

Huntingdonshire District Council
Annual Governance Statement 2021/22

Scope of Responsibilities

Huntingdonshire District Council (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 provides value for money. 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement (AGS) sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1) b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an AGS. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are largely consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer:

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced;

The issues identified as a governance issue and the progress made by management throughout the future financial year 2022/23 to address these issues will be reported regularly to the Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

What is Governance?

Governance generally refers to the arrangements put in place to ensure that the intended outcomes are defined and achieved.

The Council approved a new local Code of Corporate Governance in July 2016. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE¹.

The Council aims to achieve good standards of governance by:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing its capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The overall aim of the local Code of Corporate Governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making.
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Underpinning the Code is the Council's commitment to equality of opportunity in its approach to policymaking, service delivery and employment.

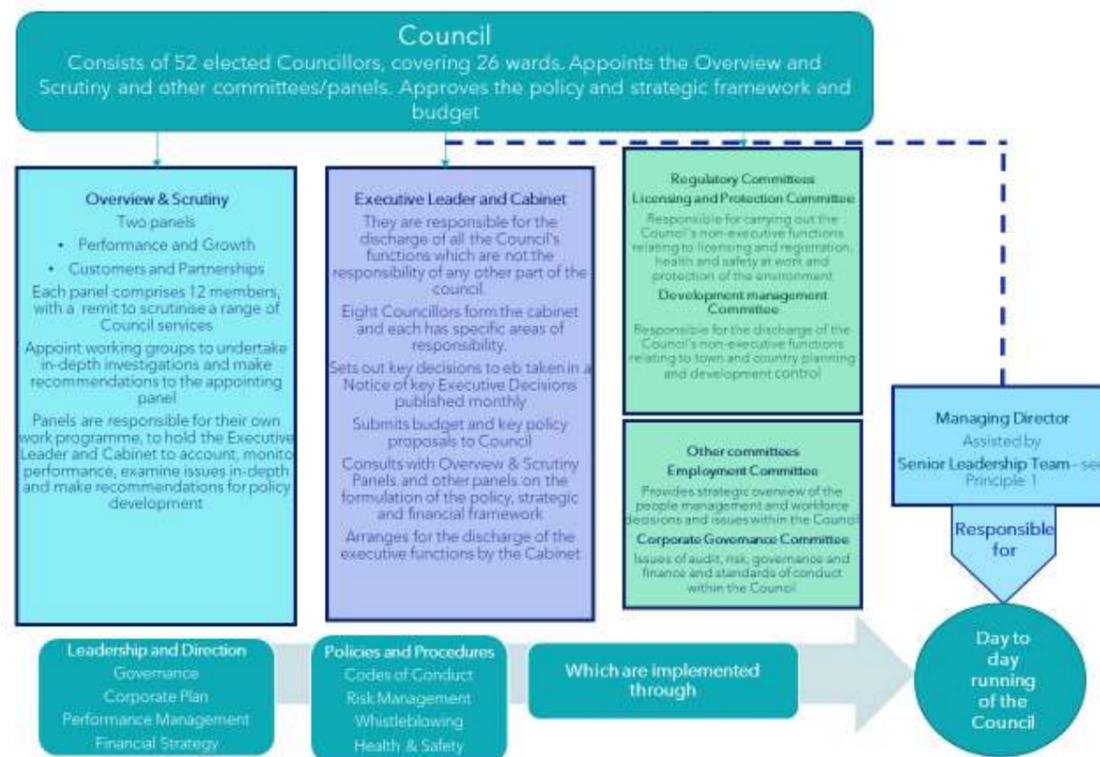
The Purpose of the Governance Framework

The governance framework comprises the systems and processes, 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 authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. 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, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Council's Governance Framework

The Council's framework for Governance is set out in the Constitution, is detailed in the Local Code of Governance and can be summarised in the below graphic:



The Council's strategic vision and corporate priorities were set out in the Corporate Plan 2018 - 2022. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance to all.

These are set out in the table below, the Governance Framework, which links areas of assurance to documented activities of process and control. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. The local Code of Corporate Governance, as at May 2018, is also available on the website and describes in more detail the governance processes in place.

Assurance required upon	Sources of Assurance	Assurances received
<ul style="list-style-type: none"> • Delivery of Corporate Plan priorities • Services are delivered economically, efficiently & effectively • Management of risk • Financial planning and performance • Effectiveness of internal controls • Community engagement & public accountability • Shared service governance • Project management & project delivery • Procurement processes • Roles & responsibilities of Members & Officers • Standards of conduct & behaviour • Training and development of Members & Officers • Compliance with laws & regulations, internal policies & procedures 	<ul style="list-style-type: none"> • Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) • Council, Cabinet, Committees and Panels • Corporate and service plans • Shared service joint committee • Policy framework • Risk management framework • Project management methodology • Financial Performance Monitoring Suite • Medium Term Financial Strategy • Customer Service Strategy • Consultation and Engagement Strategy • Complaints' system • Head of Paid Service, Monitoring Officer and S151 Officer • HR policies & procedures • Whistleblowing & other countering fraud arrangements • Staff and Member training • Codes of conduct • Corporate/Senior Management Team • Independent external sources • Regular monitoring of outcome measures • Monitoring of economic indicators & associated financial receipts • Effective joint working arrangements • Risk & Control Group and Board 	<ul style="list-style-type: none"> • Regular performance and financial reporting • Annual financial report • External audit reports • Internal audit reports • Officer management groups • On-going review of governance • External reviews and inspectorate reports • Customer feedback • Peer reviews • Council's democratic arrangements incl. scrutiny reviews and the 'audit' committee • Corporate Governance Committee annual report • Staff surveys • Community consultations • Consultants' reports • Services' reports • Risk & Control Group activity

The review of effectiveness is informed by the work of the Senior Management Team, who are responsible for the development and maintenance of the governance environment, the Internal Audit Manager's annual report and comments made by the external auditors.

A review of the Council's Local Code of Governance is in the process of being drafted and includes examples of how the organisation meets all of the principles of good governance. The Council continuously reviews how it achieves good governance, recent changes include the decision to recruit independent members to the Corporate Governance Committee which was taken to committee in February 2023 and recommended for approval.

The Council approved its CIPFA Code of Finance Management in September 2022. This demonstrates how the Council complies with the code to provide evidence of good financial management and also identified areas for further development.

The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

Review of Effectiveness

The Council has a 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 Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments Huntingdonshire District Council's Statement of Accounts 2020/21 made by the external auditors and other review agencies and inspectorates. During 2021/22, the works undertaken by the Internal Audit team provided the foundation for the Annual Internal Audit Opinion that the Council's governance, internal control environment and systems of internal control provide **adequate** assurance over key business processes and financial systems. However, a limitation of scope was placed on the aspect of risk management, which is excluded from the opinion as there is insufficient assurance available to offer reasonable assurance for this area.

The Internal Audit Annual Report 2021/22 referred to evidence to suggest the assurance level has dropped in some areas, which have been drawn to management's attention, but generally internal control is adequate. Senior Management has agreed an action plan will be put in place to ensure the specific areas of lower opinion will be addressed and internal control assurance improved.

With regard to the lack of assurance that could be given to Risk Management, the new financial year 2022/23 has seen specific attention toward this area and development made to increase risk management generally at HDC (including a Risk Management Strategy and revised risk appetite; new corporate risk register update). In addition, a Risk and Controls Board has been convened, giving greater visibility and evidence of risk management.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed by Corporate Governance Committee.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

An External Audit of the account's year ended 31 March 2021 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2020/21 closure process were of high quality. In addition, the Council assures its financial controls through an internal audit team and a programme of internal audit activity.

Significant Governance Issues 2021/22

There are no reported significant governance issues.

Other Governance Issues we have identified in 2021/22

The AGS identifies governance issues and risks for the Council to address.

Area	Action Plan for improvement
Risk Management	The Risk Management (RM) process is to be reinvigorated, with a revised RM Strategy being finalised and launched. Corporate risks within the Risk Register to be reviewed and

Area	Action Plan for improvement
	updated. This will be followed by Service level risks within Risk Register being reviewed and updated. A new Risk & Controls Group Board has been established and a Risk & Controls Officer appointed to support Risk Management effort.
Cyber Security	Completion of all agreed cyber audit actions. The ICT service is progressing these actions, monitored by Senior Management.
Debtors and Creditors	Systems, processes and resources will be reviewed across the debtors' and creditors' functions establishing action plans to support delivery of improvements and address the control failings identified during quarterly reviews. Audit will review the processes once implemented and will monitor compliance.
Audit Actions	To improve the implementation of agreed audit actions. SLT will monitor outstanding actions, receive monthly reports from Internal Audit, and ensure actions are progressed. Direct progress updates from action owners are now provided to Committee. Actions are to be part of Service Plans and to be monitored through 1.2.1 discussions to prevent actions becoming overdue.
Small works expenditure	Audit actions have been agreed to redress. These are agreed to be implemented by the end of 2022.
Information Governance /GDPR	Recommendations across a number of areas to reduce the Council's information risk, increase accountability in GDPR terms, improve staff engagement with IG and awareness of IG and data protection matters and support improved ways of working which embed IG principles across the Authority. A self-assessment report commissioned on the Service highlighted the areas requiring attention. Recommendations made within the report have been agreed and form part of the Action Plan. Mandatory training at day 1 of new starter induction has been agreed; and refresher training for all staff has been launched.
Contractor Management	A number of new measures have been introduced to improve control in this area: <ul style="list-style-type: none"> • Recruitment & Procurement officers will oversee each consultant appointment • Procurement will provide oversight and guidance on all contract matters; sponsors to be accountable for their contracts • All contractor sponsors, Procurement and HR to ensure compliance with PCR2015, IR35 and good commercial practice. • Project managers will work with Procurement to ensure proper evaluation of need in line with PCR2015 • PMO, Procurement and Works SLT will ensure that clear and evidenced decision making is done and recorded through the governance framework. • HR has commenced a new monitoring system for contractor/consultant/other temporary staff.
Market Towns Programme	An independent consultant reviewed the programme performance to date, resulting in a programme improvement plan with recommended actions. These are being implemented and will be monitored as a standing item in the programme board.
Project Management/Capital schemes	Formal governance structure has been established, comprising the work programme board, the project management steering group and the gateway model (applied to each programme/project). Capital schemes will follow the same processes from project inception and business case to lessons learned.
Network Access	ICT is setting up a regular review process to confirm users are current and legitimate. This is also supported by a leaver's notification process to ICT.

Area	Action Plan for improvement
Policies	A review and inventory of all policies and strategies has been undertaken. Further work is planned to ensure the policies are fit for purpose and accessible.
Morbidity/Growing number of years of ill health/Continued impact of COVID	Increasing pressures are being felt by many parts of the public service system, primarily through the growing demand on support costs, a rise in complex individual cases which cuts across many service providers, through such things as disabled facilities grants and personal care costs. This is not something that any single agency has total responsibility for, and it requires joint working to deliver effective solutions focussing on wellbeing and life choices as well as housing, open spaces, transport infrastructure and the design of place.
Wider economic environment	The Council's financial robustness is closely linked with the success of the overall local economy, driven in large part to a prosperous commercial sector. External economic factors do directly impact on the Council's financial plans and forecasts for new homes bonus, council tax and business rates incomes, and the level of demand for our services. We take our role on supporting the conditions for stable growth very seriously.
Housing Affordability	The challenge of residents to afford market housing, and market rents represents a significant challenge to our residents and communities. In the worst cases this can contribute to homelessness, and direct financial consequences on the Council, as we must fund any shortfall between market rent and Local Housing allowance rate. Greater demand for housing, linked at times to emergency housing for migrants could exacerbate this issue.
Environmental pressures and sustainability challenges	There is growing recognition of the significant consequences of a failure to properly account for human actions, and wider climactic events which are becoming increasingly common. The national risk register includes flooding and severe weather events as risks that as a country we should prepare for, and increasingly we have seen the impacts of these locally. We also recognise the health impacts of pollution and poor human behaviour in terms of pollution and improper handling of waste as key challenges to the beauty and sustainability of our area.
Partner agency operational pressures	<p>There is evidence to suggest that as parts of the public sector reduce their input into communities, that the demand transfers to other agencies. In Huntingdonshire, whilst partners work well together there continues to be the challenge of controlling additional demand and the corresponding budget pressures that it brings. Elsewhere financial pressures in one sector, have had significant financial and capacity impacts on the authority.</p> <p>The impact of Covid has further emphasised these challenges, as the demand and income pressures generated by Covid-19 have begun to impact. Collective work on recovery to properly understand the links between cause, and financial impact will be central and driven through shared recovery activity across all public sector partners.</p>

Progress on Governance Issues identified in 2020/21

Area of Assurance	Issue	Progress
Contractor management	<p>An internal audit identified weaknesses in the following areas:</p> <ul style="list-style-type: none"> • IR35 compliance • Contract management (incl. inconsistent and non-compliant with procurement rules) • Contractor management • Contractor selection • Governance • Time management 	<ul style="list-style-type: none"> • HR & Recruitment oversee all engagement of contractors, with Procurement support sought where applicable, ensuring legislative requirements are met and the appropriate documentation sought and testing of employment made. • A register of all contractors employed within the organisation is presented to SLT each month for review and comment upon ongoing use.

Area of Assurance	Issue	Progress
ICT - Cyber security (4 red actions)	<ol style="list-style-type: none"> 1. Staff not provided with adequate cyber-security risk training and awareness. 2. Endpoints with outdated Anti-Virus definitions. 3. Unsupported operating systems in use on the Council's network. 4. Excessive number of Domain Administrator privileged accounts. 	Completion of all agreed cyber audit actions. The ICT service is progressing these actions, monitored by Senior Management.
Finance	<p>Critical over-dependency on one key officer Only one professionally qualified officer No deputy S.151</p>	<p>Senior Finance Business Partner recruited to Chief Finance Officer role and appointed as Deputy S151 Director of Finance and Corporate Resources recruited (commenced June 2022) and appointed as S151.</p>
Role of Chief Finance Officer	CFO position – not sitting at CLT/ not part of key decision making	Director of Finance and Corporate Resources (S151) recruited as member of SLT
ICT - Cloud Services (2 red audit actions)	<ol style="list-style-type: none"> 1. No documented information held about each application's dependencies which could be used to assess the application's feasibility for projected migration plans. 2. Once applications have been hosted, there is no further risk assessment made to review effectiveness of the hosted landscape. Additionally, there is no plan to further assess applications where it is currently not appropriate to migrate them 	<ul style="list-style-type: none"> • Criteria determined for assessing migration to cloud • Framework defined to ensure all potential scenarios factored into the criteria. • Corporate Applications Roadmap drafted to ensure which applications the councils would migrate to the cloud as well as which ones must be migrated to the cloud. • Management assess the possible dependencies of each system.
Towns Programme	Loss of resourcing – the two interim officers are planned to leave in the short term (July & September). First recruitment campaign was unsuccessful; this is being tried again but there is a risk of being unfulfilled and a further risk of no time for a handover period. Capacity & capability risks and issues need to be resolved to continue the programme.	Permanent resources have been recruited to deliver the programme.
Accounts Receivable /Debtors Service	This area continues to receive a limited assurance opinion.	An action plan was implemented, addressing all but two of the outstanding audit actions. Work continues to complete these actions, being regular reconciliation of the debtors ledger with TechOne and monthly management reporting. Processes and controls in this area continue to be reviewed.
Project Management	<p>Number of key projects that pre-date new project management processes that are highlighted as failing. The Work Programme spreadsheet shows that some projects are flagging red or amber/red. There are reported issues with governance; non-compliance and cultural issues.</p>	New team and processes implemented, including monthly Major Change board updating on all live projects including the project status, progress against plan and compliance with governance. SLT attends these board meetings and are fully briefed on open projects.
Data Protection Officer (DPO)	The post is recently vacant due to postholder leaving. The DPO is a statutory role. It also covers the other 3Cs	A new DPO has been successfully recruited to post with cover being provided on a part time basis by the previous incumbent.

Area of Assurance	Issue	Progress
	<p>authorities under contractual obligation.</p> <p>The Deputy post is also vacant with an Acting postholder, who cannot fulfil the DPO role.</p> <p>A recent recruitment exercise was unsuccessful for the DPO role.</p> <p>Another is planned but, if successful, is unlikely to result in an immediate starter leaving the notice period without a DPO.</p>	
Payment Card Industry	Risk of non-compliance with some of the PCI requirements.	<p>Services of PCI DSS expert consultants employed to improve the organisation's compliance with PCI DSS.</p> <p>A new programme of work is to commence looking at compliance on a channel by channel basis, adapting ways of working and systems used, balancing the cost of compliance with the risk arising from non-compliance.</p>
Impact of COVID Pandemic	The Council should continue to consider the impact of the COVID-19 pandemic on its governance arrangements	The Council has moved into a state of "business as usual" with regards to COVID-19 arrangements; where allowable meetings can be held virtually although members cannot vote virtually. Staff continue to work in a hybrid manner and the Council continues to operate as normal.

Opinion

After conducting a review of the governance arrangements across the Council and overall compliance with the Council's Code of Corporate Governance, we are satisfied that the arrangements are effective.

We are also satisfied that this statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015, to prepare an AGS to accompany the 2020/21 Annual Financial Report.

Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the AGS is a balanced reflection of the governance environment and that an adequate framework exists within Huntingdonshire District Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signature	Sarah Conboy Executive Leader	Signature	Michelle Sacks Chief Executive
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27 September 2023

Signed on behalf of
Huntingdonshire District Council