective.

5.0 Risk Analysis

- 5.1 There are no risks associated with the recommendations in the report.

6.0 Financial Implications

- 6.1 There are no financial implications associated with the recommendations in the report.

7.0 Legal Implications

- 7.1 The Council is under a statutory duty to undertake a review of the systems of internal control operating within the Council during 2020/21 and to approve an Annual Governance Statement. Failure to undertake the review or present an Annual Governance Statement would be a breach of this statutory requirement.

8.0 Recommendations

8.1 It is recommended that Members:-

- (1) agree with the conclusion of the review of the system of internal control; and
- (2) approve the content of the Annual Governance Statement attached at Annex A which is published within the Annual Financial Report - Statement of Accounts - 2020/21.

Saskia Calton
Corporate Finance Manager (Deputy s151 officer)

Background papers: CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework 2016 Edition
CIPFA Finance Advisory Network 'AGS 'Rough Guide' for practitioners.

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ANNUAL GOVERNANCE STATEMENT 2020/2021**HAMBLETON DISTRICT COUNCIL****Scope of Responsibility**

Hambleton District 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. Hambleton 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, as well as ensuring that informed decisions are made, risks are properly managed and finances are sustainable so the Council uses resources to continue to deliver its services.

In discharging this overall responsibility, Hambleton District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. The Authority's financial management arrangements confirm with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Hambleton District Council's governance arrangements are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government (2016). The Annual Governance Statement sets out how the Authority has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulation, in relation to the publication of this statement - The Annual Governance Statement - on its governance and internal control arrangements.

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 Hambleton 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, ensuring financial sustainability.

Core Principles of Good Governance

The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2016) (the 'International Framework'), which is also included in the CIPFA / SOLACE Framework, illustrates the seven principles of good governance in the public sector and how they relate to each other. Principles A and B permeate implementation of principles C to G illustrating that good governance is dynamic. In line with this, the Council's Annual Governance Statement demonstrates the Council is committed to improving its arrangements on a continuing basis through a process of evaluation and review, whilst achieving its objectives and acting in the best interest of the public.

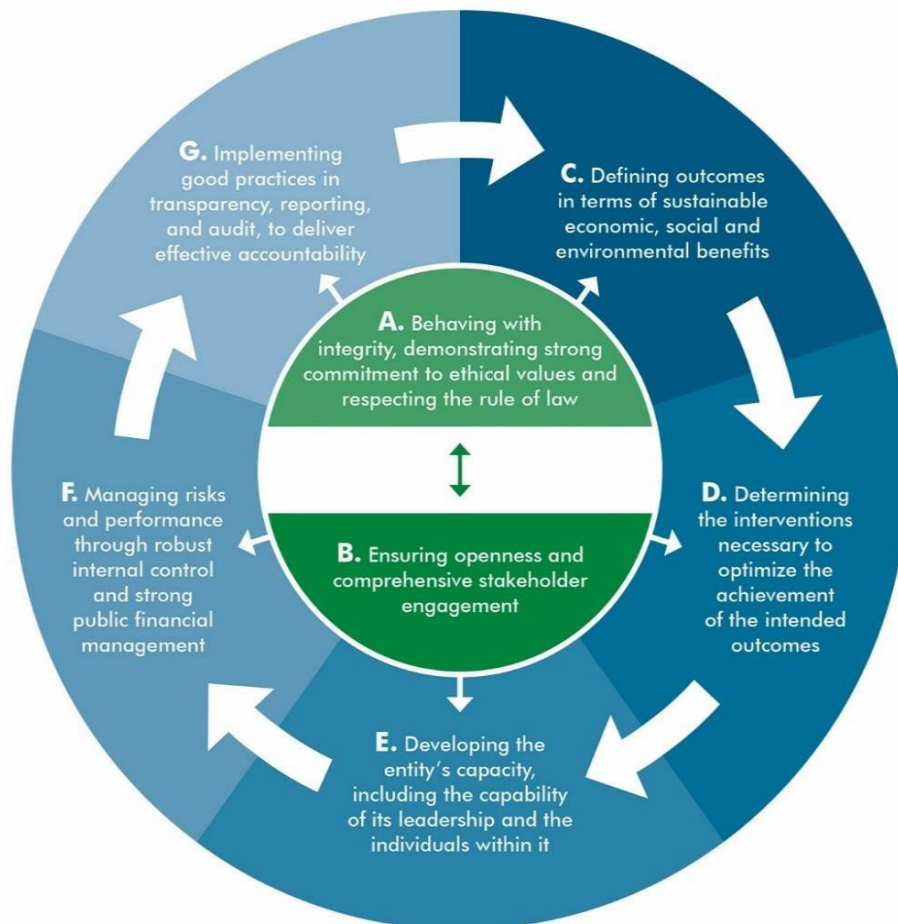


Diagram 1: the seven principles of good governance in the public sector

The Governance Framework – Key Elements

The Council is made up of 28 Councillors who are democratically accountable to residents of the District. The full Council appoints the Leader and the Leader appoints the Cabinet and Deputy Leader. The Cabinet is responsible for most strategic day to day decisions. The Council holds the Cabinet to account by appointing scrutiny committees to question decisions and to propose policy changes where appropriate.

The key elements of the Authority's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government and the following information demonstrates the Council's assessment of compliance with 'the framework' along with the Governance Issues Action Plan.

Principle A - Behaving with integrity, demonstrating Strong commitment to ethical values, and respecting the rule of law

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| Assessment of Compliance | It is considered that the Council's arrangements meet principle A of 'the framework' |
| Values and Integrity | <p>Values and Integrity - Good Governance flows from a shared ethos or culture as well as from systems and structures. The spirit of good governance can be expressed as values which become part of the Council's culture and underpin policy and behaviour through the Council from the governing body to the staff; this is in addition to compliance with legal requirements.</p> <p>The Council's Values accord with the requirements of good governance and are key to the Council plan:</p> <ul style="list-style-type: none"> - open, responsible, customer focused, fair and respectful |
| <p>Respecting the rule of law</p> <p>Officers / Members of the Council</p> | <p>Respecting the rule of law - Ongoing monitoring and review of the Council's activities is undertaken to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. This gives assurance as to the soundness of the system of internal controls that are in place for respecting the rule of law. Hambleton District Council achieves this through a number of mechanisms:-</p> <ul style="list-style-type: none"> • The Director of Law & Governance (Monitoring Officer) has access to all draft Cabinet and Council reports and approves the minutes; • The Legal Section monitors legal developments and notifies relevant Senior Officers; • The Constitution 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. Some of these processes are required by the law, while others are a matter for the Council to choose. • A protocol for the Monitoring Officer is in place; • Senior Officers and Members are aware of the availability of the advice on propriety which is available from both the Monitoring Officer and Veritau North Yorkshire Limited providing assurance services - internal audit, fraud and freedom of information services in 2020/21; • The Monitoring Officer, the Director of Finance and Commercial (S151 Officer) and Veritau North Yorkshire Limited have good working relations and often cross-refer matters; • The Chief Finance Officer (S151 Officer) has unfettered access to information, to the Chief Executive and to Members of the Council. Therefore there are processes and procedures in place which provide assurance that the role of the Chief Finance Officer at Hambleton District Council meets the Statement's expectations. • The Council's Audit Governance and Standards Committee is responsible for promoting and maintaining high standards of conduct within the Council. |

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| | <ul style="list-style-type: none"> • The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected. • The Council has additional protocols which govern the conduct of work between members and officers. |
| Parish / Town Councils | <ul style="list-style-type: none"> • The Council has arrangements in place to provide induction training to all newly elected councillors on the requirements of the code of conduct and other relevant codes, protocols, policies and procedures, and to ensure councillors meet their obligations to notify disclosable pecuniary interests (DPIs). • The Council has arrangements in place to consider complaints submitted in accordance with the Council's procedure for dealing with complaints against councillors under the code of conduct. • The Council has a pool of three Independent Persons in place. An Independent Person is consulted during the assessment stage on any code of conduct complaints received. An Independent Person attends any Standards Hearings Panel which is convened to consider any code of conduct complaint referred to it. • The Council has clear arrangements in place for the declaration of interests and for the registration of gifts and hospitality. • The Council has arrangements in place to consider code of conduct complaints submitted against parish / town councillors. • The Council provides advice to Parish / Town Councils on Code of Conduct matters |
| Link to Governance Issue Action Plan | None Significant |

| Principle B - Ensuring openness and comprehensive stakeholder engagement | |
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| Assessment of compliance | It is considered that the Council's arrangements meet Principle B of 'the framework' |
| Partnership Approach | The Authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services. This is detailed in the Council Plan 2019-2023 which was approved at Cabinet on 8 September 2020 prior to reporting Quarter 1 to Scrutiny Committee. Our Purpose section of the Council Plan 2019-2023 includes Community Leadership and Place Shaping which aims to make best use of increased devolved power and finances for local decision making, working with our partners, and also to be responsive and flexible with our partners to meet their needs and requirements for improvements for all. |

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| <p>Business, Economic Development and community working</p> | <p>The Business & Economy section connect with many businesses on an individual and group basis. Lunch & learn sessions are held regularly, as well as support provided for grant funding obtainable from many sources. The business awards and business conference providing an opportunity for businesses to network.</p> <p>Communities provide support to all residents for sport and leisure activities through individual support and also through the Council's Make A Difference fund. In addition, two key Council projects support the Community - Sowerby and Northallerton Sport Villages. During 2020/21 the Council has been instrumental in distributing the Governments' COVID-19 Business Grants to businesses across the district where 90% of the funding has been provided. Additional Council COVID-19 support is detailed in Principle C.</p> |
| <p>Communication</p> | <p>The Council's communications team uses social media and works with the press to ensure information is received across the District. The Council's website is also user friendly and enables access to Council information. The Social Media strategy and policy was approved at Cabinet in April 2018 and has been absorbed into the Council as an additional communication channel on a daily basis. Internal communication across the Council is via Microsoft Teams, the intranet, staff and Member newsletters, individual section briefings and briefings by the Chief Executive. During the COVID-19 pandemic Chief Executive, weekly member and staff briefings have been introduced to keep everyone apprised of changes.</p> |
| <p>Transparency</p> | <p>In order to demonstrate its openness, the Council adheres to the Local Government Transparency Code 2015 which is the foundation of local accountability and provides access to areas such as the pay policy, payments to suppliers, senior officer salaries, parking, waste contracts and grants. This information can be located at</p> <p>https://www.hambleton.gov.uk/info/20097/transparency/262/transparency</p> |
| <p>Consultations</p> | <p>Consultations are used across the Council to engage with the public and enable their direct views to influence strategies and policies, one such example being the annual budget consultation. During 2020/21, 16 consultations were undertaken with 4 of these being repeated regularly. In addition, to enable the public to highlight concerns, a complaints and compliments procedure is in place which is reported on a quarterly basis to Management Team, along with the numbers.</p> <p>Openness, transparency and community engagement is the key that gives people the tools and information they need to enable them to play a bigger role in society.</p> |
| <p>Link to Governance Issue Action Plan</p> | <p>None Significant</p> |

| Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits | |
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| Assessment of compliance | It is considered that the Council's arrangements meet Principle C of 'the framework' with clarification provided in the Governance Issues Action Plan |
| Council Plan Outcomes | <p>The outcomes of the Council, to provide quality services, are determined in the Council Plan 2019-2023, which is updated annually. The plan sets out objectives focused on outcomes for communities, residents, businesses and visitors under the four priority headings: under the four priority headings:</p> <ul style="list-style-type: none"> • Driving Economic Vitality • Enhancing Health and Wellbeing • Caring for the Environment • Providing a Special Place to Live <p>which details Hambleton District Council's purpose towards achieving social, environmental and sustainable benefits for the vision 'a place to grow'. The Council Plan specifically focuses on community leadership, place shaping and delivering services to ensure working with partnership organisations to achieve shared aspirations. The Council Plan is located at:</p> <p>https://www.hambleton.gov.uk/downloads/download/294/hdc-council-plan-2019-23</p> |
| Council Plan Outcomes and the COVID-19 Pandemic | The Council during 2020/21 has continued to deliver the Council Plan ensuring that measures were in place for all employees, to support them through the COVID-19 pandemic and enable them to continue to work where possible. Office recovery plans and risk assessments to ensure COVID-19 safe measures were in place, as well as HR policies and this has been in conjunction with ICT, enabling everyone to work from home via Microsoft Teams and soft phones through the laptop roll out. |
| Sustainable economic, Social, environmental benefits | <p>In setting the priorities, national, regional and the public's priorities were taken into account, which results in the setting of the Council's Key Performance indicators. These are monitored on a quarterly basis by the operational business where the Council has established effective arrangements through Service Plans, reported to Management Team and then also to Members at Scrutiny Committee.</p> <p>The Council's decision-making process in Cabinet reports requires decision makers to consider risk assessment, financial implications, legal implications and equality/diversity issues and health & safety matters where appropriate.</p> <p>To ensure that project management and future plans deliver value for money the sustainability of the Financial Strategy is key. For 2020/21 and previously it is forecast for 10 years along with the 10 year Capital Programme; this allows the statement on the position of reserves and annual budget to remain affordable, sustainable and prudent. For 2021/22, the Financial strategy is 4 years to consider the impact of local government reorganisation and also the COVID-19 pandemic. The Treasury Management Strategy, in its relationship with the Capital programme, also enables an affordable and prudent approach to the Council's plans and projects. Finally, the annual accounts support stewardship responsibilities subject to external audit opinion.</p> |

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| <p>Covid-19 Pandemic Support</p> | <p>Supporting residents - the Council has made contact with vulnerable residents in need and liaised with delivery partners to proactively support them. This encompasses providing for the homeless and also there was a process in place to support those that are in the highly vulnerable group. In addition the Council has provided funds for the community grants to support those who applied.</p> <p>Re-opening High Streets - Local Businesses have been supported by the Council with consideration being given to signage, social distancing, and closure of market town roads in order to attract people back to the 5 market towns in the district</p> <p>Pavement Licences- The Government temporarily provided a new streamlined process for premises selling hot or cold food for takeaway (or consumption on the premises including cafes, snack bars, bars, pubs and restaurants) to be able to put tables and chairs and associated restaurant furniture on the highway, via an application to the local council.</p> |
| <p>Link to Governance Issue Action Plan</p> | <ul style="list-style-type: none"> 1 - Impact of Brexit 2020/21 and 2021/22 1 - Key Council Projects 2021/22 1 - Impact of Covid-19 pandemic 2021/22 |

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| <p>Principle D - Determining the interventions necessary to optimise the achievement of the intended Outcome</p> | |
| <p>Assessment of compliance</p> | <p>It is considered that the Council's arrangements meet Principle D of 'the framework' with clarification provided in the Governance Issues Action Plan.</p> |
| <p>Relationships</p> | <p>Member and Officer relationships - It is necessary that Members and Officers perform effectively in clearly defined roles to achieve the intended outcomes with the required level of intervention.</p> <p>Excellent relationships between Officers and Members exist which are based on mutual trust enabling decisions to be made in a productive and transparent way. Trust is maintained through the involvement of all relevant parties at the right level of responsibility ensuring strategic decisions are led by Members and implementation of operational matters are at officer level directed by Management team.</p> |

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| Roles and Responsibilities | Roles and responsibilities are defined in The Constitution for the cabinet, scrutiny and officer functions with clear delegation arrangements. The Constitution includes the Code of Member Conduct, a Code for Planning Conduct and an Officer and Member Protocol, as well as the financial regulations. | |
| Forward Planning | Democratic Services Forward Plan - All meetings of the Cabinet and key Committees are included in the Council's Forward Plan, which is published and available to the public. All minutes are published where all delegated decisions are also recorded. This was prevalent in 2020/21 with the COVID-19 pandemic where decisions were delegated to the Chief Executive for some Committees; online virtual meetings started in July 2020 with Cabinet. | |
| Change in the way the Council operates | The Covid-19 pandemic has seen the Council work at home successfully for a large proportion of the year where priorities and project of the Council have still been achieved. In future a '3 days in the office : 2 days at home arrangement' is considered to enable the workforce to have increased flexible working and extend Council productivity. | |
| Financial Sustainability | <p>Financial sustainability - In order to achieve the long term financial targets the Authority has a 10 year financial strategy for 2020/21 which is supported by the annual budget setting the required income and savings targets. All the expected risks to the Authority were considered in the Financial Strategy 2020/21 report approved by Council prior to the beginning of each financial year and the position of reserves underpins the long term financial resilience of the Council.</p> <p>http://democracy.hambleton.gov.uk/documents/s18685/Financial%20Strategy.pdf</p> <p>The 10 Year Financial Strategy, has given long term certainty of funding and highlights the need to continue to identify efficiency savings and generation of income. The 4 year financial strategy set for 2021/22 to 2024/25 still maintain £5m of reserves at the end of the 4 year period where the council awaits future steps from government in relation to future funding from the Business Rate Retention scheme and Fair Funding Review where it is now indicated from Government, but not confirmed, that this will be delayed until April 2022.</p> | |
| Governance Committee | <p>Audit, Governance and Standards Committee - This Committee is an essential part of good governance, with aspects of governance, risk management, internal and external audit, fraud and financial management being reported throughout the 2020/21 year. Internal and External Audit both have direct access to and support the Committee including the ability to have direct contact, without Officers of the Authority being present.</p> <p>The detailed matters reviewed by the Audit, Governance and Standards Committee can be viewed at the quarterly meetings located at:</p> <p>http://democracy.hambleton.gov.uk/ieListMeetings.aspx?CId=149&Year=0</p> | |
| Link to Governance Issue Action Plan | 2- | Financial Sustainability 2020/21 |
| | 2- | Financial Sustainability 2021/22 |

| Principle E - Developing the entity's capacity including the capability of its leadership and the individuals within it | |
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| Assessment of compliance | It is considered that the Council's arrangements meet Principle E of 'the framework' with clarification provided in the Governance Issue Action Plan |
| Senior Management Structure | Senior Management Structure - The Chief Executive restructured the Senior Management Team during 2020/21 with the Director of Economy & Planning's departure. There are now four Directors where the Director of Leisure & Communities and the Director of Environment report to the Deputy Chief Executive. The Deputy Chief Executive and both Statutory Directors (Monitoring Officer and S151 officer) report directly to the Chief Executive. The structure introduced in December 2020 operates effectively and is set to deliver both service improvement and the corporate projects. Support is also provided from Heads of Service, where the Head of Service for Commercial & Programme Management supports income generation and project management across the Council, with the Head of Planning and two interim Head of Business and Economy through a shared role report to the Deputy Chief Executive. |
| Individual Performance Management | In 2017 the Council embarked on a programme of individual performance management which replaced annual appraisals to bring a more fluid interaction approach to continued conversations between managers and officers to create a better ownership, responsibility and communicative organisation. The purpose of this is to achieve a balance between achieving organisational performance goals and personal development. The aim is that by encouraging individuals to take responsibility for their areas of work and own development, capacity will be released within the organisation, whilst empowering decision making and ownership. This approach is 'High Challenge, High Support' and further work is continuing to embed this approach across the authority. |
| Key Skills knowledge and decision making | With the ambitions of the Council as seen in the Council Plan, comes the acknowledgement that key decisions across the organisation need to be made by the right people with the right knowledge. The Capital Strategy details an approach to ensure that expert advice is acquired from outside the organisation if required. The Capital Strategy is approved annually : https://democracy.hambleton.gov.uk/documents/s22923/Capital%20Strategy.pdf |
| Staff Development | Staff Development - The Council supports individuals to review their own training requirement in the area at work where both the individual and the organisation will benefit. There are numerous graduates supported across the Council as well as apprenticeships being provided. During 2020/21, all employees have also had the opportunity to consider further study through graduate or MA courses, so the workforce remains fully equipped for future challenges. |
| Training Requirements | Training Requirements – The HR Strategy supports a variety of training techniques including the Induction training, Member training, Individual Performance Management coaching, Learning & Development training calendar, online learning, and bespoke courses, presentations to employees and Members alike. |
| Health and Wellbeing | The Employee Assistance programme RISE was launched across the Council on 1st April 2021 to support all staff regarding mental health, physical, financial, or personal issues. During 2020/21, the Covid-19 pandemic has affected employees in different ways and this initiative aims to maintain the authorities capacity. |
| Link to Governance Issue Action Plan | 3 - Resources for 2021/22 |

| Principle F - Managing risks and performance through robust internal control and strong public management | |
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| Assessment of Compliance | It is considered that the Council's arrangements meet Principle F of 'the framework' with clarification provided in the Governance Issues Action Plan. |
| Public Scrutiny of Risk Management | <p>The Audit, Governance and Standards Committee have responsibility for overseeing the Risk Management Strategy and has delegated to the Scrutiny Committee to oversee the strategic risk register on a quarterly basis. Significant changes to the risk management process are reported to both Committees.</p> <p>Risk Management is a standard element of all officer reports to Cabinet and other Member Committees etc. All senior officers are required to implement the strategy and to further embed risk management within the Council. Risks are reported to Management Team on a quarterly basis with a full review occurring annually.</p> |
| Risk Register | <p>The Risk Register incorporates corporate, project and service risks associated with delivery of the Council's corporate objectives under each Council Plan priority and key projects. During 2019/20 the changes to the process of managing risk have been finalised with Strategic Risk Management Group championing risk across the Council to ensure consistency and appropriate challenge. Detailed information is available in the quarterly reports:</p> <p>http://democracy.hambleton.gov.uk/ieListMeetings.aspx?CId=149&Year=0</p> |
| Risk Training | Members of the Cabinet, the Audit, Governance and Standards Committee, Members, Risk Owners and other selected staff received specialist training in Spring 2019, which can be refreshed when required. The Risk Management Guidance Manual is revised annually and was approved by Audit Governance and Standards Committee in October 2019; the revised version is also available to all employees on the intranet. |
| Development of Risk Management | With the measures mentioned above in place the Council is able to identify, assess and manage the risks to the Council's corporate objectives. Development of the risk management process across the Council was finalised in 2019/20 and has enabled the Council to understand the exposure to risk that the Council faces. Enhancement of the risk process continues with the Council considering options during 2021/22. Revision of the current practice did not progress during 2020/21 due to the impact on resources of the COVID-19 pandemic. |
| Partnership Risks | <p>The Council recognises the need to ensure that good governance arrangements and robust controls exist within all partners and other group working. It also recognises the need for comprehensive agreements to be in place for all significant partnerships and that these agreements should clearly identify how the risks of the partnership or working group arrangements will be managed. All Council projects and working relationships have a risk register to ensure projects are managed effectively and the required outcome results. During 2020/21, the Commercial and Economic Developments Initiatives internal audit report provided substantial assurance in the Council's governance risk management and effective, monitoring of partnership working.</p> <p>Quarterly monitoring of Third Party companies is reported to cabinet as part of the Capital and Treasury Management monitoring.</p> <p>https://democracy.hambleton.gov.uk/documents/s21956/Annex%20F%20202021%20Qtr%201%20Capital%20Monitoring%20and%20Treasury%20Management.pdf</p> |
| Link to Governance Issue Action Plan | 4 - Loss of ICT Systems / Data 2020/21 & 2021/22 |

| Principle G - Implementing good practices in transparency, reporting and audit to deliver effective accountability | |
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| Assessment of Compliance | It is considered that the Council's arrangements meet Principle G of 'the framework'- with clarification provided in the Government Issues Action Plan |
| Effective accountability | <p>The Cabinet and Council - There is a hierarchy of decision making at Hambleton District Council to ensure reporting delivers effective accountability. Any new draft policies or strategies are developed and then submitted to the Senior Management Team. Once any amendments have been made, the policy/strategy moves on to Cabinet and then on to the full Council for approval. Local Government Ethical Standards produced in January 2019 highlights the need to report on 'separate bodies' that have been set up. This occurs on a quarterly basis at cabinet and Council</p> <p>In all reports to Cabinet, risk is considered in the section 'risk assessment' and specifically, risks inform the financial strategy position approved annually in the February Financial Strategy report, thereby concluding financial sustainability for 2021/22 ; also the Outturn Revenue Outturn report 2020/21, following the impact of COVID-19, confirms financial sustainability.</p> |
| Effective Corporate Governance | <p>The Audit, Governance and Standards Committee - The Audit, Governance and Standards Committee has specific responsibility for monitoring the effectiveness of the Council's Code of Corporate Governance and to ensure that the Council undertakes its duties in an appropriate manner and maintains a high standard of Corporate Governance. Numerous reports updated the Committee on a quarterly basis throughout the year.</p> <p>The Committee has received two reports on the CIPFA Financial Management Code during 2020/21 to raise awareness of the Council's sensitivity to financial sustainability including a detailed actions plan.</p> |
| Scrutiny | Scrutiny Committee - Part of the function of the Council's Scrutiny Committee is to scrutinise Council policies. It does not have a specific role in dealing with Governance, although it reviews the Council's strategic risks on a quarterly basis. |
| Assurance Services | <p>Internal Audit and Fraud - The Council also operates internal audit and fraud investigation functions which comply with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2020/21 was provided by Veritau North Yorkshire Limited. Veritau's internal audit and counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the Council. Through its work Veritau also provides assurance to the Section 151 Officer in discharging that statutory review and reporting responsibilities. In addition the team:</p> <ul style="list-style-type: none"> · provides advice and assistance to managers in the design, implementation and operation of controls · helps to maintain the council's counter fraud arrangements including policy framework · supports managers in the prevention and detection of fraud, corruption and other irregularities. <p>During 2020/21, a joint working group was set up between the Council and Veritau North Yorkshire Limited to discuss the Covid-19 business grant assurance process where Audit, Governance and Standards Committee and been updated in the Annual Fraud report.</p> |
| Link to Governance Issue Action Plan | <p>5 - Business Continuity Planning 2020/21</p> <p>5 - Business Continuity Planning 2021/22</p> |

Review of Effectiveness

Self-assessment and review

Hambleton District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and this is documented in this Annual Governance Statement. The Council recognises an ongoing need to review its governance arrangements and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems and ensure compliance with relevant regulations.

Therefore, during the year numerous reports have been presented to Audit, Governance and Standards Committee to confirm ongoing good governance arrangements where these are summaries in the 'Annual Report to Cabinet on the Audit, Governance and Standards Committee's Activities in 2020/21'.

The review of effectiveness is informed by the work of the senior officers and managers within the Council who have responsibility for the development and maintenance of the governance environment, Management Team, Veritau North Yorkshire Limited's Internal Audit Annual and quarterly Reports and also by comments made by the external auditors and other review agencies and inspectorates.

Assurances from Internal and External Audit

In 2020/21, the overall opinion of the Head of Internal Audit from Veritau North Yorkshire Limited on the the governance, risk management and control framework operating in the Council is that it provides Substantial Assurance.

The impact of the Covid-19 pandemic did effect the initial work that internal audit could complete in the first 3 months, however Veritau North Yorkshire Limited are satisfied that sufficient audits have been completed to be able to provide a view of substantial assurance.

The Council's external auditor, Ernst & Young LLP, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing economy, efficiency and effectiveness. The most recent Audit Letter, issued in August 2019, confirmed that they had been able to give an unqualified audit opinion in respect of the Council's 2018/19 Statement of Accounts, and concluded that proper arrangements were in place to secure value for money in the use of resources. The 2019/20 audit is ongoing and as detailed in the report to Audit Governance and Standards Committee July 2021, this is aimed to be concluded in September 2021 if not soon after.

Key Governance Issues Action Plan 2020/21:

Last year's Annual Governance Report highlighted four key areas for improvement.

The table below sets out action taken to address these issues during 2020/21:

| Issue | Principle | Action taken during 2020/21 |
|---|-----------|---|
| Impact of Brexit on council services and local communities | C | <ul style="list-style-type: none"> State Aid has changed to 'Subsidy Control' where this was confirmed in the use of delivering Government's COVID-19 Business Grants. Other projects in future will adhere to new Subsidy Control guidance when required. Procurement is an area that has been raised in 2020/21 where change will be seen but further guidance is waited; this is the same for other areas of the Council. |
| Financial Sustainability- Significant reductions in government funding leading to the inability to sustain the Council's services at the current level. The ability to income generate does not occur in line with the projection included in financial strategy. | D | <ul style="list-style-type: none"> Income to be generated to support the financial strategy is ongoing with the main contribution being from the development of the crematorium. The income to be generated to support the financial strategy has reduced in 2020/21 and in future years with the focus of the financial strategy now being 4 years due to local government reorganisation and the COVID-19 pandemic. Funding information provided from Central Government around Business Rates Retention and the Fair Funding Review was not distributed during 2020/21 due to the Government being diverted by the COVID-19 pandemic. Further information is waited in due course. |
| Loss of ICT systems or data | F | <ul style="list-style-type: none"> Ministry of Housing Communities and Local Government Local Digital have approached the Council's ICT service in June 2021 to present with them at their Cyber Clinic at the end of July, which acknowledges the excellent engagement across the Council of the 2020/21 Cyber Security Incident Management Plan that is in place and has compulsory annual Cyber Security training for all users. Annual review Information Security Policy and annual IT Health Check and remedial work PSN (Public Services Network) compliance passed in 2020/21 |
| Ineffective business continuity plans leading to loss of service e.g. COVID-19 | G | <ul style="list-style-type: none"> The risks associated with business continuity planning are reported quarterly in the Council's corporate risk register to Scrutiny Committee and annually to Audit Governance and Standards Committee. The Council responded to the impact of the COVID-19 pandemic, whilst maintaining services and achieving project goals. |

The Action Plan below identifies the following governance issues and major risks for the Authority for 2021/22.

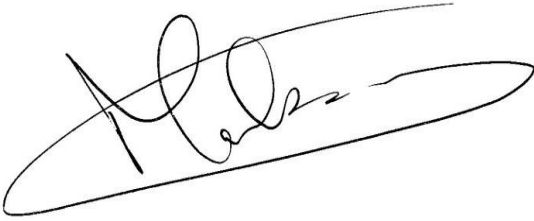
| Issue | Principle | Action / proposal during 2021/22 | Responsible Officer |
|--|-----------|--|--|
| Impact of Brexit on Council services and local communities | C | <ul style="list-style-type: none"> · Service managers business continuity plans and contingencies are in place to provide assurance and minimise any potential until further Government guidance is issued. · There is ongoing liaison with other local authorities to provide joint solutions for any problems caused by Brexit. | Director of Environment |
| Key Council Projects not delivered could result in reputational damage to the Council or increased financial pressure in the future. | C | <ul style="list-style-type: none"> · Key project Groups exist for high level projects - Crematorium, Treadmills, Leisure Centre Development, Climate Change. · Key Dates on projects are reported quarterly to Management Team. Programme Management Board and Management Team receive regular update reports. The risks of council projects are reflected in the 10-year Financial Strategy. | Deputy Chief Executive / Director of Leisure and Communities / Director of Environment / Director of Finance & Commercial (S151 Officer) |
| Impact of COVID-19 Pandemic | C | <ul style="list-style-type: none"> · Financial monthly monitoring will continue to be reported to Ministry of Housing and Local Government, which is also goes to Management Team and quarterly to Cabinet. · Recovery plans and risk assessments to return to the place of work developed. · Working with communities to support their needs. · Business and economy recovery plan to support the district. · Pavement licences issued | Director of Finance & Commercial (S151 Officer) / Director of Leisure and Communities / Deputy Chief Executive / Director of Environment |

| | | | |
|---|-----------------|--|--|
| <p>Financial Sustainability - Significant reductions in government funding leading to the inability to sustain the Councils services at the current level - the ability to income generate does not occur in line with the projection included in the financial strategy.</p> | <p>D</p> | <p>Income to be generated to support the financial strategy is ongoing with the main contribution being from the development of the crematorium. The income to be generated to support the financial strategy has reduced in 2020/21 and in future years.</p> <p>Funding information provided from central Government around the Business Rates Retention and the Fair Funding Review is that this is now unlikely to go ahead from April 2022. Further information is waited in due course.</p> | <p>Director of Finance & Commercial (S151 Officer)</p> |
| <p>Resources of the council are under pressure due to local government reorganisation</p> | <p>E</p> | <p>The Government has announced on 21 July 2021 the Local Government Reorganisation decision where North Yorkshire will merge into one unitary Council with the footprint of North Yorkshire County Council. This has implications for resources; staff are leaving and it is harder to replace staff due to unknown future circumstances</p> <p>The Financial implications will be monitored and reported on a quarterly basis to Cabinet.</p> | <p>All / Director of Finance & Commercial (S151 Officer)</p> |
| <p>Loss of ICT Systems or data</p> | <p>F</p> | <p>Cyber Security Incident Management Plan in place to be reviewed and updated on a regular basis with compulsory annual Cyber Security training for all users to be refreshed as required.</p> <p>Annual review Information Security Policy and Annual IT Health Check and remedial work PSN (Public Services Network) compliance. Regularly testing of Disaster Recovery Plan.</p> | <p>Director of Environment / All</p> |
| <p>Ineffective business continuity plans leading to loss of service e.g. Covid-19</p> | <p>G</p> | <p>Plans are in place to safeguard business continuity and respond to major incidents. Learning outcomes from previous major incidents will be used to inform future plans</p> | <p>Director of Environment / All</p> |

Summary

The Council is satisfied with the level of assurance with regards to its governance arrangements which enables stakeholders to recognise that proper arrangements are in place to govern spending and the safeguarding of assets. The governance issues raised in the 'action plan' will be addressed on an ongoing basis to further enhance the governance arrangements. The evaluation on the effectiveness of arrangements detailed within the seven principles and the action plans, provides assurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Annual Governance Statement signed by:



Signed: **Date:** 30 July 2021

Councillor Mark Robson
Leader of the Council



Signed: **Date:** 30 July 2021
Justin Ives BA, MA, DBA, FCMI, FCCA
Chief Executive