

Report of the: Director of Policy and
Resources

Agenda Item

No: 8

Meeting: 22 September 2015

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2014/15

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Annual Governance Statement (AGS) 2014/15 was approved by the committee in June. However it was agreed that the Governance Statement would be updated following the audit of the council's accounts and resubmitted for consideration and approval in September.
- 1.2 The AGS is generally positive and shows that the council's governance arrangements continue to be generally good and meet best practice in most areas. Developments designed to address significant issues are identified in the AGS
- 1.3 The AGS has been updated but no further development issues were identified through the accounts audit process.

2. BACKGROUND INFORMATION

- 2.1 The Audit Committee approved the Annual Governance Statement (AGS) for 2014/15 in June 2015. Under the changes to the Accounts and Audit (England) Regulations 2015 the AGS must accompany the final accounts and be considered in its own right. This could take place in September however the committee has decided to consider the AGS in June as well as in September to allow early action to be taken on any issues identified by the AGS. The Statement has now been updated to reflect the outcome of external audit's final accounts work and future government funding considerations.
The updated AGS is presented again in appendix A for approval.
- 2.2 The Annual Governance Statement sets out the council's governance framework and the results of the annual review of the effectiveness of the council's arrangements. The AGS shows that the council has

established governance arrangements that are monitored and reviewed on a regular basis. Changes and enhancements described in the AGS demonstrate the council's commitment to continual improvement. Four governance issues requiring further development were identified in the AGS which was approved in June. These are:

- Maintain strong budget and workforce monitoring and efficiency reporting procedures in achieving the delivery of budget targets and investment in the key aims identified in the 2014/18 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
- Ensure the implementation of service transformation plans to achieve budget targets by restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services to other public sector bodies or third parties other organisations. In particular during 2015/16 ensure adequate governance arrangements are in place to oversee and manage the transition to a shared service back office hub with NELC.
- Continue to monitor the implementation of key changes in government policy and legislation such as the Better Care Fund (BCF), Children and Families Act 2014, the Care Act 2014 and Universal Credit.
- Ensure continued appropriate level of focus in addressing External and Internal audit recommendations particularly in times of increased risk (including risk of fraud) associated with significant local and national change.

No further governance issues have been added to the areas for development

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether or not the Annual Governance Statement provides sufficient assurance on the council's governance arrangements in 2014/15. If it concludes that it does provide sufficient assurance the Committee is invited to approve the updated AGS. The Committee may make amendments or seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The Annual Governance Statement for 2014/15 is designed to deliver an overall opinion and provide this Committee with the assurance required on the adequacy of governance arrangements throughout the council. Members should seek clarification on its contents as necessary to ensure the AGS provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Regular reviews of governance arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 The Annual Governance Statement draws on contributions from all Directors, External Audit and other inspection reports and therefore represents a corporate view.
- 7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

- 8.1 The Audit Committee is asked to consider whether the Annual Governance Statement for 2014/15 provides a sufficient level of assurance on the adequacy of governance arrangements throughout the council to allow the Committee to fulfil its role.
- 8.2 It is recommended that the Annual Governance Statement for 2014/15 is approved.

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Background Papers used in the preparation of this report: None
CIPFA- Delivering Good Governance in Local Government Framework
The Accounts and Audit Regulations (England) 2011

**NORTH LINCOLNSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT
2014/15**

SCOPE OF RESPONSIBILITY

1. North Lincolnshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. North Lincolnshire 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.
2. In discharging this overall responsibility, North Lincolnshire Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
3. North Lincolnshire Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
4. A copy of the code is on our website at www.northlincs.gov.uk or can be obtained from the Civic Centre, Ashby Road, Scunthorpe. This statement explains how North Lincolnshire Council has complied with the code and also meets the requirements of regulation (10)1 of the Accounts and Audit Regulations 2015 in relation to the publication of an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the communities. It enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of services and value for money.
6. 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, priorities and aims 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 North Lincolnshire Council's policies, priorities and aims, to evaluate the likelihood of those

risks being realised and the impact of those risks being realised, and to manage them efficiently, effectively and economically.

7. The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The council's governance arrangements are supported by well-established systems and processes including:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

8. In June 2014 Cabinet approved the North Lincolnshire Council Strategy . Our new vision is "Aspiring people, inspiring places". To support this vision we have identified four priorities which are each underpinned by a number of aims.as shown in the diagram below:



Reviewing the authority's vision and its implications for the authority's governance arrangements

9. The council's activities and achievements, its financial position and performance are published each year in an annual report which is available on the council's website. The Code of Corporate Governance was also reviewed and updated in June 2015.

Translating the vision into objectives for the authority and its partnerships

10. Directorate plans explain what the directorates are responsible for and how it supports the council's strategic priorities it ensures that directorate developments are in line with the strategic outcomes and aligns resources to them.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

11. The Performance Management System (PMS) is used to measure performance against council priorities. Service performance is monitored via Directorate Performance Reports (DPRs) or equivalent format and a corporate report is produced three times a year. Performance data is summarised in the form of a scorecard and is published on the council's website. During 2014/15 Cabinet Team and Council Management Team received summaries on;
 - Key Performance Indicators and exceptions
 - Financial monitoring
 - Workforce monitoring
 - Activity Data (raw data)
 - Risk Management Measures
 - Quality of Life Scorecard.
12. The Information Improvement and Value for Money Group (IIVfM) lead on the implementation of the council's performance management framework, ensuring that improvement action is taken where appropriate and to review and challenge the achievement of VFM for council services. It was agreed that the group should be merged with the Finance Working Group to further strengthen the integration of performance and finance. Further enhancements have been made to performance reporting in support of the government's Open Data and Transparency agendas. The "North Lincolnshire performs" web-page has been further developed through linking the council's externally published performance information to the nationally recognised "LG Inform" website.
13. In 2012 Cabinet approved a 'Statement of Intent: One-Council Commissioning' outlining our 'commitment to developing a strategic and integrated commissioning capability which will transform outcomes for

local people and communities.’ In November 2013 Cabinet approved a delivery model designed to provide a joined-up programme based approach to commissioning in order to assist the council in responding to the following key issues:

- Public Health Outcomes
- Whole Council Transformation
- Financial Plan
- Council Strategy.

The statement recognises that commissioning can be used to modernise and dynamically drive improvements in services, together with its strategic role in improving customer satisfaction and the value for money we provide to local people.

14. In November 2012 Cabinet approved a commercial policy for the council that set out the framework and strategic direction for commercial and income generating activities. The Commercial Unit was formed to centrally coordinate and administer services to schools, business development and ensure compliance with the council’s commercial policy. The team is instrumental in identifying and supporting all external business development work.

15. A key issue in 2014/15 has been continuing to manage the effects of the government’s deficit reduction programme along with significant changes such as the localisation of NNDR and the introduction of the Council Tax Reduction Scheme, both of which bring significant funding risks as the local economic and employment conditions fluctuate. The council has delivered the 2014/15 budget with service spending within budget, resulting in an under spend (£1.4m) and demonstrating the continued effectiveness of budgetary control processes at a time of significant reductions in funding.

Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.

16. The council’s Constitution sets out clearly the respective roles and responsibilities of members and officers. The structure of the Council’s Constitution is reviewed on a regular basis and sets out the terms of reference of the Council, the Executive, Scrutiny and the Regulatory Committees together with a scheme of delegated powers to Cabinet members and officers. The Council’s Constitution is regularly reviewed to ensure compliance with legislative change. The most recent amendment was to approve a protocol for the filming and recording of public meetings in accordance with The Openness of Local Government Bodies Regulations 2014.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

17. The regime for dealing with complaints over the conduct of members was radically reformed under the Localism Act 2011 with much of the previous statutory regime being abolished including the mandatory Code of Conduct and the requirement to have independently chaired Standards Committees. Alongside this the requirement to declare and register statutorily defined 'Disclosable Pecuniary Interests' was introduced as well as the requirement to appoint an 'Independent Person' to comment on complaints.
18. The Council's revised regime is now firmly established and all of the 57 Town and Parish Councils in the area adopted the Council's revised Code of Conduct and register of interest requirements.
19. Quarterly meetings take place with the Independent Person, a representative of ERNLLCA and the Monitoring Officer of North East Lincolnshire Council to discuss Code of Conduct related issues.
20. The Monitoring Officer's annual report is presented to the Standards Committee including an overall review of member complaints, including those relating to Town and Parish Council members. The annual report is subsequently reported to full Council and distributed to all Town and Parish Councils in the area. In addition, at each Standards Committee throughout the year a schedule detailing the progress of all complaints is provided to members.
21. The Officer Code of Practice for declarations of interest, gifts and hospitality was reviewed to account for the provisions of the Bribery Act 2010 and to settle the Council's position on bequests/legacies being left by service users to officers. In addition the employee code of conduct which covers additional issues such as management & supervision, health & safety and personal conduct is binding as part of each employee's contractual terms. Compliance is managed through various policies contained within the council's Human Resources Manual.

Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality.

22. The council has a formal Constitution and Delegations to Officers. These set out how the council operates and how it makes decisions. These are reviewed on a regular basis and amended to reflect changes in regulations and working practices when necessary. Each year internal audit review the council's corporate governance arrangements against the principles and standards set out in the CIPFA/SOLACE framework – Delivering Good Governance in Local Government.

23. The Constitution also sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules and supplemented by the Finance and Procurement Manuals. The council's Chief Financial Officer set out the internal controls that must be complied with to ensure the proper administration of the council's financial affairs. Regular updates are made to reflect operational changes or new legislation as necessary.
24. Amendments approved at the Annual General Meeting in May include changes to the Council's Contract Procedure Rules arising from the Public Contract Regulations 2015, minor amendments to officer delegations on the basis of operational effectiveness, a revision to the definition of a 'key decision' and a protocol governing the recording of officer decisions in accordance with the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and The Openness of Local Government Bodies Regulations 2014.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

25. Risk management arrangements have developed over a number of years and the Risk Management Group (RMG) has been instrumental in this process. The council has developed a comprehensive risk management strategy and policy, which has been adopted throughout the council. The strategy is reviewed annually and an action plan of work is developed each year. An important addition to the action plan is a rolling programme of current risk issues via presentations to RMG. The risk management strategy sets out the council's risk appetite, its approach to risk management and the framework in place to manage risks or seize opportunities. This includes strategic and operational risk registers, which assess the likelihood and impact of risks, the mitigating controls in place and responsibilities for those controls. The Strategic Risk Register identifies corporate risks to the council. These are linked to the council's strategic objectives; the definition used was '*those risks which will significantly impair the achievement of the council's principal aims and objectives.*' Registers are reviewed regularly as part of the DPR process and risk related training is provided throughout the year.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

26. The Counter Fraud Strategy sets out the council's determination to deter, prevent and detect fraud and safeguard its assets. The Strategy is revised periodically to reflect changes in legislation and is assessed against recommended best practice guidance. This ensures that the council remains at the forefront of the prevention and detection of fraud and corruption. Each year a programme of proactive and reactive counter fraud internal audit work is completed to evaluate the risk of fraud and ensure appropriate arrangements are in place eliminate or reduce fraud.

Ensuring effective management of change and transformation

27. The council's financial management arrangements continue to be effective. Despite year on year funding reductions since 2010 the council continues to deliver balanced budgets and four year plans. It has done this while freezing the council tax for a fifth year in 2015/16. Additional resources have been directed to priority services to fulfil a commitment to maintain and enhance front-line services to the public.
28. The effectiveness of budgetary control is also evident in the fact that spending each year continues to come in under budget, including in 2014/15, while at the same time there is consistent or improving performance on most measures of council activity and outcomes. As part of the budget management arrangements target savings are tracked through the year and have been delivered in cash terms for 2014/15, with some new savings to substitute for others which could not be fully secured. This demonstrates a culture of effective management of budget within cash limits. A large proportion of savings involve a reduction in staff numbers, which has been managed through normal turnover, voluntary redundancy or redeployment, with very few compulsory redundancies across the Council such that the contingency provision for transformation has had minimal use.
29. The scale of financial risk the council faces has increased in the current period of austerity. The partial localisation of business rates has exposed the council to variability in its local tax base; and on a lesser scale the transfer of responsibility for council tax support which can be volatile as local economic and employment conditions fluctuate. The Business rate taxbase relies heavily on a small number of enterprises in the steel, power and petrochemical sectors. Failure in any one of these sectors could result in a substantial loss of income to the council. Contingency arrangements are therefore being developed to cover such an eventuality in terms of a combined strategy involving the short-term use of reserves and spending reductions to realign spending with resources.
30. The council is addressing its increased financial risks by exploiting the opportunities provided by local retention of business rate growth. It is pursuing active policies to promote growth and employment in North Lincolnshire with major projects secured in recent months. These will lead to substantial industrial development on the South Bank of the Humber through on-shore facilities associated with off-shore energy projects in the North Sea; and residential growth primarily through the private sector-led Lincolnshire Lakes development which aims to construct new villages along the Trent bringing up to 6,000 new households to the area. Since growing the local economy grows the taxbase it enables the council to offset a significant part of the reduction in government funding and to deliver its tax freeze policy over the past five years without detriment to services.

31. The financial plan including the transformation savings are in place to achieve budget reduction targets in 2015/16. Delivery plan progress to achieve the council's strategy 2014/18 is monitored and specifically how services will change and evolve to meet the needs of the community and deliver better outcomes for local people within fiscal challenges facing local government.
32. Further government spending reductions, arising from the Comprehensive Spending Review, are likely to affect the Council in the current 2015/19 financial planning period. The scale of further reductions in government funding is not known, however, the Council has a good record of strong financial management which will deal with this challenge.
33. In July 2014 Cabinet approved work to commence on service transformation through a strategic scale sharing of back-office services with North East Lincolnshire Council. Initial estimates of savings by establishing a shared "back office hub" are in the region of £0.5m to £0.75m for each council per annum (overall £12.6m over 10 years). The target date for implementation is 1st April 2016.

Ensuring the authority'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) and, where they do not, explain why and how they deliver the same impact.

34. The Statement on the Role of the Chief Financial Officer (CFO) in Local Government supports CIPFA's work to strengthen governance and financial management across the public services. The Statement sets out the principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them. The principles state the CFO:
- Is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
 - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy
 - must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
 - must lead and direct a finance function that is resourced to be fit for purpose
 - Must be professionally qualified and suitably experienced.
- The Director of Policy and Resources is the CFO. North Lincolnshire's financial management arrangements have been reviewed and were evaluated to be compliant with these requirements.

Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

35. The Statement sets out principles that define the core activities and behaviour that belong to the role of the Head of Internal Audit in public service organisations. CIPFA recommends that organisations should use the Statement as the framework to assess their existing arrangements. An assessment indicated a significant level of compliance with both the CIPFA statement and Public Sector Internal Audit Standards (PSIAS).

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service and Monitoring Officer functions

36. The Constitution sets out the functions of the Chief Executive as Head of Paid Service. Directors deputise in the absence of the Chief Executive.
37. The Monitoring Officer is a statutory appointment under the provisions of Section 5 of the Local Government and Housing Act 1989. The Constitution identifies the Assistant Director Legal and Democratic as the council's Monitoring Officer.

The following officers have been appointed as deputies, as a contingency:

- Head of Democratic Services
- Head of Legal Services

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for local Authorities

38. The council established an audit committee in May 2006 in line with best practice. The committee oversees the management of governance issues, internal controls, risk management and financial reporting. The terms of reference for the Committee are reviewed annually and revised to reflect professional bodies' expectations and best practice.
39. Reporting arrangements have been strengthened in a number of aspects:
- A forward plan of reports is prepared for the Audit Committee each year setting out sources of assurance the Committee will receive to fulfil its terms of reference.
 - Recommendations provide more detail of the type and level of assurance members should seek to fulfil their role.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

40. There are well-established arrangements in place to ensure compliance with the council's Constitution, relevant laws, regulations etc. and that

expenditure is lawful. The lawfulness of the Council's decision-making process is bolstered by the protocol that is in place as regards reports presented to members requiring a decision to be made. The risk/option analysis is now embedded so as to ensure that the decision maker is presented with an analysis of the options together with a full range of implications. In addition the introduction of a scheme to ensure integrated impact assessments are completed as part of the decision making process has been introduced and is the subject of regular monitoring. Corporate training continues to be provided to staff who are involved in compiling reports.

The quality of advice is based upon:

- (i) The overall requirement that reports should, where appropriate, have legal input in their compilation. A section is included in reports indicating consultations that have taken place.
- (ii) Advice is offered from lawyers employed in a separate legal section under independent management.
- (iii) A robust review process.
- (iv) The use of external solicitors and counsel in appropriate cases either to expand upon advice already given or to offer advice where the existing knowledge base is thought to be insufficient or capacity does not allow. The advice of Counsel is sought from specialist chambers.

41. The council's strong relationship with schools has been enhanced with further engagement concerning services and support available to them and summarised in a booklet for easy reference. In addition specific support has been provided to those schools wishing to convert to academies.

42. The council's managerial framework is supported with policies and procedures in all key areas. Senior managers review controls in place to ensure objectives and obligations are met. Annual statements of assurance are prepared by each Director or relevant Assistant Director to confirm that the system of internal control within each service area is adequate and key supporting procedures are regularly monitored and reviewed. These are independently evaluated through the work of internal audit.

Whistle-blowing and receiving and investigating complaints from the public

43. The Whistle-blowing charter incorporates appropriate safeguards to protect whistleblowers and details of the Public Interest Disclosure Act 1998. The whistle blowing policy is advertised on the council's web site <http://www.northlincs.gov.uk/northlincs/councilanddemocracy/finances/fra>

[ud/fraudhotline.htm](#) and intranet. The whistle blower's hotline telephone details and email address are publicised throughout the council and via counter fraud newsletters.

44. A comprehensive customer complaints policy and procedure provides a more simplified system of complaints handling and opportunity to learn from them. There are separate complaints processes for some specific service areas. These are:
- Adult Social Care & Children's Services
 - Schools
 - Council Tax & Housing / LCTS Benefits
 - Data Protection, Freedom of Information & Environmental Information Regulations
 - Councillors.
45. The Standards Committee receives a report at each meeting on the progress of complaints/investigations under the Code of Conduct. The Standards Committee's annual report to Council also provides a copy of the Local Ombudsman's Annual Report for the year.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

46. The council promotes member development and provides access to regular development opportunities. The Member Development Steering Group drives forward continuous improvement in this area. At the request of the Standards Committee induction training for newly elected town and parish members and newly appointed clerks has been arranged for the 26 and 29 June 2015. This is in addition to Standards induction training for newly elected North Lincolnshire Council members as part of the Council's member induction programme.
47. North Lincolnshire Council takes a strategic approach to addressing its current and future workforce issues. Its approaches to attracting, retaining, developing and motivating the workforce were recognised as being effective when we achieved the Investors in People standard in 2009. An interim review of the council's planning, implementation and review of people management by Investors in People (IIP) has resulted in the external assurance that the council continues to meet the IIP standard. The Standard provides a framework for improving performance and developing people to meet business objectives.
48. The council has collaboratively worked with North Lincolnshire residents, elected members and employees of the council, partners and other stakeholders in promoting equality, diversity and inclusion. The Diversity & Inclusion Strategy & Policy Statement: Incorporates three-year plan to deliver against the council's equality objectives and ensure it continues to meet the general and specific duties of the Equality Act 2010. Progress against the plan is reported to the Diversity Steering Group on a quarterly basis.

49. The council's Workforce Strategy and Development Plan sets out the council's strategic approach to recruitment, retention and development, its workforce objectives, challenges and plans of action. The generic competency and management and leadership frameworks inform the corporate training programme to ensure skills gaps can be addressed and a learning and development reviewing process (LADAR) is used to assess the impact and effectiveness of each training course. Employee appraisals and one to one meetings take place to continually assess training and development needs through a personal action plan.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

50. The council's communication strategy supports and drives communications around the ambitions, focuses communications on critical areas and improves co-ordination across the council. A key element of the communication strategy is the council's magazine North Lincs News Direct, however new channels are being used such as web based and other social media opportunities. The Communications Plan has been reviewed to incorporate changes to the Code of Recommended Practice on Local Authority Publicity arising from section 39 of the Local Audit and Accountability Act 2014

51. The council has encouraged and maintained an effective relationship with local people and other stakeholders by:

- Issuing advance notice of key decisions.
- Encouraging and supporting the public in a range of ways to present issues to the Full Council, Regulatory Committees, Scrutiny and Petition Panels.
- Providing support to Neighbourhood Action Team meetings and community based activities.
- Adopting a Community Engagement Plan to embed the Council's commitment to community engagement and to provide guidance to Services in ensuring good and consistent practice is applied when undertaking such exercises, including the use of on-line surveys.

Enhancing the accountability for service delivery and effectiveness of other public service providers

52 The formal transfer of responsibility for the local delivery of public health from the NHS to Local Authorities took place on 1 April 2013. The transfer helps provide the capacity to develop a local public health system in which public health is integrated across all council directorates and all partner organisations. The Director of Public Health (DPH) as a member of the council management team is helping strengthen the role of Public Health going forward through opportunities for whole organisation engagement in improving the health and wellbeing of the local population together with a more direct relationship with local

democracy. The Health & Wellbeing Board also has an important role on advising on and contributing to the development of Joint Strategic Needs Assessment and joint health and wellbeing strategies, reviewing commissioning strategies and receiving and reviewing Public Health England's programme for the area. The first year of these arrangements has resulted in the successful introduction of the integrated structure; new ways of promoting public health initiatives through council services and planned use of the Public Health Outcomes Fund. The Annual Public Health Report 2014 summarises achievements so far and further work planned for 2015.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the former Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

53. Various types of partnerships have been defined to enable differing governance arrangements to be considered and developed where necessary. There is a strategic lead on partnerships and a governance framework has been developed that should be applied as a minimum to all relevant partnerships. The framework includes roles, responsibilities and accountabilities and financial and performance management arrangements.

REVIEW OF EFFECTIVENESS

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

External assessment

55. KPMG's Report to those charged with governance (ISA260) 2014/15 was presented to the Audit Committee in September 2015. The key findings of the report are:

- An unqualified opinion on the council's accounts is expected
- The Council has implemented all of the recommendations in the ISA 260 Report 2013/14 relating to the financial statements
- It is expected that the Annual Governance Statement is evaluated as consistent with their view of council arrangements
- A positive VFM conclusion is anticipated.

56. External Audit's Certification of Claims and Returns Report (April 2015) summarised the council's arrangements for claiming grants and the level of assurance it provides on the operation of the council's

procedures. The report was positive and there were no recommendations made to improve the council's claims completion process.

57. The Audit Committee also receive regular reports on the implementation of all External Audit recommendations. This process confirms that action is in hand to implement all recommendations made.

58. The following external inspections/ assessments provided strong sources of assurance on the adequacy of arrangements in high risk areas of service delivery:

- The IT Service has continued to achieve compliance with all the necessary PSN controls. Achieving the PSN Code of Connection enables the council to securely share data nationally with other compliant public sector organisations providing strong assurance that the IT infrastructure, applications and facilities are appropriately protected.
 - NHS Information Governance Self-Assessment - in order for Public Health functions to be undertaken by the council the NHS require an annual self-assessment of information governance processes. The council successfully maintained a satisfactory Level 2 accreditation.
 - SOCITM – a positive outcome for IT services was noted in the 2014 council wide vfm profiling of services. In addition work undertaken to enhance the council's website resulted in national recognition and maintaining the positive three star rating awarded in March 2014 and 2015.
 - Electoral commission validation of election arrangements
 - Environmental Management Standard ISO 14001:2004 accreditation was validated during the year.
 - Building Control retained accreditation for ISO 9001:2008
 - The Waters' Edge Visitor Centre has retained the English Tourism Councils Visitors Attraction Quality Assurance Standard (VAQAS).
 - Driver and Vehicle Services Agency (DVSA) –Green Rating
 - The regulated services for Children and Young People are inspected by Ofsted and inspections in year have all been positive with 2 judgements of "Good" for the Cygnets and Kingfisher Lodge.
 - Ofsted use two frameworks to determine the effectiveness of local authority services.
 - Inspection of local authority arrangements for supporting school improvement
 - Inspection of services for children in need of help and protection, children looked after and care leavers and reviews of Local Safeguarding Children Boards
- Assurance is sought that plans are in place for inspections under the new frameworks, through 'confirm and challenge' meetings with the Assistant Directors and managers.
- Ofsted carries out an annual programme of subject and thematic surveys alongside its main inspection programme of providers. The

final reports from these surveys provide learning for our services to improve and develop. In 2014/15 North Lincolnshire was selected to take part in a thematic survey into the effectiveness of leadership of children's services based on our sustained level of performance. Good practice examples from the directorate were used in the final report. The inspectors provided valuable feedback as part of the process.

- The Care Quality Commission (CQC) regulates Adult services. A new approach to inspection was introduced in 2014/15. Within the directorate there are two services that are regulated by CQC, they were last inspected under the previous framework. Managers of the service ensure that they can demonstrate their overall effectiveness through self-evaluation.
 - The regional DCS and DAS groups have a sector led improvement (SLI) programmes that provide scrutiny of the respective areas. The SLI improvement programme seeks to increase the directorate self-awareness and identify both areas of strengths and areas for improvement. The processes are based upon a self-assessment followed by peer scrutiny and seek to ensure all local authorities are self-aware and acting to address areas where improvement is required, whilst maintaining their strengths. The process is also used to identify peer partner authorities to share areas of strengths and support areas for improvement.
 - Assurance is also gained through positive feedback through external scrutiny: North Lincolnshire Council asked the Local Government Association (LGA) to undertake an Adult Social Care Peer Challenge. The LGA arranged a team made up of Councillors, NHS and Council Staff from other areas to assess our services in September 2014. The peer challenge looked at our ambitions, performance and delivery against our Adult Social Care priorities. They met with service users, staff, partners and providers of care who helped them with their review. The report provides an external view on the quality, processes and procedures of Services to Adults in North Lincolnshire. The review team said: 'the direction of Adult Services in North Lincolnshire is going in the right direction due to a focus on a more integrated approach with partners' 'Staff were motivated and enthusiastically delivering innovative preventative solutions.' And there are 'Good examples of user and carer engagement' The LGA team found good examples of user and carer engagement across Adult Services. Service Users are actively involved in many areas including the Learning Disability Partnership Board, Commissioning Cycle, Well Being Hubs, reviewing our publications and materials and helping us shape service design and improvement.
 - Service quality standards are a good way of receiving external assessment against quality standards. In 2014/15 we achieved level 2 of the Unicef Baby Friendly Initiative and are working towards level 3.
59. The Health and Safety Executive (HSE) has brought a prosecution against the council relating to a fatality that occurred at Foxhills Sports Ground in 2012. The council pleaded guilty and was fined £160,000 at Hull Crown Court.

Ongoing work in response to this matter has included:

- Updates of risk assessments on barriers
- Barrier locks fitted across NLC sites
- Council wide messages sent by Safety Solutions.
- Improvements to lease/licence documentation.
- Amended Complaint Handling process.

60. Internal Audit provided an opinion to the Audit Committee in June 2015 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2014/15 concludes that assurance could be given that the council's control environment was generally adequate. The opinion is derived from:

- Reviews of all fundamental financial systems show that all are assessed as having either significant or satisfactory assurance on controls in place.
- Reviews of other significant systems such as risk management, and corporate governance also provide satisfactory assurance on controls in place. Corporate governance arrangements were evaluated by internal audit against CIPFA/SOLACE best practice framework. The council's arrangements meet with best practice in most areas. Some minor recommendations for improvement were made.
- No significant council wide control issues were identified from school audits
- Counter fraud arrangements have been reviewed and strengthened to meet with best practice guidance available. Investigations show no significant frauds were reported during the year.
- Integrated Impact Assessment arrangements were evaluated as providing limited assurance. Procedures are in place but compliance is patchy. Significant effort has been made to improve the level of compliance and Council Management Team has agreed in principle to a new two-tier model aligned with key decision making processes. This will be developed during 2015/16.
- Audit follow up work has shown improvement in areas highlighted in last year's AGS. The review of partnerships highlighted significantly improved governance arrangements. Testing showed adequate internal controls resulting in an overall audit assurance evaluation of satisfactory. Some progress has also been made to address audit recommendations in respect of income collection systems for the Adult Social Care service. However follow up work carried by internal audit in December 2014 showed a small number of actions were not complete as planned.

For the first time the Annual Report also contains information on the effectiveness of Internal Audit during 2014/15 to fulfil the requirements of the Accounts and Audit Regulations 2015. This showed internal audit provided an effective service based on:

- General compliance with Public Sector Internal Audit Standards (PSIAS) and Statement on the Role of the Head of Internal Audit
- Good customer feedback

- Achievement of most performance targets
61. During 2014/15 Information governance arrangements continue to be strengthened through the following actions:
- Strategic Information Risk Owner (SIRO) role was transferred to the Head of IT Services in April 2014 providing improved integration of the information governance and IT security functions.
 - A review of the Information Governance Framework to ensure that council-wide information governance provisions remain fit for purpose. Changes were made in early 2015 to reflect new legislation and to address previously identified gaps.
 - A new Data Quality Framework has been produced to strengthen the council's data quality provisions by including data held within all key systems.
 - A 3-year Information Governance and Security training and communication plan has been produced.
 - Progress has been made in strengthening the security of the council's corporate archives. There are three corporate records stores: Glanford House, Cottage Beck Road and Central Library. A user protocol is in place governing the use of these facilities
 - FOI processes were reviewed and improved through the introduction of an FOI dashboard and increased emphasis on timeliness monitoring and reporting.
 - Key data sharing protocols were reviewed and updated including the Humber Information Sharing Charter
 - The council successfully implemented the new national Code of Practice on Open Data and Transparency.

The council also successfully demonstrated compliance with NHS standards for the handling and securing data relating to Public Health services. Minor issues concerning internal unauthorised access to data have been dealt with and have not resulted in any further action from the Information Commissioners Office.

62. Compliance with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government has been reviewed by Internal Audit. The review concluded that financial management arrangements comply with all principles set out in the Statement that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.
63. Strategic risks were reviewed again and approved by the Audit Committee in January 2015. Work continues to review risks, confirm risk owners, to implement monitoring arrangements for new KPIs; and to train new managers. The council's risk management group periodically produces a Risk Round-up newsletter to update all council employees on risk issues that may affect them and to help improve risk management arrangements within the council.

64. Internal Audit's evaluation of counter fraud arrangements against CIPFA guidance indicated that the council's arrangements generally comply with best practice and its risk of fraud profile has been refreshed and remains low. Best practice from parties such as National Fraud Authority, the Audit Commission and CIPFA Better Governance Forum and on line alerts are continually sought and (where applicable) applied to the council's procedures. Lessons learnt from publications such as the Protecting the Public Purse report are applied to the exposure profile used to drive our counter fraud plan. Regular newsletters to raise awareness on the risk of fraud are widely distributed throughout the council. The Counter Fraud Strategy has been reviewed and strengthened to demonstrate the council's zero tolerance stance on fraud; determination to apply appropriate sanctions; and recovery action. The Audit Committee receive regular reports on counter fraud work to gain assurance on the adequacy of arrangements in place.
65. The Standards Committee report for the period July 2013 to 30 June 2014 was reported to Council on 11 December. During the period 23 new complaints were received involving members. Five complaints related to members of North Lincolnshire Council were considered by an Assessment Panel. None of these were referred for investigation. 18 complaints related to members of Town and Parish Councils (two parish councillors and 16 town councillors). All but four, which were resolved informally by the Monitoring Officer, were considered by an Assessment Panel. Three were referred for investigation (the report on the findings of the joint investigation relating to these three town councillors is almost complete). No complaints had been referred for external assessment.
66. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

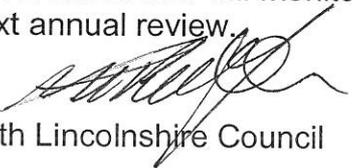
SIGNIFICANT GOVERNANCE ISSUES

1. Maintain strong budget and workforce monitoring and efficiency reporting procedures in achieving the delivery of budget targets and investment in the key aims identified in the 2014/18 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
2. Ensure the implementation of service transformation plans to achieve budget targets by restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services

to other public sector bodies or third parties. In particular during 2015/16 ensure adequate governance arrangements are in place to oversee and manage the transition to a shared service back office hub with NELC.

3. Continue to monitor the implementation of key changes in government policy and legislation such as the Better Care Fund (BCF), Children and Families Act 2014, the Care Act 2014 and Universal Credit.
4. Ensure continued appropriate level of focus in addressing External and Internal audit recommendations particularly in times of increased risk (including risk of fraud) associated with significant local and national change

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

Signed: 
Leader of North Lincolnshire Council

14 September 2015

Signed
Chief Executive



14 September 2015