North East Lincolnshire Council
Annual Governance Statement

2017/18

Stronger Economy, Stronger Communities
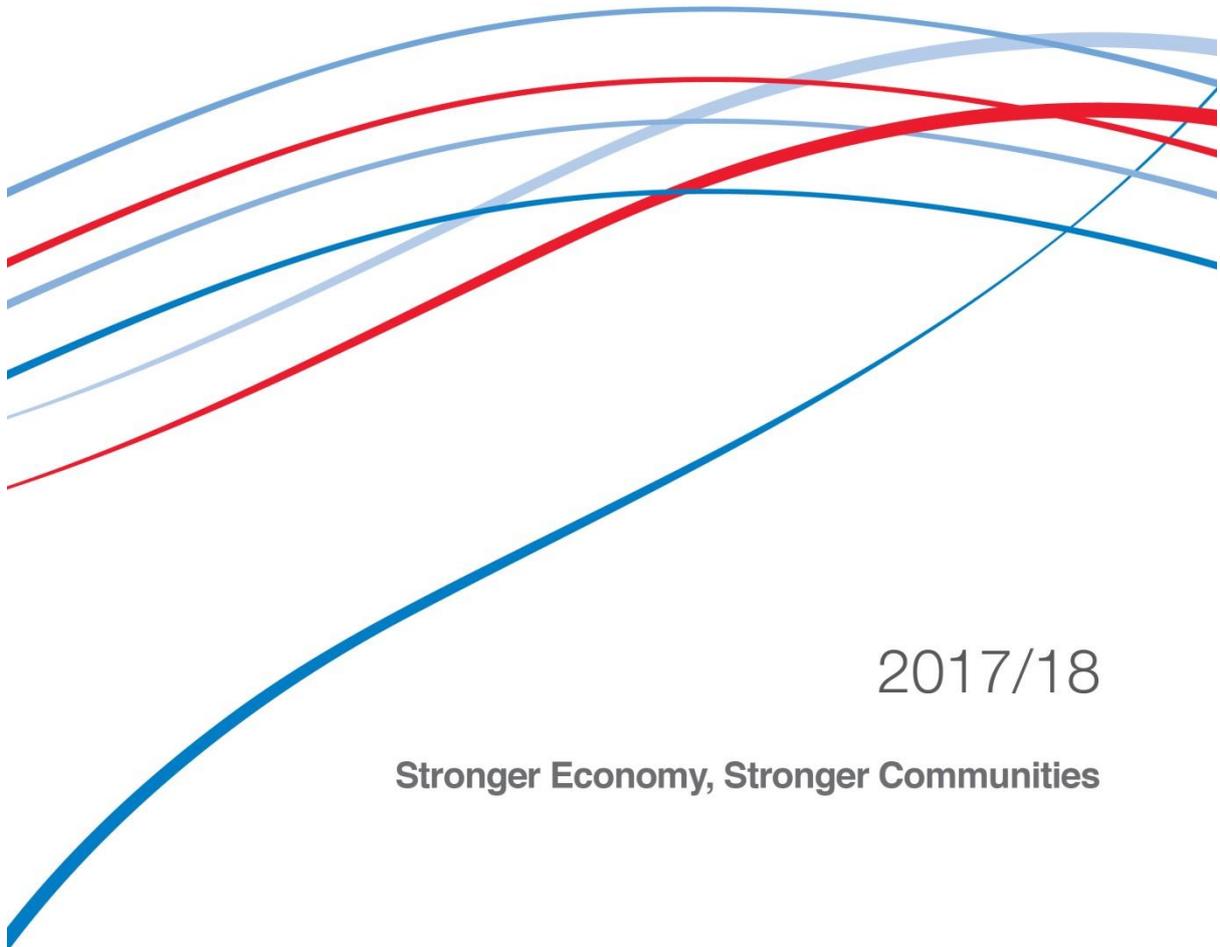
1. Scope of Responsibility

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 2018 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). It is subject to annual review and the revisions made were approved by the Audit & Governance Committee in January 2018.

A copy of the code is on the attached link. Code of Corporate Governance

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 thee 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 Director is annually required to complete an annual self-assessment as to how it seeks assurance that it complies with each of the seven principles. This showed that the principles in the main are embedded in practice in all significant areas of the

Council's operations. Although some gaps were identified some areas none were systematic across the Council.

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](#) - reported to Full Council on 24 May 2018
- [Annual Report of the Standards Committee 2017/18](#) – produced in March 2018
- [Annual Scrutiny Report 2017/18](#) - reported to Full Council on 24 May 2018
- [Annual Fraud Report 2017/18](#) - reported to Audit and Governance Committee 26 April 2018 – to assist in discharging its responsibilities for monitoring the effectiveness of the Council's arrangements for managing the risk of fraud. No major frauds reported
- [Treasury Management Strategy](#) - reviewed by Audit and Governance Committee 26 January 2018 and approved by Full Council on 22 February 2018 – confirmed with Treasury Management regulations and no material breaches reported
- [Annual Audit Committee Report](#) - considered by the Audit Committee on 26 April 2018 and presented to Full Council 19 July confirmed effectiveness of the Audit and Governance Committee and compliance with national guidance
- [Information Governance and Security Annual Governance Report](#) - reported to Audit and Governance Committee 26 April 2016 - six incidents were reported to the Information Commissioner's Office (ICO) who determined in each case that no enforcement action or monetary penalty was required. Also provided positive progress on the implementation (General Data Protection Regulation (GDPR)
- [Value for Money Annual Report-201718](#) – reported to the Audit and Governance Committee 26 April 2018 - no significant gaps in arrangements reported
- [Safeguarding Children's Board Annual Report](#) - reported to the Children and Lifelong Learning Scrutiny Panel 18 April 2018 - although potential improvements were identified on Section 11 of the report, no significant or systematic areas of concern were reported
- [Adults-Safeguarding-Annual-Report.pdf](#) - reported to the Health and Adults Social Care Scrutiny Panel 11 April 2018 - this contains information in relation to Adults Safeguarding such as number of referrals and their outcome
- [Childrens Social Care Statutory Complaints and Compliments Annual Report 17-18](#) – reported to Cabinet 2 July – provides an overview of the activity and analysis of complaints and compliments for 2017/18
- [Public Health Annual Report-2016-17](#) - a number of recommendations have been identified for further development
- [Local Account](#) - reported to Health and Wellbeing Board 4 December 2018 - this provides detail of Adult Social Care activity in North East Lincolnshire

- [Climate Local and Environment Policy](#) - reported to Cabinet 14 March 2018 – this showed that only 86% of the key criteria for effective environmental standards had been met in full or partially compared to 40% in 2015. None of the 14% criteria are now deemed critical and action is already being taken to deliver against those and make further progress
- [Education Standards Autumn 2017](#) - reported to Children and Longlife Learning Scrutiny Panel 30 November 2017 – reports on educational standards in North East Lincolnshire
- Risk management annual review – reported to the Audit and Governance Committee 26 April 2018 – reported that there is scope for operational registers to be embedded
- Self-assessment against the "Role of Chief Financial Officer" – confirmed compliance in all material respects
- Occupational Health and Safety Performance Report 2017/18 prepared by the Occupational Health and safety Manager – no material issues were identified
- Assurance provided by the Monitoring Officer in relation to legality issues – no material issues were identified
- Assurance provided by Head of Procurement in relation to breaches of the Council Procedure Rules (CPRs) – no material breaches were identified

Third line (independent oversight)

- [Head of Internal Audit Annual Report 2017-18](#) and Opinion - reported to the Audit Committee on 17 June 2018 – this provided satisfactory assurance in relation to the Council's control environment but identified areas for improvement
- External audit – External Audit provided an unqualified opinion on the Statement of Accounts and Value for Money Arrangements to the Audit Committee on 24 July 2018
- Other external inspectorates – the Council has been subject to a number of external inspections and reviews. These include:
  - Ofsted Inspection of Children's Services - this reported on 25 September 2017 that Children's Services were assessed as 'Good'
  - [Local Plan](#) – reported to Cabinet 14 March 2018
  - [Children's Service Peer Challenge (Special Education and Disabilities)](#) - reported February 2018 – it identified areas of strengths and development but no major control failures
  - Home Office Peer Review (Criminal exploitation) – April 2018
  - Review of the Local Health Resilience System
  - Public Services Network (PSN) Compliance
  - Internal Audit five yearly external review – this reported in March 2018 that Internal Audit complied with the Public Sector Internal Audit Standards (PSIAS)
  - Local Government Association Communications Review
  - Atkins review of the governance arrangements related to highways – this has resulted in an action plan to clarify roles and responsibilities between the Highways Authority (the Council) and

- [Local Government Ombudsmen](#)
During 2017/18 the Ombudsman upheld two complaints against the Council, neither of which has been considered to be systematic control weaknesses.

The assessment also includes the monitoring of action plans in relation to control weaknesses identified in previous years. An update on the areas of focus and progress against them is set out at Appendix 1 to this Statement. The update informs the decision for the areas of focus not to feature in 2018/19.

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.

Based upon the review shown in section 4 and using the criteria above the following areas have been identified as areas of focus during 2018/19.

- **Partnership Governance:** New arrangements are expected following review of the Engie partnership, the development of the "Union" with the CCG and Place Based governance arrangements.

- **Matters arising from and relating to the review of the constitution:** a working group will be convened this year to review the constitution with particular emphasis on partnership governance changes.

- **Heritage Assets:** work is being progressed on a revised approach to enforcement and it is expected this would be adopted in early 2019.

- **Housing Strategy:** A housing strategy was approved in March 2018. This sets our housing objectives and priorities and is supported by an action plan. An internal audit in 2017/18 identified a need to further develop the governance arrangements. These have now been put in place and will have oversight of all programmes of delivery, target setting, and to ensure the

development of supporting strategies and policies. As an area of focus in this year's Annual Governance Statement assurance about these arrangements and progress will be sought.

Action plans 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:

Leader of the Council

Head of Paid Service

Issue identified in 2016/17 AGS	Position as at 31 May 2018
Highways	A bid has been submitted to the Department for Transport (DfT) in order to finance the delivery of improvement (and other) works to the A18 in line with the HM Coroner's report and following recommendations from the AECOM review. The council is currently awaiting confirmation from DfT as to the status of the bid, and this is currently expected to follow the local election period. The Atkins report has been finalised and has indicated that, in the main, there are good processes and protocols in place to deliver the highways service across North East Lincolnshire. The report did highlight some key areas for improvement and, following a joint Partnership workshop (led by Atkins), an action plan has been agreed between the council and Engie in order to deliver these improvements. The delivery of the action plan is currently circa 80% complete.
Partnership Governance	The work programme for the Audit and Governance Committee includes a stocktake of partnership governance in June 2018, with updates on the Union, place based arrangements and Lincs Inspire in October 2018 and Shared Services in January 2019. In 2017/18 the Council moved to a closer integration with the CCG. Details can be found in the report to Cabinet on the 28th June 2017. A Union Board is in place and meeting monthly. The underpinning Section 75 legal agreement is near completion building on existing funding relationships. Cabinet will receive a report early in the 2018/19 municipal year confirming the scope and governance of the new arrangements. Governance arrangements for Engie and Lincs Inspire have been unchanged in 2017/18. A review being commissioned in respect of Engie is expected to lead to changes during 2018/19. Place Board membership has been agreed and the board is now in the process of agreeing decision making and governance through the new arrangement. Work on the wider associated place partnership system has started, the public and voluntary sector forums are meeting regularly and private sector in principle agreement to move from development and growth board to private sector forum. Work on rationalising existing partnerships also taking place, particularly around arrangements for safe / safeguarding and Health and Wellbeing.

Issue identified in 2016/17 AGS	Position as at 31 May 2018
Programme and project management:	Work has been on-going throughout 2017/18 to build on and improve our approach to programme and project management, including more robust challenge and assurance regarding governance of projects; roll out across the organisation of a standard business case model for development of proposals, following the HM treasury 5-case model and a gateway process for the development of commercial proposals, factoring in the council's decision making process. Work will continue into 2018/19 to further review and improve, with more focus being given to those areas requiring further support. Our Regeneration partner ENGIE has introduced a new Governance process to improve project management. Technology Forge, the property database has been developed to provide project oversight reporting for all capital projects it manages. The reporting covers quality, cost and time elements of project risk and a status review of the mandatory documentation required for each project. The reports from the system are taken to Engie's SLT monthly and the escalation route for issues identified is via Regen Board/IMT and then Contract Operations Board. This oversight reporting and escalation does not replace the standard reporting requirements for each respective project board or the capital assurance board. It is designed to allow early identification and resolution of issues that might impact on project delivery and therefore commitment of capital funds.
Heritage Assets/Victoria Mills:	Since the Council took ownership of Victoria Mill, initial work has been undertaken to scope the potential uses and there has been dialogue with a potential investor. A Capital Service Statement has been approved and instructions have been given to progress the transaction. In terms of Heritage Assets more generally, the Council has approved funding for works to a number of Council owned assets. Furthermore, work is being progressed on a revised approach to enforcement and it is expected this would be adopted in early 2019. The expectation is that the Council will seek to work with owners and occupiers in a collegiate manner, advising on potential funding sources and only resorting to formal action as a last resort.