



North East Lincolnshire Council

Annual Governance Statement

2016/17

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1. Scope of Responsibility

North East Lincolnshire Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 10(1), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at North East Lincolnshire Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

The Council has defined its key strategic outcomes as all people:

- Enjoy and benefit from a strong economy
- Feel safe and are safe
- Enjoy good health and well being

- Benefit from sustainable communities
- Fulfil their potential through skills and learning

Good governance processes are critical in supporting the delivery of strategic outcomes. The Council's updated Code of Governance was approved by the Audit and Governance Committee in January 2017 and is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a framework" (April 2016).

A copy of the code is on the attached link. It will be subject to annual review.

It is based on the following principles:

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

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Council's Assurance Board made up of the Council's key senior officers with governance role and chaired by the Chief Executive is responsible for coordinating this review.

The three lines of defence assurance model is central to the review of effectiveness as follows:

First Line – Management of the control environment at delivery/operational level.

Each Service Manager is annually required to complete an annual self-assessment as to how it seeks assurance that it complies with each of the seven principles.

Second Line - (oversight of management activity and separate from those responsible for delivery).

A range of reports are produced annually or throughout the year from those responsible for the oversight of management activity which provide assurance on the operation of elements of the governance framework, including:

- Annual review of the Constitution
- Standards Committee annual report
- Scrutiny annual report
- Self-assessment against the “Role of Chief Financial Officer”
- Fraud annual report
- Treasury management report
- Risk management annual review
- Audit and Governance Committee annual review
- Information Governance annual report
- VFM annual report
- LSCB annual report
- Statutory complaints annual report
- Health and safety annual report
- Director of Public Health annual report

Third line (independent oversight)

- Internal audit - summarised in the Annual Head of Internal Audit Annual Report and Opinion
- External audit
- Other external inspectorates

Other sources for the review of effectiveness include:

- Identification of significant control failures occurring in the year
- Comparison of the content of the Council’s Code of Governance with notable practice identified by CIPFA/ SOLACE

The assessment also includes the monitoring of action plans in relation to control weaknesses identified in previous years. In 2015/16 the significant governance issues were identified as follows:

- Environmental Sustainability
- Highways/A18
- Information Governance
- Partnership Governance
- Programme and project management

As discussed below the following areas are no longer considered significant governance issues. The remaining issues have been re-reported in section 5.

- **Environment Sustainability:** Since the previous Annual Governance Statement arrangements have been assessed against the CIPFA

environmental audit toolkit and significant progress has been made at a policy and planning level. The toolkit is being used to shape the action plan. Officers have formed an environmental group which will oversee implementation of the action plan and ensure appropriate procedures, skills and competencies are in place.

- **Information Governance** The annual report to the Audit and Governance Committee in April 2017 provided assurance of progress in respect of information governance and scrutiny controls. Particular progress has been made in employee training and awareness and preparations are in hand for the 2018 General Data Protection Regulations.

5. Significant Governance Issues

A governance issue arises when something has gone or is going wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk. Determining the significance of a governance issue will always contain an element of judgement.

An issue is likely to be significant if one or more of the following criteria applies:

- It has seriously prejudiced or prevented or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved. It has required a significant diversion of resources.
- It has had a material impact on the accounts.
- It has been identified by the Audit and Governance Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a time.

The following areas have been identified during the year, and will be areas of focus during 2016/17.

- **Highways:** As reported in the 2015/16 Annual Governance Statement the Council and its regeneration partner (ENGIE) commissioned AECOM (highways design, safety and technical experts) to review safety arrangements in relation to the A18, and W S Atkins plc (Atkins) to comment on all aspects of highways maintenance activity from the strategic (Local Transport Plan and associated council policy) and documentary framework, through to operational delivery on the highways themselves. The outcome of AECOM's review was reported to Cabinet on 18 January 2017 and contained a number of options which the Council is taking forward (including the consideration of funding sources) to mitigate concerns in relation to the safety of the road. In relation to the Atkins review, its report is currently being finalised and the findings will be used to define and the implementation of any subsequent action plan.

- **Partnership Governance:** During 2017/18 the Council will be moving to a closer integration with the CCG, which will be underpinned by a new Section 75 agreement and revised governance arrangements. Details can be found in the report to Cabinet, 28th June 2017. Partnerships with Engie and Lincs Inspire are subject to clear contract/relationship management arrangements and a programme of review has been set by the Audit and Governance Committee. Specific issues to be addressed will include confirmation of the scope, duration, cost and contract management arrangement for each partnership. Wider, place based partnership governance, structured around our outcomes framework, will be developed during 2017/18. Boards will include representation from across the public sector, business, voluntary and community sector. Progress on these developments will be reported to the Audit and Governance Committee.
- **Programme and project management:** The Council has a robust project management framework which broadly follows the widely recognised Prince 2 methodology for managing projects. However, adherence to following the framework has historically been mixed in different parts of the organisation, meaning that in some cases projects and programmes have been subject to unacceptable levels of slippage and/or non-delivery that have not been flagged at the right time or right level. Significant progress has been made in respect of capital projects with slippage much reduced. The creation of the Commissioning and Strategic Support Unit in August 2015 has also led to some improvement as most projects are supported by the unit personnel who endeavour to take a consistent approach. It is recognised that further improvements can be made and the focus on delivery makes the rigour of project and programme management all the more important.
- **Heritage Assets/Victoria Mills:** Victoria Mills Silo is a Grade II Listed building and one of the most distinctive and iconic buildings in the Borough. Following a long period of inaction by the building's owner and concerns over the structural integrity of the silo, the Council intervened to undertake measures to safeguard the building and protect the general public as well neighbouring residents and property. In 2016, on the recommendations of a conservation accredited structural engineer, a full internal and external scaffold was installed to provide the only safe means of access to enable further investigation to better understand, monitor and stabilise the structure. This involved temporary relocation of residents from the adjoining flats. Subsequently, Urgent Works in default were carried out under the Planning (Listed Building and Conservation Areas) Act. Urgent Works Notices generally include temporary/minimum necessary works, but due to site constraints including height, exposure and access costs to carry out and monitor works, it became apparent that it was necessary to provide a permanent solution. This challenging project has resulted in a number of positive outcomes including the safeguarding of an important historic asset, improved relationships with conservation professionals and stakeholders. As a result of the change in ownership the Council now has full control to secure a sustainable future use for the building which is located within a key regeneration area at the heart of the town. In addition the Council and Engie is also jointly carrying out a review and risk assessment of heritage assets in general within the Borough.

An action plan will be developed 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 have been identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:

A handwritten signature in black ink, appearing to be 'Ray Oxby', written in a cursive style.

Councillor Ray Oxby, Leader of the Council

A handwritten signature in black ink, appearing to be 'Rob Walsh', written in a cursive style.

Rob Walsh, Chief Executive and Head of Paid Service