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**Annual Governance Statement**  
**2020/21**

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## **NORTHAMPTON BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2020/21**

### **1. Introduction**

This document describes Northampton Borough Council's (NBC) governance arrangements and assesses how closely the Council aligns with good practice. This statement for the 2020/21 financial year has been affected by the Covid-19 response and the preparations for merging into a unitary authority on the 1<sup>st</sup> April 2021. However, the statement remains positive despite the challenges that were presented during the period and NBC's response was proactive and effective. This document draws on several assurance mechanisms including the internal audit annual review, internal audit reports throughout the year, internal control reviews, the Statement of Accounts, Audit Committee, the overview and scrutiny process, and external audit.

Work continued around internal controls within NBC, LGSS (shared service) and Northampton Partnership Homes (NPH) to enable policies, procedures and processes to be reviewed, evaluated, improved and, where necessary, implemented.

The continued work of BDO as the Councils internal auditors has seen a greater increase in internal audit review activity and has assisted the service areas in focussing their actions to areas of risk that had previously been seen as weak. This statement details the internal audit reviews performed in 2020/21 at section 10, the audits identified by senior management for review remained focussed on the high-risk areas even though it was the last year for NBC. In addition, BDO were actively involved in the review and testing of the processes implemented for Covid-19 business grants (BEIS) and the various schemes instigated by central Government. The impact of Covid-19 and the response by NBC is detailed at section 13.

The close down process within LGSS, who were responsible for the finance function of NBC, was improved over the last few years following issues identified in 2016/17. Ernst and Young were appointed as the external auditors, as per PSAA, for the last two years and the issues around the previous years late submission have not been a factor. However, the shared service provided by LGSS was changed to a lead authority model in December 2020, although there was no change to the day to day services provided there were a number of issues for senior management in relation to ensuring that the monitoring and management of the services provided was robust. Assurance continued through bi-monthly client meetings with the lead authorities.

The close down team are working closely with the external auditors to ensure all information is accurate. Further reviews on the balance sheet reconciliations were being conducted by MKC internal audit (previously LGSS internal audit) to provide assurance around the processes in place although work in 2020/21 was reduced due to staff capacity.

### **2. Corporate Governance**

Corporate governance comprises the systems and values by which councils are directed and controlled and through which they are accountable to and engage with their communities. The Chief Executive, Senior Management, managers, employees and Councillors acknowledge they have full responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) within NBC.

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

To demonstrate compliance with the principles of good corporate governance, NBC must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The governance arrangements within NBC were revised in 2019/20 with greater focus on the control environment, policies and procedures ensuring that councillors and employees are educated and well informed when making decisions. This continued throughout 2020/21 even though staff were redeployed to the Covid-19 response, the majority of which came from business support and back office functions. This statement sets out the how the effectiveness of the governance arrangements have been monitored and evaluated during the year.

This statement describes the extent to which the Council has, for the year ended 31<sup>st</sup> March 2021, complied with its Governance Code and how the Council met the requirements of regulation 6 of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the

### Northampton Borough Council Code of Corporate Governance (2019)

**Our commitment to good governance is made across the following core principles:**

1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

Councils system of internal control, and the preparation and approval of an annual governance statement.

A copy of the code of corporate governance (updated September 2019) can be found on our website [Click here](#)

The governance code was reviewed and updated in 2019 in accordance with the governance guidance produced by CIPFA and SOLACE in 2016. The principles set out in the Council's code are consistent with the guidance. A review was not undertaken in 2020/21 due to the imminent change to the Future Northamptonshire Programme.

### 3. The purpose of the governance framework

The Governance Framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the council 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, 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. It is also designed to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The Constitution is the key document in the Council's governance framework. The Borough Secretary (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes that are approved as part of any policy changes. The last major revision of the Constitution was in November 2018, again no review of the Constitution was undertaken due to the imminent change to unitary status in April 2021.

#### 4. Corporate Plan

The Council's corporate priorities are set out in the Corporate Plan 2019/21. These are based around three strategic priorities:

- **A Stronger Economy**  
Creating a cleaner, greener town  
Creating a thriving, vibrant town  
Driving growth whilst preserving the town's heritage
- **Resilient Communities**  
More homes, better homes  
Empowering local people  
Improving the health and wellbeing of local people  
Keeping the town and people safe
- **Exceptional Services to be proud of**  
Putting the customer first  
Using public resources effectively  
Improving our governance

**NBC's Vision and Values**

**Vision**  
**Northampton – Ambitious,  
Prosperous, Proud**

**Mission**  
**We will: work with  
customers, communities and  
partners**  
**Be enterprising and  
innovative**  
**Deliver a great Northampton  
to live, work, study and visit**

**Values**  
**Leadership**  
**Integrity**  
**Service excellence**  
**Challenge**  
**Responsibility**

#### 5. Evaluating Performance

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

The Council has a comprehensive and robust performance management framework. The framework is reviewed annually to ensure that learning and improvement is captured, and changes made where necessary. The Council monitors delivery of its priorities and objectives through the performance management framework.

The service plans represent the key plan for each service and clearly set out targets and actions and how each service area contributes to corporate objectives and targets. The service plans address service level improvements, including value for money objectives. Service plans also set out how each service will contribute to a range of corporate performance and improvement objectives. Performance data is reported on a quarterly basis to Cabinet.

The Council has several committees, which carry out regulatory or scrutiny functions, and ensure that decisions and financial performance can be scrutinised:

- Council – Approves annual budget, medium term financial plan and sets council tax.
- Cabinet - makes executive decisions which can be called in by Scrutiny using formal call-in powers in the constitution.
- Planning Committee - determines planning applications and related matters.
- Standards Committee - promotes monitors and helps to maintain high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the Borough.

On behalf of the Standards Committee the Council's Monitoring Officer has provided briefings and guidance to Members, Parish Councillors and relevant officers on matters in relation to standards generally and to also remind Members of their obligations under the Code of Conduct and the Register of Interests, Gifts and Hospitality.

**Audit Committee** - provides overview on the adequacy of internal controls, financial accounting and performance reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the council. It also reviews areas of concern to the committee, particularly around risk, fraud and failure of systems of control. The Audit Committee meets quarterly.

**Licensing Committee** - monitors and reviews the effectiveness of the Council's licensing policy and procedures and make individual licensing decisions as required. Committee Members receive initial training to enable them to sit on the Committee, and ad-hoc training on any legislation changes as required.

**General Purposes Committee** - which is a sub-committee of full Council, makes decisions that are not the responsibility of the Executive or other committees.

**Appointments and Appeals Committee** - has responsibility for appraising senior officers and dealing with certain disciplinary and grievance matters.

**The Overview and Scrutiny Committee (O & S)** - since May 2010 the Council has had one O & S Committee which sets up time-limited Scrutiny Panels to carry out in-depth reviews. The Committee comprises fifteen Members. The Scrutiny Panels now hold their meetings in public and individuals are encouraged to attend.

Overview and Scrutiny is a key part of the modernised arrangements for governance in local councils and an important mechanism for driving forward performance in services. The four key legislative roles are:

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

- Holding the Executive to account
- Policy development and review
- Best value reviews
- Independent scrutiny

The Committee provides the opportunity for Councillors that are not members of Cabinet to examine various functions of the Council, to question how key decisions have been made and to champion issues of local concern to residents.

It is also charged with finding ways of ensuring that the issues that matter to the public are the focus of their attention, and with finding new ways of getting citizens involved in the things that affect them. Overview and Scrutiny has considerable powers:

- Holding decision makers to account
- Challenging and improving performance
- Supporting the achievement of value for money
- Challenging the ways things are done
- Influencing decision makers with evidence-based recommendations
- Bringing the evidence and views of stakeholders, users and citizens

The Committee is Councillor led and as well as Councillors leading on the review of topics, where they research issues and develop recommendations, they are also involved in setting the Committee agenda, bringing forward topics and issues, identifying who they want to hear from to help their work and what they want to know and how they want it presented to them.

The O&S Committees can “call-in” a decision that has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. Call in can be referred to O&S by at least two Councillors.

The Committee becomes involved with decisions at an appropriate early stage to apply real influence and therefore play the important role of ‘critical friend’ to Cabinet.

The Council’s O & S Committee is a very effective model, both for pre-decision investigations, and for a call-in process to scrutinise decisions of the executive.

**Open Policy and Decision-making** – All Council meetings, agendas and minutes can be viewed on the website [click here](#).

## 6. Financial Framework

The financial management of the Authority is conducted in accordance with the financial rules set out at Article 16, the Financial Regulations section within the Constitution. The Council has a designated Chief Finance Officer in accordance with Section 151 (S151) of the Local Government Act 1972 who is an NBC employee. The Strategic Finance Business Partner is the Deputy S151 officer. The Deputy 151 Officer is an NCC employee, seconded to LGSS whose function is provided to the Council through a service agreement. This arrangement has been reviewed against CIPFA’s Statement on the Role of the Chief Finance Officer 2010, and successfully complies with all the criteria. The Chief Finance Officer is a member of Corporate Management Board (CMB) and reports directly to the Chief Executive.

The Council maintains an Internal Audit service provided through a contract with BDO awarded in 2018/19 to provide internal audit services to NBC. BDO operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the UK’. This is supplemented by an internal audit function delivered by LGSS to provide assurance to NBC for the services hosted by LGSS.

Individual services produce annual service plans. These Service Plans are updated each year to incorporate the Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions. These plans also identify any governance impact.

The Council's external audit services have been previously provided by KPMG and for 2018/19 onwards Ernst & Young (EY) were appointed as external auditors through PSAA. EY have audited the Statement of Accounts for 2020/21.

## **7. Risk Management Framework**

The Council's risk management process is fundamental to the system of internal control.

The aim of risk management at NBC is not to remove all risks, but to understand the nature of risks and to implement controlled, sensible, balanced and cost-effective measures, to manage or mitigate risk and achieve objectives within each activity and across the portfolio of all activities. Risk management therefore is not about being 'risk averse,' but about being 'risk aware' and this awareness will mean that the Council and its leadership team is better able to avoid threats and hazards and also take full advantage of opportunities that arise in the course of its business.

NBC recognises there is uncertainty in everything it does, and the uncertainties present both threats and opportunities. The Council will manage these uncertainties by identifying, evaluating and managing risk, increasing the authority's success in achieving its priorities and objectives and by putting in place contingencies and an organisational agility for both planned and unforeseen events.

Although the corporate risk management framework is set and monitored by Cabinet (who have ultimate responsibility for it) and the Council's Management Board (working in conjunction with the Chief Finance Officers department), core delivery of the approved risk management framework is primarily led by and rests with the Chief Executive, Heads of Service and statutory officers acting individually and collectively as part of the Management Board, and who are then supported by their departmental management teams or equivalent. The Borough Secretary works in collaboration with Heads of Service further to this offering professional advice and challenge and works in reporting and monitoring terms to this protocol.

Furthermore, all Members, managers and staff of the Council, including when acting in partnership and joint venture with other bodies and organisations, have a general responsibility and duty to manage risk as an integral part of their role.

In addition, specific core risk-related/risk-driven support service activities, such as the performance management function, health and safety, insurance, emergency and business continuity planning and programme and project management, all contribute to the overall corporate risk management process.

The Council and its leadership team set the "tone from the top" on risk management and directly oversee the risk management function in achieving its objectives which are:

- Continuously develop Northampton Borough Council's risk management framework to support the achievement of the Council's corporate plan Securing Northampton's Future and its core ambition to be one the best councils in the country
- Facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of strategic, service level and key operational risks
- Similarly facilitate the achievement of Council priorities and objectives by embedding an effective process of identification and management of major programme and project risks
- Ensure where appropriate risks are effectively escalated, and escalation is timely

## Approval of Legacy Councils' Annual Governance Statements

### Appendix 2

- Successfully manage the risks associated with the economic and financial short, medium and long-term
- Ensure the risks associated with partnerships are effectively identified and managed
- Promote risk-awareness, particularly business risk awareness, risk-intelligence and risk management throughout the Council
- Ensure risk management processes are engaging and relevant to all staff
- Capture, expand and act upon positive risk opportunities
- Support the effective identification and management of risks associated with delivering existing and new council services into both existing and new markets
- Proactively identify and manage emergent risk
- Clearly state and communicate to all council officers, managers, partners and residents their risk management responsibilities
- Manage risk in line with recognised best practice in public sector governance

Operational risk registers are in place within each service area. Any risks are escalated to Management Board if an identified risk is thought to have a corporate impact. The Corporate Risk register is updated on a quarterly basis. For 2020/21 the corporate risk register was presented to Cabinet and Audit Committee on a quarterly basis.

#### Programme and Project Management Governance:

During 2020/21 key projects were reported monthly into Management Board through the Head of Service for Economy, Assets and Culture. The governance arrangements were amended to improve the focus of decision making, and to support the early consideration of issues through new member/officer arrangements. Individual projects are governed by project boards which report into the Head of Service for Economy, Assets and Culture.

The Project Management Framework was last updated during 2019/20 and covers the governance in place to ensure that programmes and projects make the best use of the organisation's resources, that risks associated with the investments are managed and that there is accountability for decisions made at programme level.

The framework included all the levels of engagement for a programme and its projects and included the Leader, Cabinet Members, Executive Programme Board (EPB) and review agencies such as Internal Audit.



So that Members and Senior Officers had oversight of key council programmes of work, the Leader chairs the EPB. The membership of the EPB includes the Leader, Management Board, the Deputy Leader and the Cabinet Members.

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

The oversight that EPB provided on programmes of work acted as a two-way communication between the political level and the Management Board level and sought to inform Management Board decisions, whilst recognising formal decisions are made publicly through formal Cabinet.

### **8. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The system for 2020/21 is below:

- BDO internal audit reports and LGSS assurance reports
- Review and approval by CMB
- Review and approval by EPB
- Review and approval by the Audit Committee
- Follow up on audit recommendations by the internal auditors and the governance team

The review of effectiveness was informed by the work of the managers within the Council who had responsibility for the development and maintenance of the governance environment, the internal auditor's annual report and by comments made by the external auditors and other review agencies and inspectorates.

Internal audit, under the terms of engagement, is required to provide those charged with governance with an opinion on the overall adequacy and effectiveness of the council's:

- Risk management
- Control
- Governance processes

Collectively this is referred to as "the system of internal control". The BDO 2020/21 annual opinion is covered at point 10.

### **9. Councillors and Senior Officers Development**

Councillors are offered a full, comprehensive induction programme after their election. This includes initial and ongoing training sessions. For 2020/21 the following courses and briefing sessions were run for Councillors, it is noted the reduction in training sessions due to Covid-19 restrictions:

Shadow Authority Overview and Scrutiny Committee training - June 2020 delivered by CfGS.  
Comprehensive training of the online and audio platform Zoom for all Councillors and individual committees – delivered by Cllr Jamie Lane and Democratic Services.  
21 July 2020 - Member involvement in the pre-planning process.  
16 September – White Paper training (Planning).  
18 and 25 November – Safeguarding.  
17 March 2021 - Town centre regeneration.

Additionally, all Councillors new to Committees are trained before they sit on a Committee.

The development and training needs of all levels of employees and Councillors are identified in a number of ways - through performance appraisals, a health & safety (H&S) training matrix and a 360-degree feedback process for the leadership teams. Job specific and interpersonal skills development interventions were sourced from specialists who had the expertise to deliver the required support.

### **10. Internal Audit**

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

An internal audit plan is prepared each year and agreed at the Audit Committee. For 2020/21 the audit plan was considered and approved by Audit Committee on June 20th 2020. There was a delay in approval of the plan due to the impact of Covid-19 and the first lockdown saw committees for NBC cancelled or rescheduled, the audit plan was originally due to be approved on 23<sup>rd</sup> March 2020. Audits completed during the year are detailed below.

BDO internal audit services were responsible for the end to end review of internal processes and controls for 2020/21. LGSS internal audit services do not provide the internal audit service for NBC but do provide assurance on the areas delivered by LGSS as a third party as detailed below.

The reporting process for internal audit required a report of each audit to be submitted to the relevant service manager and/or chief officer. The reports included recommendations for improvements that were presented within an action plan and required agreement or rejection by a service manager and/or chief officer. The process included follow-up reviews of recommendations to ensure that they have been acted upon, usually within six months. The Governance team assist with this tracker and follow up after initial contact by BDO. A follow up tracker was presented to CMB monthly and to the Audit Committee quarterly.

All internal audit reports included a report on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions. These definitions are summarised below.

### BDO Internal Audit Outturn

The below table sets out the Internal Audit opinions that can be given:

| APPENDIX I - DEFINITIONS |  |  |   |  |
|--------------------------|--|--|---|--|
| LEVEL OF ASSURANCE       | DESIGN OF INTERNAL CONTROL FRAMEWORK   |  | OPERATIONAL EFFECTIVENESS OF CONTROLS   |  |
|                          | DESIGN OPINION   | FINDINGS FROM REVIEW   | EFFECTIVENESS OPINION   | FINDINGS FROM REVIEW   |
| <b>Substantial</b>       | Appropriate procedures and controls in place to mitigate the key risks.  | There is a sound system of internal control designed to achieve system objectives.                       | No, or only minor, exceptions found in testing of the procedures and controls.  | The controls that are in place are being consistently applied.                                     |
| <b>Moderate</b>          | In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. | Generally a sound system of internal control designed to achieve system objectives with some exceptions. | A small number of exceptions found in testing of the procedures and controls.   | Evidence of non-compliance with some controls, that may put some of the system objectives at risk. |
| <b>Limited</b>           | A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.     | System of internal controls is weakened with system objectives at risk of not being achieved.            | A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year. | Non-compliance with key procedures and controls places the system objectives at risk.              |

| APPENDIX I - DEFINITIONS |  |                                  |   |  |
|--------------------------|--|----------------------------------|---|--|
| LEVEL OF ASSURANCE       | DESIGN OF INTERNAL CONTROL FRAMEWORK   |                                  | OPERATIONAL EFFECTIVENESS OF CONTROLS   |  |
|                          | DESIGN OPINION   | FINDINGS FROM REVIEW             | EFFECTIVENESS OPINION   | FINDINGS FROM REVIEW                                       |
| No                       | For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Poor system of internal control. | Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Non-compliance and/or compliance with inadequate controls. |

Based on the work completed, internal audit has issued the following opinion for 2020/21:

**“The annual report from internal audit provides an overall opinion of Limited on the adequacy and effectiveness of the organisation’s risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.”**

We have seen an increase in the number of high-risk findings issued in 2020/21 and in the number of Limited Opinions in both the Design of Controls and the Effectiveness of Controls despite conducting fewer reviews this year. Of the 9 reports, 4 gave limited assurance on design of controls and 5 gave limited assurance on the effectiveness of controls. We do recognise that in working with the Council we agree to focus on areas of known concern. However, taking this into account there are key themes from our work which raise concern about the effectiveness of governance and oversight, particularly in relation to contract and project management.

Whilst there has been good engagement in some reports during the year and taking into account the impact of the Covid-19 pandemic, there have been instances of long delays in management responding to reports and some management responses that have not provided confidence that the issue would be addressed. This is at least partly due to the move towards unitary status and some issues have been carried forward for the new authority to action.

Please note that this Opinion was issued on 25 March 2021 to the Council’s Audit Committee. An Opinion would ordinarily be issued after 1 April in any given year however due to the Council moving to Unitary status BDO issued this earlier. Therefore, whilst the Opinion is for 2020/21 period it is only correct as of the date 25 March 2021 and does not consider any subsequent events between this date and 1 April 2021 which could otherwise impact the Opinion.

During the year BDO completed audit reviews in the following areas:

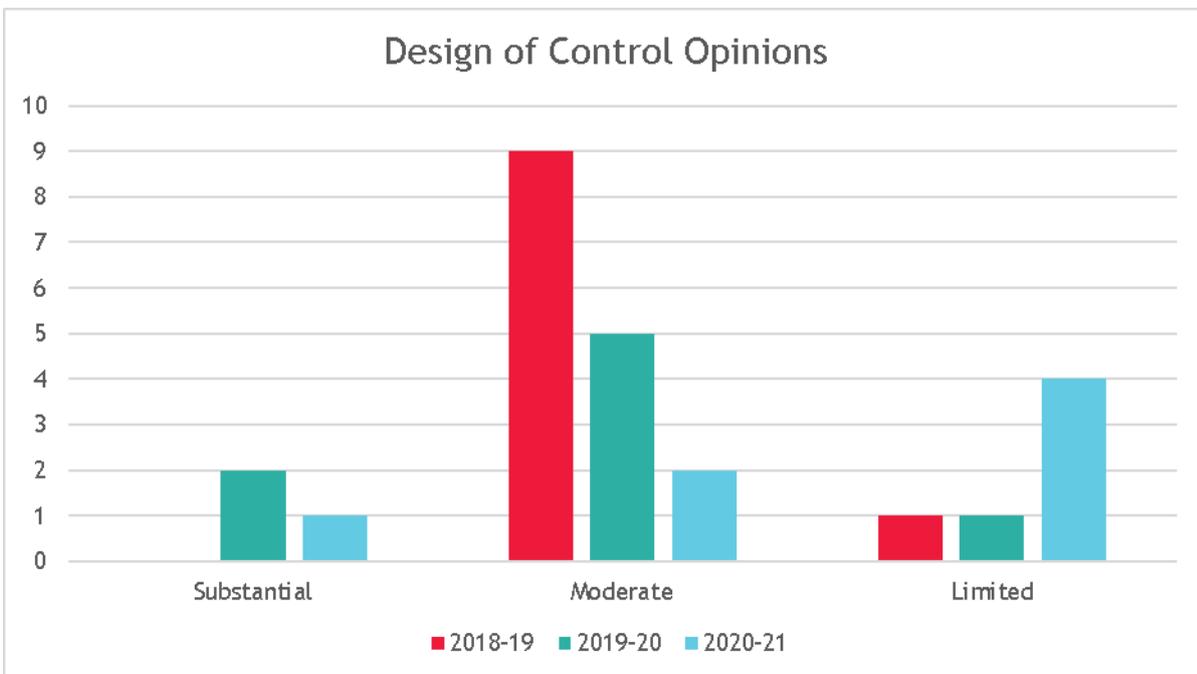
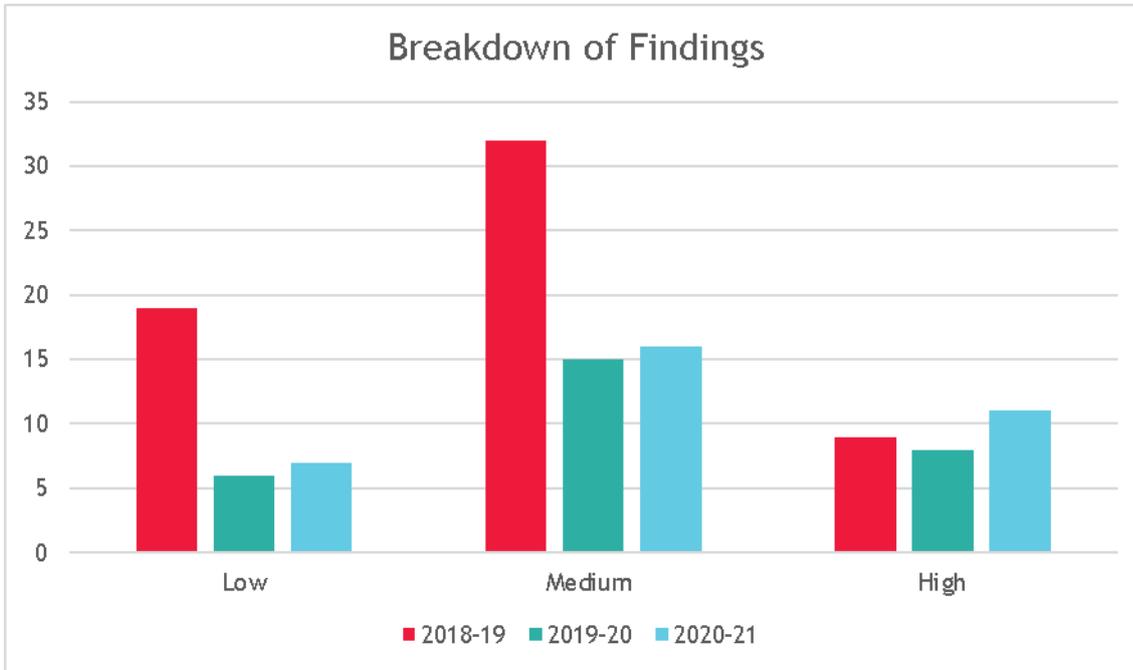
- Licensing
- Northampton Partnership Homes (NPH) Service Level Agreement
- Climate Emergency (Environment)
- Capital Projects
- Social Lettings Agency

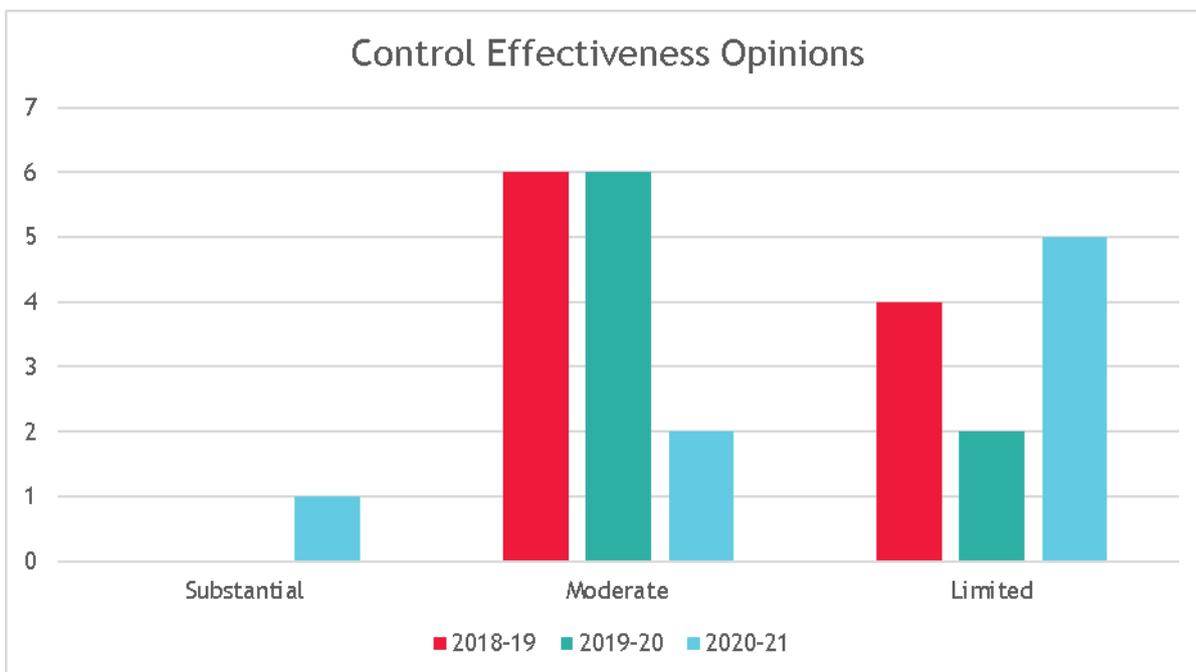
# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

- Self-Isolation Grant
- H&S (NPH)
- Safeguarding (carried over from 2019/20)

Graph summary of BDO findings for 2020-21





The audits completed were focussed as a result of reviewing the Corporate Risk Register and targeting the high-risk areas. Interviews were also conducted with the Directors for their input and views on risk within NBC.

Limited audit opinions for the design and control effectiveness relates to the NPH Service Level Agreement, Climate Emergency, Capital Projects, Social Lettings Agency, H&S (NPH) and the Safeguarding audit reports. The issues are detailed below with the planned action to address them during 2021/22.

| Design and control effectiveness limited assurance   |   |  |           |
|--|---|--|-----------|
| NPH Service Level Agreement  |   |  |           |
| Risk   | Finding   | Planned actions  | Due date: |
| Communication channels between the Council and NPH are inadequate and ineffective leading to a breakdown in relationships  | The Council have not taken adequate actions to ensure that NPH hold their board meetings in public or, at a minimum, allow a nominated Council officer to oversee their board meetings.   | The Borough Secretary & Monitoring Officer will write to the Chief Executive and Leader of West Northamptonshire Council, relaying the concerns of Northampton Borough Council and enclosing a copy of the Internal Audit Report.                                      | Feb-21    |
| The Management Agreement, or elements of the Management Agreement, have not been assigned to named officers who are accountable for ensuring that both the Council and NPH are meeting their obligations under the Management Agreement. | Although the Management Agreement requires NPH to produce an annual delivery plan and discuss this with the Council, NPH has not produced one for the current year (2020/21). Inadequate oversight of NPH's Delivery Plan could result in poor strategic alignment with the ALMO and an inability to monitor whether they are delivering the agreed services effectively. | The Director of Housing and Wellbeing will write to NPH's Chief Executive, expressing concern that an annual delivery plan has not been produced in 2020/21 and reminding him that production of an annual delivery plan is a requirement of the Management Agreement. | Feb-21    |

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

| Climate Emergency (Environment)  |   |   |           |
|--|---|---|-----------|
| Risk   | Finding   | Planned actions   | Due date: |
| An Environmental Strategy is not in place/ineffective and not approved at the appropriate level  | The strategy requires more detail, evidence and guidance for it to become the basis for ongoing achievement of objectives and targets. For example, there is no link to other strategies, a lack of quantifiable targets and unrealistic or missing action dates  | In December 2020 and February 2021 the Cabinet, then Full Council, agreed the adoption of a 'direction of travel' strategy, setting out key themes and areas for future activity. Given the limited life span of the Borough Council, this is intended to assist West Northamptonshire Council in developing its own low carbon policies, and therefore cannot make binding commitments in terms of timescales or targets.  | Mar-21    |
| Capital Projects   |   |   |           |
| Risk   | Finding   | Planned actions   | Due date: |
| Insufficient information, data and management information retained and accessible by the Council   | There was a clear lack of contract management controls in place, including insufficient retention of key information  | A review has been undertaken of the contract management, information and data retention policy and procedures as was apparent in the 18/19 Capital Audit where all required information was provided.<br>This report will be shared upon its sign off as a reference document to all capital project managers at NBC.   | Mar-21    |
| Inappropriate project management and handover arrangements   | There were inappropriate handovers held between project managers that have led to a lack of understanding on the position of the project from the outset and contributed to overspends  | All projects are required to keep information relating to their delivery in shared files, this includes contracts, reports, risk registers and risk assessments.  | Mar-21    |
| The project teams were not subject to adequate competency checks, on both qualifications and skills, to deliver large projects of these types. | There were insufficient procedures in place to appropriately appoint a suitably qualified project manager with the skills required to manage the project.   | This was looked at in the 18/19 Capital Projects Audit and has been investigated by officers since to ensure that all capital projects are appropriately resourced with suitable governance mechanisms.   | Mar-21    |
| Social Lettings Agency   |   |   |           |
| Risk   | Finding   | Planned actions   | Due date: |
| Empty homes are not effectively identified and there are inadequate processes in place to bring them back in to use.                           | There is currently no Empty Homes Officer in place at the agency. The responsibilities of this role are shared between the Housing Advice and Options Service team and the Private Sector Homes team. This may have led to inadequate take up of the scheme as there are only three landlords who have signed up to the private sector leasing scheme. There are currently three properties under the scheme, against an original target of 250 and revised target of 50. | The Social Lettings Agency team was diverted to support the growing demand for temporary accommodation that was causing cost pressures on the Council's budget. Therefore the Empty Homes officer post was not filled when it became vacant in 2018 due to these cost pressures and this post has remained vacant since then. We will need to produce a business case by end of March 2021 for consideration by the new unitary West Northants Council when it carries out its restructuring. | Mar-21    |

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

| Health & Safety NPH  |  |  |           |
|--|--|--|-----------|
| Risk   | Finding  | Planned actions  | Due date: |
| NPH's responsibilities for compliance with the Council's health and safety policies and procedures are unclear and not agreed    | The management agreement entered in to by NBC and NPH in January 2015 did not include specific details on NPH responsibilities for health and safety across NBC's property portfolio. Whilst it was intended that the specifics of the relationship would be determined and documented at a later date, there was no such amendment to the agreement made when full responsibility for health and safety was transferred to NPH. Therefore there is no specific agreement in place which sets out any performance indicators NBC will use to monitor NPH's compliance with obligations, or other methods NBC will use to obtain assurance over the safety of its tenants.  | A project team has been engaged to review and develop a new Management Agreement between NPH and West Northamptonshire Council as part of the transition project.<br><br>This report will be shared with the Senior Management of West Northamptonshire for the recommendations to be incorporated in to the new Management Agreement. | Mar-21    |
| The Council do not receive Health and Safety information from NPH and this results in a lack of proper oversight of performance. | There is a significant lack of communication in the relationship between NBC and NPH. Whilst there is a quarterly operational meeting function in place with representatives of the Council and NPH attending, there is no representation of health and safety staff from the Council, with the health and safety team not being aware that the meeting existed, and no reporting of specific health and safety compliance data. The minutes of the meeting also show a lack of actions identified and pursued to improve NPH's compliance with the management agreement. NPH also engage in internal audits by its own provider who have conducted a number reviews in to aspects of health and safety (some of which have given only partial assurance) and conduct internal monthly meetings where compliance with health and safety regulations are discussed, yet none of this information is currently reported back to NBC for assurance purposes | A project team has been engaged to review and develop a new Management Agreement between NPH and West Northamptonshire Council as part of the transition project.<br><br>This report will be shared with the Senior Management of West Northamptonshire for the recommendations to be incorporated in to the new Management Agreement. | Mar-21    |
| Safeguarding   |  |  |           |
| Risk   | Finding  | Planned actions  | Due date: |
| Staff are not trained to understand and deliver safeguarding standards   | Completion of the Safeguarding Vulnerable Adults and the Safeguarding Children e-learning modules was inadequate for officers that had been assigned the modules on the Psittacus BLE system (less than 55% on average, with some areas below 35%). Furthermore, for staff that did complete the training, we noted that it took more than 80 days on average for staff to complete the modules  | Communication to NBC staff to complete the two e-learning modules.   | Mar-21    |
| Results from the last Section 11 survey have not been assessed and action plans have not been developed.                         | Inadequate actions have been planned and taken to address the 'not met areas' identified in both the 2017 and 2019/20 NSCB Section 11 surveys despite the template for the survey having an action plan sheet on it. Of the 12 statements identified as 'not met areas' in the 2017 survey, none of these had been improved upon in the 2019/20 survey   | Not Agreed (Due to the imminent establishment of West Northants Council on 01/04/21)   | N/a       |

### LGSS Internal Audit

LGSS internal audit is a function that provides **assurance** on the work completed by LGSS as a third-party supplier to NBC, they are not engaged directly by NBC for the provision of internal audit services. However, the shared service provided by LGSS was changed to a lead authority model in December 2020 and the lead authority for Internal Audit was MKC.

To ensure consistency in reporting, the following definitions of audit assurance are used:

| Control Environment Assurance |   |
|-------------------------------|---|
| Level                         | Definition  |
| Substantial                   | There are minimal control weaknesses that present very low risk to the control environment. |

Approval of Legacy Councils' Annual Governance Statements  
Appendix 2

|              |   |
|--------------|---|
| Good         | There are minor control weaknesses that present low risk to the control environment.                            |
| Satisfactory | There are some control weaknesses that present a medium risk to the control environment.                        |
| Limited      | There are significant control weaknesses that present a high risk to the control environment.                   |
| No Assurance | There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. |

| <b>Compliance Assurance</b> |   |
|-----------------------------|---|
| <b>Level</b>                | <b>Definition</b>   |
| Substantial                 | The control environment has substantially operated as intended although some minor errors have been detected. |
| Good                        | The control environment has largely operated as intended although some errors have been detected.             |
| Satisfactory                | The control environment has mainly operated as intended although errors have been detected.                   |
| Limited                     | The control environment has not operated as intended. Significant errors have been detected.                  |
| No Assurance                | The control environment has fundamentally broken down and is open to significant error or abuse.              |

| <b>Organisational Impact</b> |   |
|------------------------------|---|
| <b>Level</b>                 | <b>Definition</b>   |
| Major                        | The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole. |
| Moderate                     | The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole    |
| Minor                        | The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.                                  |

At the August 2020 Audit Committee, a revised plan for 2020/21 was agreed. Progress against this plan as of June 2021 is detailed in the table below.

| <b>Audit</b>                 | <b>Status</b> | <b>Control Environment Assurance</b> | <b>Compliance Assurance</b> | <b>Organisation Impact</b> |
|------------------------------|---------------|--------------------------------------|-----------------------------|----------------------------|
| <b>c/fwd 2019-20 Reviews</b> |               |                                      |                             |                            |
| Agresso IT Review            | Complete      | Satisfactory                         | Limited                     | Minor                      |
| Treasury Management          | Planning      |                                      |                             |                            |
| General Ledger               | Draft report  | Good                                 | Satisfactory                | Minor                      |
| <b>2020-21 Reviews</b>       |               |                                      |                             |                            |
| Council Tax                  | Complete      | Good                                 | Good                        | Minor                      |
| Q1-2 Balance Sheet Review    | Complete      | n/a                                  | n/a                         | n/a                        |
| Q3 Balance Sheet Review      | Complete      |                                      |                             |                            |
| Q4 Balance Sheet Review      | Draft report  | Satisfactory                         | Good                        | Minor                      |
| Business Rates               | Planning      |                                      |                             |                            |
| Accounts Payable             | Planning      |                                      |                             |                            |

For each process area where the assurance is less than "Substantial" either at an overall opinion level or for specific areas within the process, an action plan of improvements for implementation has been agreed between the relevant Service Manager and MKC Internal Audit. These actions will be monitored and followed up during 2021/22 by MKC Internal Audit.

#### **11. Northampton Partnership Homes (NPH)**

On 5 January 2015 NPH began trading. NPH is an Arm's Length Management Organisation, wholly owned by the Council. NPH is a subsidiary of the Council for accounting purposes and their accounts have been consolidated into the Council's Group Accounts. RSM are the internal auditors for NPH.

# Approval of Legacy Councils' Annual Governance Statements

## Appendix 2

### Statement on Internal Controls

As part of their Annual Report, NPH are required to make a formal statement on Internal Controls, covering:

- Corporate Governance
- Business Planning
- Executive Management Team
- Risk Assessment and Management
- Audit
- Performance Management
- Financial Control and Budget Management
- Budgetary Control and Reporting
- Service Level Agreements
- Policies and Procedures

### NPH - Review of Effectiveness

Internal Audit, under the terms of engagement, is required to provide the NPH Board with an opinion on the overall adequacy and effectiveness of:

- Risk management
- Control
- Governance processes

Collectively this is referred to as “the system of internal control”.

An audit plan is prepared each year and is agreed at NPH’s Audit Committee. The 2020/21 audit plan was agreed by the Audit Committee on 18<sup>th</sup> February 2020.

A summary of internal audit work completed in 2020/21 showing the level of assurance reported:

#### Assignment

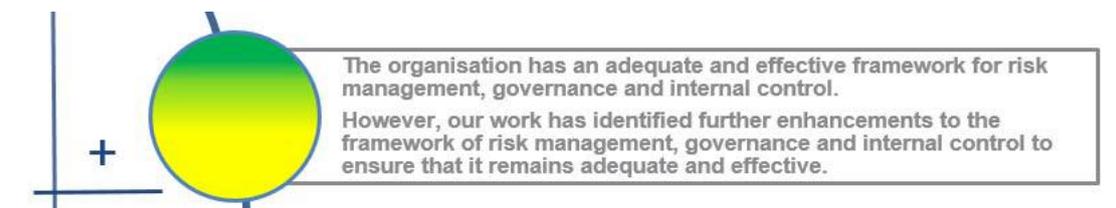
Development  
HR – Sickness and Special Leave Absence Management  
Corporate H&S  
Governance – Rent and Consumer Standard Compliance  
Voids – end to end  
Key Financial Controls  
– General Ledger and Cashflow & Treasury Management  
– Happy to Help Payment Processes  
Leaseholder Management  
– Right to Buy  
– Major Works Section 20  
iTrent including Payroll  
Procurement  
Data Quality  
Planned Investment  
Budgetary Control  
Follow up

#### Assurance level

Advisory  
Reasonable Assurance [●]  
Reasonable Assurance [●]  
Substantial Assurance [●]  
Substantial Assurance [●]  
  
Substantial Assurance [●]  
Reasonable Assurance [●]  
  
Reasonable Assurance [●]  
Substantial Assurance [●]  
Substantial Assurance [●]  
Substantial Assurance [●]  
Reasonable Assurance [●]  
Substantial Assurance [●]  
Substantial Assurance [●]  
Reasonable Progress [●]

Opinion classification explanation below

### RSM 2020/21 Annual Internal Audit Opinion



Based on the work we have undertaken on NPH's system on internal control, we do not consider that within these areas there are any issues that need to be flagged as significant control issues within the Statement of Internal Control.

| RSM Opinion classifications |  |
|-----------------------------|--|
| No assurance                | <p>Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>  |
| Partial Assurance           | <p>Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action is needed to strengthen the control framework to manage the identified risk(s).</p>  |
| Reasonable Assurance        | <p>Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p> |
| Substantial Assurance       | <p>Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>   |

## 12. Current Governance Issues

During 2020/21 the Senior Management team were committed to improving governance within NBC, however, given the results of the internal audit reviews it has become apparent that in some areas there was still a need for greater improvement in specific processes and controls.

Overall, controls in other areas of the business have improved through the implementation of internal audit recommendations identified in 2019/20. The business is also usually assisted by the governance and internal controls team where necessary to ensure relevant controls are in place before processes are implemented, however the process for 2020/21 was impeded by the Covid-19 response whereby the internal controls team were redeployed to the incident room management taking them away from their substantive posts for the majority of 2020/21. BDO continued to follow up on audit recommendations and report through to CMB.

Director reporting to CMB was on a weekly basis with a Head of Service report being presented by each service area on a bi-monthly basis. Heads of Service also gave weekly service updates as part of 'any other business' to CMB members. For 2020/21 it was planned that there will be the

## Approval of Legacy Councils' Annual Governance Statements Appendix 2

introduction of a dedicated CMB once a month to discuss operational issues within the service areas and address any strategic issues. With the onset of Covid-19 and the extra pressures this put on the management team a dedicated CMB for operational and strategic matters was not implemented. Weekly Strategic Command Group meetings commenced the week before national lockdown and remained in place throughout 2020/21 to address the strategic response issues to deliver core services to the residents of Northampton.

Reports continued to be presented to CMB on GDPR breaches, FOI requests, H&S audit and inspections and related recommendations, internal control and internal audit recommendations and the current status of each.

The Chief Executive continued with the monthly briefing sessions to inform employees on the progress of the Local Government Reform, all employees were invited to the sessions which served to give detail about the various workstreams in the unitary project. These continued until March 2021 supplemented by the wider Future Northants communications that happened on a monthly basis.

As NBC were going into a Unitary authority on 1<sup>st</sup> April 2021 that work consumed a good deal of time in 2020/21 of senior managers and service area managers who were involved in the workstreams, with workloads increasing as the year progressed in addition to Covid-19. Policies, procedures and processes were worked on as part of the joint working with the other authorities and merged into the new authority enabling any control weaknesses to be addressed where they were identified. The main governance issue for 2020/21 was the capacity for staff to manage additional workloads.

In 2020/21 NBC worked on the current outstanding audit recommendations in all areas to ensure they would be implemented prior to going in to unitary and service area managers were assisted by the governance team to ensure that this was done. Follow up and progress reports were presented to the Audit Committee on a quarterly basis. Outstanding recommendations as at 31 March 2021 have been passed to the shared internal audit service and relevant service areas for follow up.

Managers sessions were suspended in the early part of 2020/21 due to the pandemic but were restarted and where possible were run bi-monthly for all service managers. Managers sessions were presented by two of the heads of service on a rotating basis. These sessions were extremely popular and informative with topics ranging from the response to the pandemic, the Local Government Reform updates and work by various service areas in assisting residents, to updates on the Museum re-opening.

The Corporate Plan was totally refreshed and approved in March 2020. Following on from that the service areas reviewed and updated their plans to be in line with the Corporate Plan objectives, vision mission and values that would take NBC into unitary.

### **13. Covid-19 Impact**

The first National Lockdown affected various aspects of NBC and the way in which it operated. NBC management felt that this should be reflected in the 2020/21 Annual Governance Statement with regards to the following areas:

- Risk Registers – Covid-19 response was initially included in the Corporate Risk register and latterly specific risk registers were created through the Strategic Command Group (SCG) and the Tactical Command Group (TCG) when they were formed in March 2020 in line with the emergency planning procedures in place. The SCG and TCG registers were monitored weekly and presented to the relevant groups for discussion.
- The Corporate Risk Register updates resumed in June 2020 and continued to be presented to Audit committee quarterly.
- Emergency Planning – Gold and Silver officer cover was activated to 'assess and control' from an emergency plan perspective and were actively involved with the County wide response.

## Approval of Legacy Councils' Annual Governance Statements Appendix 2

- Council and Committee meetings continued in virtual form.
- Rules were agreed, reviewed and understood around 'single member decisions'.
- Mobilisation of BDO (internal auditors) support in respect of formulating processes/protocols for Business Grants (BEIS letters instigated 23rd March 2020).
- Self-isolation Grants – Work was carried out by BDO to review the government guidance for self-isolation grants. It was an advisory and small compliance review with all recommendations accepted and acted upon.
- Business Continuity Plans were updated and activated in March 2020.
- Staff were re-deployed from various areas to assist the Northamptonshire County Council response.
- Processes were developed to manage Covid-19 costs incurred.

### **14. Conclusion**

The 2020/21 financial year was challenging for NBC, as it was for all local authorities, with the added significant workload required to prepare for the move to unitary.

The involvement by senior management and service area managers in the unitary workstreams ensured that NBC had input into what actions were taken forward to ensure policies and procedures were defined and adopted by the new unitary authority. Handovers by the various Directors and Heads of Service at NBC were produced and transferred to the West Northamptonshire Executive Directors during March 2021.

Whilst our processes and procedures were maintained as much as possible during 2020/21, the impact of the Covid-19 situation required senior management to become actively involved in the development of new arrangements to manage the Council's response to the pandemic. This included HR related processes to support and protect our workforce, financial processes for managing Covid-19 related income and expenditure, the redeployment of staff to support our residents and communities and the management of financial and advisory support to our local businesses.

The limited audit opinion received from the internal auditors whilst disappointing was reflective of the work completed by BDO in several high-risk areas, at the direction of senior management, who were committed to ensuring that any key issues were identified and rectified prior to the move to unitary.

### **15. Approval of the 2020/21 Annual Governance Statement**

Date:

**Councillor Jonathan Nunn**

Leader of the Council

**Martin Henry**

Chief Finance Officer/S151

Approval of Legacy Councils' Annual Governance Statements  
Appendix 2

Date: