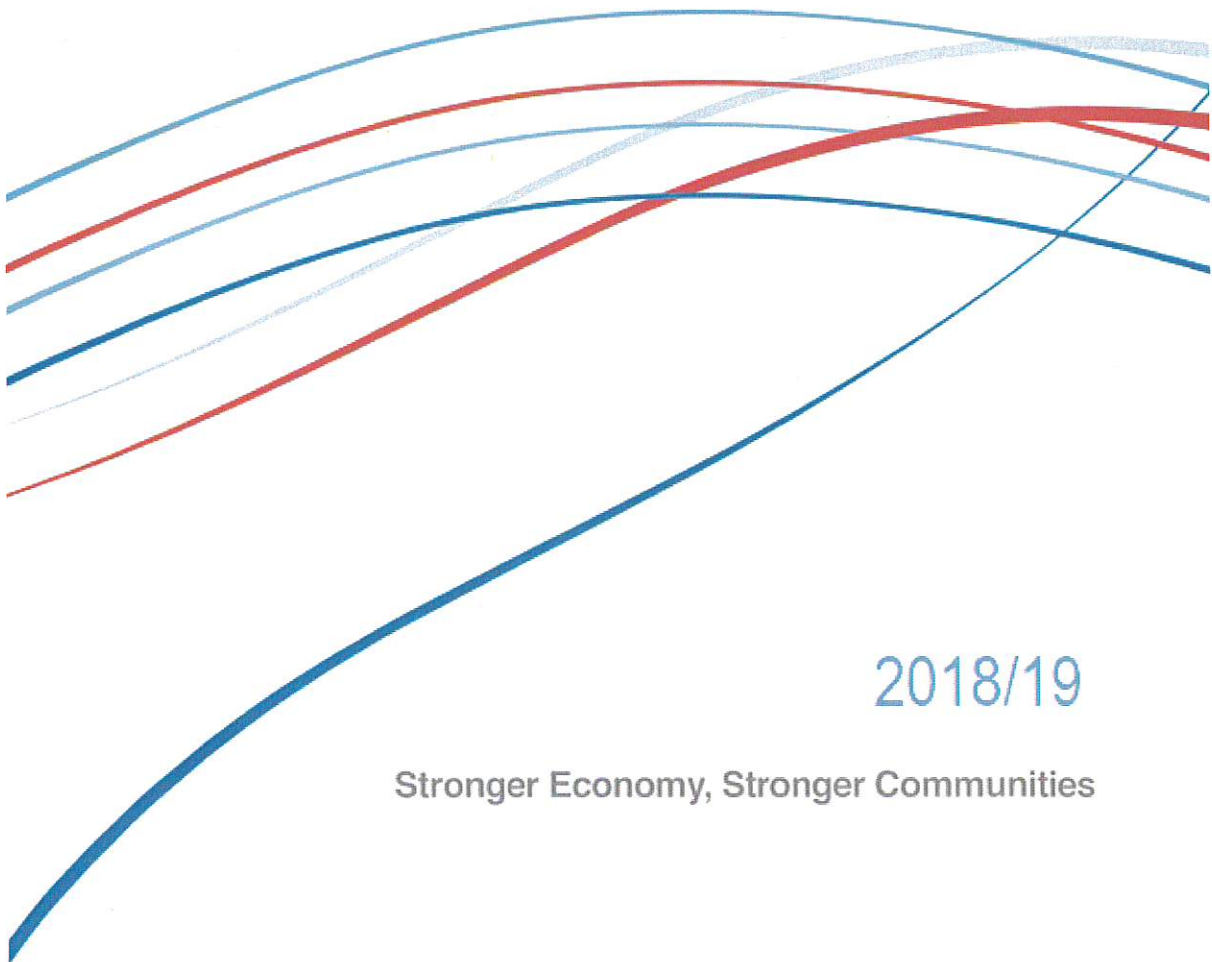


# North East Lincolnshire Council Annual Governance Statement



## **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 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 2019 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 2019.

A copy of the code is on the attached link. <https://www.nelincs.gov.uk/wp-content/uploads/2018/05/8.-Local-Code-of-Corporate-Governance-and-Annual-Governance-Statement-Update.pdf>

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 Director Resources and Governance 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 Director is annually required to complete an annual self-assessment as to how they seek assurance that their services/functions comply 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 21 May 2019
- [Annual Report of the Standards Committee 2018/19](#) – produced in March 2019
- [Annual Scrutiny Report 2018/19](#) - reported to Full Council on 21 May 2019
- [Annual Fraud Report 2018/19](#) - reported to Audit and Governance Committee 25 April 2019 – 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 17 January 2019 and approved by Full Council on 21 March 2019 – confirmed with Treasury Management regulations and no material breaches reported
- [Treasury-Management-Annual-Report-2018-19](#)- considered by the Audit and Governance Committee on 20 June 2019
- [Annual Audit Committee Report](#) - considered by the Audit Committee on 25 April 2019 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 25 April 2019 – five data protection incidents were reported to the Information Commissioner's Office (ICO) who determined in four cases that no regulatory action was necessary, a fifth case remains under investigation.
- [Value for Money Annual Report-2018/19](#) – reported to the Audit and Governance Committee 25 April 2019 - no significant gaps in arrangements reported
- [LSCB Annual-Report 2017-18](#) - reported to the Children and Lifelong Learning Scrutiny Panel 24 January 2019 - although potential improvements were identified in Section 8 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 13 March 2019 - this contains information in relation to Adults Safeguarding such as number of referrals and their outcome
- [Childrens social care annual complaints and compliments report.pdf](#) – reported to Cabinet 5 June 2019 – provides an overview of the activity and analysis of complaints and compliments.
- [Public Health Annual Report-2018](#) – reported to Cabinet on 24 October 2018- a number of recommendations have been identified for further development

- [Standards in schools Annual Report 2018](#) reported to Children and Longlife Learning Scrutiny Panel 21 March 2019 – reports on educational standards in North East Lincolnshire
- Child Health Provision Annual Report- reported to Children and Longlife Scrutiny Panel 14 September 2018
- Risk management annual review – reported to the Audit and Governance Committee 25 April 2019 – As part of the internal audit programme an internal audit review was carried by a neighbouring authority and provided “substantial assurance”
- Self-assessment against the “Role of Chief Financial Officer” – confirmed compliance in all material respects
- Quarterly reporting by the 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 the Head of People and Culture on human resources issues- no material issues were identified and the plans to review and update Human Resources policies in 2019/20 were highlighted
- 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-and-Opinion-201819](#) Head of Internal Audit Report and Opinion - reported to the Audit Committee on 20 June 2019 – this provided satisfactory assurance in relation to the Council’s control environment but identified areas for improvement
- External audit – External Audit provided an opinion on the Statement of Accounts 2018/19) and Value for Money Arrangements Other external inspectorates – the Council has been subject to a number of external inspections and reviews. These include:
  - Ofsted Inspection of Special Education Needs and Disabilities - this has led to a “written statement of action” being required
  - Ofsted Inspection of Community Learning- assessed as inadequate [Ofsted Community Learning](#)
  - <https://files.api.ofsted.gov.uk/v1/file/50042430>
  - Ofsted “focused visit” on arrangements for responding to contacts and referrals at their ‘front door’, the Families First Access Point (FFAP)- weaknesses were identified- [Ofsted "focused visit"](#)
  - Ofsted inspection of Children’s Residential Homes- one “requires improvement” others either “good” or “outstanding”
  - Peer review of Public Health- overall positive outcome although areas for improvement were identified
  - PSN Code of Connection IT Health Check
  - LGA Cyber Security Stocktake
  - The NHS Data Security and Protection Toolkit assessment
  - [Annual Air Quality Review](#)

- [Ombudsman](#)

During 2018/19 the Ombudsman upheld one complaint against the Council and awarded a modest financial remedy.

The assessment also includes the monitoring of action plans in relation to areas of focus identified in 2017/18. An update on the areas of focus and progress against them is set out at Appendix 1 to this Statement.

## 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.
- Review progress on areas for focus identified in 2017/18- in 2017/18 Partnerships, Housing Strategy, Heritage Assets and the review of the constitution were identified. Sufficient progress has been made on the latter two that they no longer need to be areas of focus

Based upon the review shown in section 4 and using the criteria above the following areas have been identified as areas of focus during 2019/20:

- **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.
- **Housing Strategy:** A housing strategy was approved in March 2018. This sets our housing objectives and priorities. A service plan and revised action plan will be reported to Cabinet. Governance of the housing agenda will be the subject of further reports during 2019/20. This was an area of focus in last year's Annual Governance Statement and given the priority of this area to the

Council, assurance about these arrangements and progress will remain a focus during 2019/20.

- **Children's Services:** The Council is facing some significant challenges in relation to children's social care. Ofsted Inspections of the Council's "front door" for contacts and referrals and a joint inspection with the CQC for local area special educational needs and disabilities (SEND) were undertaken in 2018/19. These reviews have resulted in improvement plans being agreed with the inspectorates. Additional resources have been identified in 2019/20 to support the implementation of improvement actions including social work recruitment and retention, caseload reduction and demand management. The comprehensive improvement plans will be closely managed and scrutinised by an intra agency improvement board.
- **Capital Programme:** Planned investments in economic development and growth have significantly increased the Council's current capital programme. During the 2018/19 financial year there has been some slippage experienced against the capital programme. Slippage has been addressed with revised governance and improved challenge processes. Specifically budget holders are requested to make realistic projections of spend taking into account anticipated lead times and decision making processes. The effectiveness of the changes will be closely monitored and reported via quarterly finance and resources reports to Cabinet during 2019/20.

Action/improvement plans will be delivered in the coming year 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



30/07/19

## Appendix 1- Update on issues identified in the 2017/18 AGS

Issue raised in the 2017/18 AGS	Position as at 31 May 2019
Partnership Governance	<p>Non contractual partnership arrangements have been reviewed during the year with the formation of the Place Board and a new Place Partnership system. Papers have been drafted to consider the future role of partnerships such as the Health and Wellbeing Board and the safeguarding partnerships.</p> <p>Further work is being carried out to review the governance arrangements of the place partnership system, including a potential reduction in the number of partnerships and the membership, including the role of senior officers and any delegated decision making that may be needed to enable the partnerships to work more effectively.</p> <p>New arrangements are expected following review of the Engie partnership, the development of the "Union" with the CCG and Place Based governance arrangements</p>
Matters arising from and relating to the review of the constitution	<p>The annual review of the Constitution was reported to the Council's AGM in May, 2018. This included confirmation of the scheme of delegation to officers, amendments to contract procedure rules as a result of procurement threshold changes, changes to scrutiny arrangements and amendments to the petition scheme and the Council's Standing Orders.</p> <p>A further detailed review of the Constitution was agreed by Council and a Constitution Working Group met in January, 2019 to consider governance arrangements, standing orders, delegations, Contract and Financial procedure rules, Union Board, Place Board and general update as to statutory and regulatory references. This reported its initial findings to scrutiny on 21 March 2019, and a report (incorporating the recommendations of the working group) was approved by Full Council on 21 May 2019. The Constitution is currently being updated in accordance with the agreed recommendations and will be published shortly.</p>



<b>Issue raised in the 2017/18 AGS</b>	<b>Position as at 31 May 2019</b>
Heritage Assets	<p>Initial funding had been secured to address 'at risk' Council assets. Revised procedures have been drafted in relation to all heritage assets in North East Lincolnshire and these are due to be taken to the Cabinet for formal approval in early 2019/20.</p> <p>A 2017/18 follow up audit report confirmed progress has been made in implementing the actions from previous years and provided "satisfactory assurance"</p>
Housing Strategy	<p>The Council has appointed an Assistant Director of Housing to lead the delivery of housing-related priorities and programmes. Whilst this post was being recruited, an interim strategic lead resource was brought in to assist delivery and lay the groundwork for the new Assistant Director.</p> <p>The Council's housing-related projects have been brought together into a single programme. Each work-stream has a lead officer, and project teams are formed where appropriate. Work is progressing on many aspects of the Housing Programme, whilst at the same time the project plans for each work-stream are being reviewed and refreshed. The aim is to ensure that timelines are clear and that interlinking aspects are co-ordinated.</p> <p>A housing strategy was approved in March 2018. This sets our housing objectives and priorities. A service plan and revised action plan will be reported to Cabinet. Governance of the housing agenda will be the subject of further reports during 2019/20. This was an area of focus in last year's Annual Governance Statement and given the priority of this area to the Council, assurance about these arrangements and progress will remain a focus during 2019/20.</p>

