

FINAL ANNUAL GOVERNANCE STATEMENT – 2021/22

1. RECOMMENDATIONS

- 1.1 That the Audit Committee approves the Final Annual Governance Statement for the Financial Year ended 31st March 2022 as reported in Appendix 1.

2. INTRODUCTION

- 2.1 The Audit Committee considered the draft Annual Governance Statement for 2021/22 on 31 May 2022, ahead of its inclusion within the Financial Statements.

3. THE ANNUAL GOVERNANCE STATEMENT (AGS)

- 3.1 The Annual Governance Statement reflects predominately on matters arising during the financial year 2021/22, but must also reflect on any significant matters up until the date of signing by the Chief Executive and Leader of the Council.
- 3.2 A few updates have been made to the AGS since the draft that was presented in July. These are shown as **bolded text** within the appendix, and summarised below:
- Reference has been made in note 2 of section 4 to the Senior Leadership restructure carried out by the Council's new Chief Executive
 - Note 12 to section 4 has been updated to confirm progress made on the Council's updated approach to Risk Management
 - Reference has been made in section 6 to the Financial Management Code review, carried out during 2022, and presented to the Audit Committee in July 2022

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial consequences arising directly from this report.

5. EQUALITIES & DIVERSITY AND ENVIRONMENTAL MATTERS

- 5.1 There are no equalities & diversity or environmental matters associated with this report.

6. CRIME & DISORDER IMPLICATIONS

- 6.1 There are no crime and disorder issues arising directly from this report.

For Further Information Contact

Alan Bethune
Strategic Director & Section 151 Officer
alan.bethune@nfdc.gov.uk

Grainne O'Rourke
Strategic Director & Monitoring Officer
grainne.orourke@nfdc.gov.uk

Background Papers

Audit Committee May 2022 - Delivering
Good Governance in Local
Government Framework 2016

**THE ANNUAL GOVERNANCE STATEMENT
NEW FOREST DISTRICT COUNCIL
2021/22**

1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It 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 best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the 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 achievements 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 in delivery of policies, achieving 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 of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The good governance framework centres on the following 7 core principles:

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimize the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation initiatives) will help protect front-line service delivery. The MTFP is underpinned by the healthy Budget Equalisation and General Fund reserves and these enable the Council to respond to changes accordingly.

During 2021, the impact of the world-wide Coronavirus COVID-19 to the Council was less severe than in 2020, with new ways of working bedded down, new expenditure pressures eased, and a gradual return of customer confidence in retail and hospitality which resulted in an improvement to income streams.

Local Authorities continued to respond to new legislation and responsibilities, including payments of significant levels of mandated and discretionary business support grants and financial support to those who have suffered financial hardship, and playing a key role in the testing and vaccination programmes.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2021/22 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes. Further work is planned for 2022/23 on Risk Management to consider whether improvements can be made to the Council's approach to risk management; this will include a fundamental refresh of the Council's Strategic Risk Register.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

In April 2021, a new Council Leader was appointed. The newly appointed Leader was previously Deputy Leader and has been a member of the Cabinet for several years. The

Council's new Chief Executive, Kate Ryan, commenced employment with the Council in December 2021 following a robust recruitment exercise.

During 2021/22, the Solent Freeport bid continued to be developed in line with government requirements, ultimately leading to submission of the Full Business Case (FBC) in April 2022, to which the Council gave its approval. The Section 151 Officer, Monitoring Officer, Executive Head for Planning, Regeneration and Economy and Chief Executive were all involved throughout the preparation of the FBC, and a number of briefing sessions took place for Councillors over the course of the year. The Council has representation on the Solent Freeport Consortium Ltd Board, and on the Investment Committee, the latter set up to evaluate projects for funding from the retained business rates pool.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2021/22 are included below:

1. A number of Council policies were reviewed or new Plans/Policies implemented including:
 - Worksmart Policy
 - Empty Homes Strategy
 - Corporate Plan 2024 Refresh
 - Control of Asbestos and Control of Contractors Policies
 - Joint Municipal Waste Management Strategy
 - Climate Change and Nature Emergency Action Plan
 - Local Planning Enforcement Plan
 - Numerous Business Support Grant Policies
2. The Council's new Chief Executive, Kate Ryan, commenced employment with the Council in December 2021. The Council's Executive Management Team (EMT) otherwise remained unchanged throughout 2021/22. **In October 2022, the Council received a report from the Chief Executive finalising a review of the Senior Leadership structure. The Council agreed to the proposed changes to move from 4 x Executive Heads to 3 x Strategic Directors, and as a result, the previous Executive Head for Financial and Corporate Services is now the Strategic Director for Corporate Resources and Transformation, and the Executive Head for Governance and Housing is now the Strategic Director for Housing, Communities and Governance. A new Strategic Director for Place, Operations and Sustainability has been appointed and will begin employment with the Council in March.**
3. The responsibility of Section 151 functions (a statutory role) sits with the **Strategic Director for Corporate Resources and Transformation** (previously Executive Head of Financial (S151) and Corporate Services). The **Strategic Director for Housing, Communities and Governance** (previously Executive Head of Governance and Housing) is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the **Strategic Director for**

Housing, Communities and Governance (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.

4. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification.
5. A review into how the Council deals with data handling processes and procedures, including Freedom of Information ('FOI') and Subject Access Requests was carried out in 2021/22. A dedicated Team (the 'Information Governance and Complaints Team') was set up to lead the Council's response on Information Governance. The new Team reports directly to the Council's Monitoring Officer. The Information Governance and Complaints Manager has direct access to EMT and has reported the teams work programme and progress to EMT during 2021/22.
6. The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with an annual report of work carried out presented to Council.
7. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2021/22 budget process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. From April 2022, a new Capital and Change Board has been established, with EMT and a number of Service Managers being placed on this board. This new board, which meets monthly, will provide the oversight and scrutiny of new projects as well as tracking their delivery. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.
8. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development.
9. 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 (2010). A review of the Council's Financial Regulations was completed during 2021/22 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2022, following approval by full Council.
10. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. A review of the Council's Performance Management Framework commenced during 2021/22, in line with a refresh of the Corporate plan 2020-2024, and both were finalised in the year. Portfolio Holder dashboards were presented to Overview and Scrutiny Panels during 2021/22 increasing transparency of performance and risks to service delivery.
11. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in

relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.

12. The Council's approach to risk management has been long standing **and was reviewed during 2022**. The Audit Committee has Strategic Risk Management within their scope, and **an updated Risk Management Policy and updated Strategic Risk Register was brought forward to the committee during 2022. The Council's Strategic Risk Register was continually reviewed during 2022**. The document remains under regular review as a result of the constantly changing national and international situation.
13. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.
14. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.
15. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
 - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
 - New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
 - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.
16. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
17. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents).
18. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. Two limited assurance audit opinions were given and monitoring of progress against the management actions of these audits will continue into 2022/23. The following audit area has previously received high priority recommendations:
 - Payment Card Industry Data Security Standard Accreditation
 - Work has been ongoing during 2021/22, with a specific report elsewhere on this Audit Committee agenda.
19. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1st July 2021 for an 11 year period, with the option to extend for a further 4 years. The operating agreement has been

agreed by both parties and as included within that agreement, the Council and the operator both have representation on a new partnership board which will be responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met monthly since the commencement of the contract, and update reports have been presented to the Community, Partnerships and Wellbeing Board during the financial year.

20. A matter concerning the volume of telephone calls being recorded and securely stored by the Council came to light during 2021. Call recording was stopped immediately, and following approval from the Executive Management Team, all recordings were deleted from secure storage. The Service Manager for ICT working collaboratively with the Information Governance Officer presented options to the Executive Management Team who confirmed that a policy of recording by exception would be implemented. The Information Governance Officer is now working with Service Managers across the organization to assess the legal basis of call recording in the areas where call recording has been identified as necessary.

5. Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer **carried out a review and presented a report on the Financial Management Code to the Audit Committee in July 2022. The report included an appendix detailing the CFO's assessed level of compliance with the Code.**

6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following significant areas will be included in the action plan (schedule 1):

1. Financial Management Code
2. Updated Risk Management Strategy

7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31st March 2022 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Leader of the Council

Signed:

Chief Executive

Date:

Date:

Schedule 1

Annual Governance Statement Action Plan for 2022/23

Heading	Update / Action	Responsible	Target
Financial Management Code	<p>Following the introduction of the CIPFA Financial Management Code, the Council's CFO will undertake an assessment of it's compliance with the code.</p> <p>Action: CFO to carry out a review and report to EMT / Audit Committee</p>	Chief Finance Officer	July 2022
Risk Management Strategy	<p>The Council's Risk Management Strategy will be updated during 2022/23, and will result in a refreshed approach to risk management, including a fundamental review of the Risk Registers in place across the Council.</p> <p>Action: to complete Risk Strategy update, and follow up on revised working practises that result</p>	Insurance and Risk Management Officer	Oct 2022

Annual Governance Statement update on 2021/22 action plan

The following table is provided to confirm actions as against the 21/22 action plan. It is not a core part of the 21/22 Annual Governance Statement (appendix 1).

Heading	Update / Action	Responsible
PCI Accreditation	<p>Work has been ongoing in 2021/22 and will result in annual requirements going forward. This will therefore become a 'Business as Usual Activity' for the council. The 2021/22 context has included the retirement of payment gateway services from Mastercard; the incumbent NFDC supplier.</p> <p>Action: see update report elsewhere on this agenda</p>	Chief Finance Officer
Financial Management Code	<p>Following the introduction of the CIPFA Financial Management Code, the Council's CFO will undertake an assessment of it's compliance with the code.</p> <p>Action: initial assessment completed. Review and input required with leadership team before the assessment can be finalised</p>	Chief Finance Officer
Call Recording	<p>A review of departmental call handling, to consider the legal basis for the recording and retaining calls.</p> <p>Action: Information Governance Officer has completed her work with Services, and call recording re-established in limited instances</p>	Chief Finance Officer / Executive Head Governance and Housing