

2021/22

North East Lincolnshire Council

Annual Governance Statement



Stronger Economy: Stronger Communities. **Together we can be stronger.**

Executive Summary

North East Lincolnshire Council fully recognises its responsibility for having effective governance and internal control arrangements in place. This is demonstrated by its commitment to the principles of good governance as identified in Delivering Good Governance in Local Government Framework 2016.

The annual review of the Council's arrangements, as described in this Annual Governance Statement, provides assurance that its governance arrangements and system of control are robust and reflect the principals of the Code of Corporate Governance. Over the coming year the Council will take steps to further, strengthen its governance arrangements as highlighted in section 7.

Signed:

A handwritten signature in black ink, appearing to read 'P. Jackson'.

**Cllr. Philip Jackson
Leader of the Council**

Date: 18th September 2023

A handwritten signature in black ink, appearing to read 'Rob Walsh'.

**Rob Walsh
Head of Paid Service**

Date: 18th September 2023

1. Introduction

North East Lincolnshire Council (the Council) is required by the Accounts and Audit (England) Regulations 2015, regulation 10(1), to prepare and publish an Annual Governance Statement in order to report on the extent to which we comply with our Local Code of Corporate Governance. This Statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A summary of significant issues/challenges that the Council faces is also given. This provides transparency and gives assurance that the Council is committed to continuous improvement in the way in which it functions.

The 2020/21 reported that the review of governance arrangements had identified four main areas where the Council would need to focus its efforts during 2021/22 to address changing circumstances and challenges identified. These were:

- Children and Family services
- The continued response to COVID-19
- Programme management
- The capacity to deliver Council outcomes
- Health and Social Care System

As part of the compilation of the AGS the current position in relation to these areas were reviewed and consideration was made as to whether they remained areas of focus in 2022/23.

2. Scope of Responsibility

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.

3. 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 2022 and up to the date of approval of the Statement of Accounts.

4. The Governance Framework

The new Council Plan was approved by Cabinet 16 February 2022. The Council has defined its key strategic priorities as, all people should:

- Reach their full potential through skills and learning
- Benefit from a green economy and high quality environment
- Enjoy good health and wellbeing
- Benefit from a strong local economy
- Live in a safe environment, can have their say about things that are important to them and participate fully in their community

Good governance processes are critical in supporting the delivery of strategic outcomes. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. It 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 was subjected to its annual review in December 2020 to ensure that it reflected the Council's current governance arrangements and the revisions made were approved by the Audit & Governance Committee in April 2022.

A copy of the code is on the link below.

[Part-3-Codes-and-Protocols-v2.pdf \(nelincs.gov.uk\)](#)

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

5. Review of the Effectiveness of the Governance Framework

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 Corporate Governance Group, made up of the Council's key senior officers with governance role and chaired by the Executive Director Environment, Economy & Resources and Governance, is responsible for coordinating this review.

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

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

Each Assistant 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. Two issues were highlighted as a concern, these being capacity and budget constraints, the former of which has been reported in section 7 of the Statement.

In addition Directors produce reports for Cabinets, Scrutiny and Audit Committees which provide assurance on governance and the control environment in specific areas e.g.

- [**Children's Social Care Statutory Complaints and Compliments Annual Report 2021/22**](#) – reported to Cabinet 8 September 2022. It provides an overview of the activity and analysis of complaints and compliments. During 2021/2022 the Council received 105 complaints and 32 compliments concerning children's social care statutory services. This compares with 118 and 18 in 2020/21. 30.4% of stage one complaints were not upheld.
- [**Director of Public Health Annual Report \(DPHAR\) 2021**](#) – reported to Cabinet 15 June 2022. The topic of the DPHAR 2021 is 'The impact of the Covid-19 pandemic on Mental Health and Wellbeing in North East Lincolnshire'. The report brings together local insight and data to form a picture around mental health and emotional well-being locally following the pandemic. The report takes a life course approach, and makes recommendations for future focus, to help ensure resources are allocated most appropriately and residents supported as best as possible.
- [**Virtual School Headteacher Annual Report 2021**](#) – reported to the Children & Lifelong Learning Scrutiny Panel 4 November 2021. The Virtual School is the key education advocacy service for all Children Looked After (CLA) whether they are attending a school within North East Lincolnshire or for those placed out of area. The report provides statistics on CLA in mainstream education, attendance data and attainment.

During the year, some reports are received relating to the previous year's data. These are listed below:

- [**Adult Social Care and Health Statutory Complaints and Compliments Annual Report 2020/21**](#) – reported to the Health and Adult Social Care Scrutiny Panel 24 November 2021. It provides an overview of the complaints received by the North East Lincolnshire Clinical Commissioning Group (NELCCG). It also highlights service improvements implemented as a result of a complaint. During 2020/21 45 complaints were received by NELCCG, a fall of 41% on the previous year. 23 were either upheld or partially upheld.
- [**Safeguarding Adults Board Annual Report**](#) - reported to the Health and Adults Social Care Scrutiny Panel 2 February 2022. This sets out the activities and work undertaken by North East Lincolnshire Safeguarding Adults Board and its members

to deliver on the aims and objectives of its Strategic Plan. It also includes performance data including the number of concerns received.

- [Safeguarding Children's Partnership Annual report 2020/21](#) – reported to Children & Lifelong Learning Scrutiny Panel 10 March 2022. The report outlines what the Partnership has achieved, further developments and priorities for the following year.

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

As part of the process for completing the AGS those responsible for the oversight of management activity, separate from those responsible for delivery were asked to provide statements on the overall operation of the control environment in their particular areas of oversight:

- **Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct** – no material issues were identified.
- **Assurance provided by the Head of People and Culture on human resources policy frameworks and arrangements** - no material issues were identified.
- **Assurance provided by the Deputy Section 151 Officer on finance issues** - no material issues were identified. On 1 April 2022 a new financial system was implemented and in advance of this, policies and procedures have been reviewed.
- **Assurance provided by the Health and Safety Manager** – no material issues were identified.
- **Assurance provided by the Head of Procurement** - no breaches were identified however there is an issue with capacity within the procurement team and have difficulty recruiting and retaining staff. There are plans to address this as part of the new operating model.
- **Assurance provided by the Head of Information Governance and Complaints** – no material issues were identified.
- **Assurance provided by the Assistant Director Policy Strategy and Resources** - the Ofsted report published in October 2021 identified ineffective performance management arrangements in Children's Services, stating that they did not provide senior leaders with an accurate understanding of practice quality, or children's experiences, to drive service improvement or target resources where needed. The report acknowledged that mechanisms to gather performance data had improved; the required improvements continue to be monitored. This is being addressed through the Improvement Plan for Children's Services.

In addition a range of reports is produced annually or throughout the year which provide assurance from a second line perspective e.g.

- **CIPFA Code of Financial Management Self-Assessment – reported to Audit and Governance Committee.** The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the Code authorities will be able to demonstrate their financial sustainability.

A self-assessment of the Council’s current standing against each of the Financial Management Standards has been carried out. The self-assessment concluded that the Council has strong financial leadership and management which is underpinned by clear financial strategy. There is good engagement through the financial planning process which is underpinned by an integrated budget and commissioning process.

Positive assurance has been received in relation to the Council’s system of internal control and there is a clear accountability framework in place for budgetary control with regular financial performance reporting. In terms of challenge and review processes, these are considered to be robust with challenge received through Audit and Governance Committee, star chamber and internal business case processes. The Council has a clear and affordable capital investment strategy which is underpinned by robust business development process.

However, there are a range of challenges and opportunities that the Council faces. Financial challenges linked to increasing social care demand are acknowledged and the Council’s ability to deal with these challenges will be informed by the outcome of the new Local Government funding model. The Council will need to review its level of reserves in the context of fast moving and challenging economic environment.

- **Annual Review of the Constitution** – a review was carried out by the Monitoring Officer and reported to Full Council on 26 May 2022. Various changes were made to the Constitution including the Scheme of Delegation. It also included a review of the Council’s scrutiny arrangements which resulted in a number of recommendations being made.
- **Annual Fraud Report 2021/22** – reported to Audit and Governance Committee 21 April 2022. It highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct. The report also highlighted the work undertaken to prevent fraud in relation to business grants.
- **Annual Scrutiny Report 2021/22** – reported to Full Council on 26 May 2022. It provides a summary of the work undertaken by scrutiny in 2021-22 and outlines future work programmes. During the year, the Council also conducted a review of scrutiny arrangements which included the involvement of “Centre for Governance and Scrutiny.” The review found good arrangements in place with some recommendations to the Constitution as referred to above.
- **Annual Standards and Adjudication Committee Report** – reported to the Standards and Adjudication Committee 21 September 2022. This report presents the latest annual report of the Standards and Adjudication Committee. In addition to general information about the committee, it provides an overview of the committee’s work on handling complaints alleging breaches of the Members’ Code of Conduct. During the period covered by this report 15 new complaints were

received involving members, compared to 7 received during the previous Municipal Year. It is noted that the number of complaints received during 2021/22 is similar to that of 2019/20 after a lower figure in 2020/21 during the time of the COVID pandemic.

- [**Audit and Governance Committee Annual Report 2021/22**](#) – reported to Audit and Governance Committee 21 April 2022 and Full Council July 2022. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee’s self-assessment against good practice. No issues of non-compliance were identified.
- **Capital Programme Quarterly Update Reports** – the Estates and Business Development Manager, provides quarterly update reports on the delivery of the Capital Programme to the Corporate Governance Group and Major Projects Group. These reports provide an update on the overall status and highlight any specific risks, including slippage on projects. Any significant risks identified in relation to delivery could impact on the delivery of the Councils Economic and Financial Strategy, therefore mitigation may be required, and further actions agreed. The Major Projects group can also share lessons learned with Project leads from project exceptions. In recent months, some projects have quoted increased construction costs, as a direct impact of Covid, Brexit and the Ukrainian conflict, as having some impact on delivery.
- [**Information Governance and Security Annual Governance Report 2021/22**](#) – reported to the Audit and Governance Committee 21 April 2022. This report outlines the key Information Governance activities undertaken by the Council in 2021 and provides assurance that the Council across all of its work areas and functions remains compliant with its legal obligations and follows good practice. Three incidents met the criteria requiring reporting to the Information Commissioner’s Office (ICO), who determined that no further action was necessary.
- [**Risk Management Annual Report**](#) – reported to the Audit and Governance Committee on 21 July 2022.
- [**Treasury Management Policy and Statement Strategy Statement**](#) – reported to Cabinet 16 February 2022 and Full Council 24 February 2022. The Statement conformed with Treasury Management regulations and no material breaches were reported.
- [**Treasury Management Annual Report**](#) – reported to Cabinet on 8 September 2022.
- [**Value for Money Annual Report 2021/22**](#) - prepared by the Deputy Section 151 Officer and reported to the Audit and Governance Committee 21 April 2022. This report summarises activity during 2021/22 and identifies additional actions for 2022/23 and beyond. Despite the impact of COVID-19, a range of service reviews have been undertaken during 2021/22, with further service reviews planned across all areas of the Council’s activities in 2022/23.

Third Line of Assurance (independent oversight)

[Head of Internal Audit Annual Report and Opinion 2021/22](#) – reported to the Audit and Governance Committee 21 July 2022. The report provided satisfactory assurance on the Council’s systems of internal control, governance and risk management. It identified weaknesses in the control environment relating to Children’s Services and highlighted risks around capacity within the first and second line of assurance to ensure that an effective control environment is maintained.

External Audit – There were no significant issues arising from the external audit of the Council’s 2021/2022 financial statements. The Council’s external auditors, Mazars, have proposed an unqualified opinion on the financial statements, subject to the satisfactory resolution of national issues in relation to infrastructure assets. In relation to the VFM Conclusion, auditors continue to reference Ofsted’s inspection report which has graded the overall effectiveness of Children’s Services as ‘inadequate’. It is expected that this judgement will lead to a qualification of the VFM conclusion.

The Office for Standards in Education, Children’s Services and Skills (Ofsted)

- Inspection of Safeguarding and Looked After Children (November 2021):
 - [50172853 \(ofsted.gov.uk\)](#)

The inspection concluded that the arrangements in place were inadequate.

- Following the issue of the report the Council was issued with a Statutory Direction Notice and a Commissioner was appointed to work with the Council. The Commissioner reported his findings and recommendations to the DfE and a report was published on their website on 1 June 2022. The key points to note from his report are:
 - “The DFE will now commission a third party to undertake an options appraisal with a view to this Council entering a strategic partnership with another Local Authority.
 - The scope of any strategic partnership (in other words, what aspects of children’s social care should be part of it) will be a key consideration as part of the options appraisal.
 - A new Improvement Board has been established and is operational. Membership includes the Council’s statutory safeguarding partners (health and police), the DFE and colleagues from Lincolnshire County Council (our designated Sector Led Improvement Partner or ‘SLIP’).
 - In their capacity as SLIP, senior colleagues from Lincolnshire County Council are already engaged with the Council, supporting the work in respect of our Improvement Plan.
 - The DFE have appointed a new Commissioner to work with the Council for at least the next 10 months and will Chair the Improvement Board.
 - The Children’s Services Oversight Group will continue to meet, feeding into the work of the Improvement Board and supporting the maintenance and importance of cross political group engagement in this agenda - and without prejudice to the role or remit of the Children and Lifelong Learning Scrutiny Panel.”

- Special Educational Needs and Disability Inspection (March 2022):
 - [50183876 \(ofsted.gov.uk\)](https://www.ofsted.gov.uk/inspections/50183876)

The Inspection concluded that “the area has made sufficient progress in addressing all three of the significant weaknesses identified at the (previous) inspection.”

- Recent Children’s Homes Inspections:

Children’s Home Ofsted Placement Code	Date of Full Inspection	Most recent full inspection Judgement
SC394101	29/09/2021	Requires Improvement
SC380956	03/11/2021	Inadequate
SC477428	05/01/2022	Good
SC069618	20/10/2021	Requires Improvement
SC367802	08/12/2021	Good
SC441553	12/10/2021	Good
SC033127	14/07/2021	Good

Other External Inspections and peer reviews - other Inspections have taken place in year:

- Youth Justice services in North East Lincolnshire were rated as ‘Good’ in an inspection by Her Majesty’s Inspectorate of Probation (HMIP)
- PSN Code of Connection IT Health Check
- The NHS Data Security and Protection Toolkit assessment
- General Register Office Local Authority Annual Performance Report - annual assurance to the Registrar General in relation to service delivery, performance, public protection & counter fraud and the requirements set out in the Registration Acts
- Parking Services team was awarded a green assurance rating by the DVLA

Local Government and Social Care Ombudsman - The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. Its Annual Letter was issued in July 2022. No major issues of concern were raised in the letter.

6. Response to COVID-19

The Council remains vigilant around extant and emerging COVID risks whilst being cognisant of the guidance around Living with COVID safely. Whilst the Council clearly accepts that the pandemic is not yet over it is returning to normal operations amidst a removal of all previous COVID restrictions. As such there are no specific COVID related governance issues nor special arrangements in place.

7. Governance Challenges for 2022/23

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2022/23 to address changing circumstances and challenges identified. Clearly these and other areas will be underpinned by a need to deliver value for money, referenced elsewhere in this statement. Value for Money is defined as the relationship between:

- Economy (cost) - the price paid for providing a service.
- Efficiency (performance) - how much is obtained for what is paid; and
- Effectiveness (quality) - the impact of the service, how successful it is.

Value for Money is not an absolute end in itself and should be considered as a compromise between cost, performance and satisfaction. It is an outcome of the Council's activities and not a process in its own right. Furthermore, it should not be seen in isolation from day to day activities.

The areas of challenge are detailed below:

- **Children and Family Services:**

Following the Ofsted inspection in October 21 which graded the Council's Children's Social Care as inadequate, a formal Improvement Board has been formed chaired by the DfE Commissioner. The Local Authority will be subject to quarterly monitoring visits by Ofsted and have now received a statutory Direction Notice from the DfE detailing next steps for the LA and the improvements that need to be made. A revised Improvement plan is now in place and is overseen by the Improvement Board and a Board made up of cross party elected members.

- **Programme Management/Project Management:**

Project and programme management is critical to the delivery of the Council's regeneration and transformation agendas. Major projects and programmes follow a governance route that assesses the business case against HM Treasury 5 case model (strategic, economic, commercial, financial and management case) before being taken forward. The Council is working alongside Government and private investors to regenerate and accelerate growth across the Borough. Major projects within the Port of Immingham, Stallingborough Enterprise Zone and in the Town Centres are planned and factored into the Council's capital investment programme. In addition the Council has developed an ambitious transformation programme, particularly in relation to the challenges within Children and Family Services outlined above.

During 2021/22 the Council introduced the cross council major projects group to review and provide challenge to the delivery of the Council's key capital programmes, and to report back progress to cabinet members. It also brought the project management office which is primarily responsible for delivery of major regeneration programmes back in-house from EQUANS to improve the focus, co-ordination and control of such programmes and reduce duplication of resources. The Council recognises the importance of strengthening and embedding its project management arrangements for all types of projects, and initiatives which are the process of being introduced such as the 'new operating model' (which will re-design the provision of many support and strategic functions) part of which is intended to ensure that support from project management specialists for

managers leading projects is focused on strategic priorities, and that there is revised guidance for managers leading smaller projects themselves.

- **Capacity:**

The People Strategy recognises the Council's ambitious agenda to improve the place, continue to implement the Children's Improvement Plan and manage the response and recovery from the pandemic. The Council acknowledges that capacity to deliver on our outcomes will be challenging, the People Strategy aims to address these concerns through the introduction of a robust workforce planning process, which will encompass our succession planning framework, widening our reach to trainees through a well-planned and ambitious approach. We will aim to become an employer of choice by ensuring that our policies are fit for purpose and reflect the ever-changing nature of the public sector workforce through hybrid working arrangements, improvements to our terms and conditions and by ensuring that we maintain the health, safety and wellbeing of our people.

The development of A-cademy, a leadership competency framework and a review of our appraisal process will support the development of our workforce and the recruitment of people who have the needed skills, values and behaviours to thrive within NELC, and therefore supporting on the delivery of our outcomes. The establishment of a Recruitment & Retention working group to support the Children Services Improvement plan is seeking to address the capacity issues within Social Care, by exploring retention initiatives, having a continued presence in the recruitment market place through partnerships with Community Care and focussed digital marketing campaigns as well as seeking to recruit from overseas.

- **Health and Social Care System:**

Under the Health and Care Act 2022, from the 1 July 2022 Integrated Care Boards (ICBs) replace Clinical Commissioning Groups (CCGs). North East Lincolnshire (NEL) will be part of the Humber and North Yorkshire ICB geography. The governance of the NEL health and care system will be overseen by a combination of the Health and Wellbeing Board, a proposed statutory joint committee of the Council and the ICB and a place based Health and Care Partnership (HCP) that brings health and care providers together to act as the delivery and transformation arm under the new arrangements. In relation to Adult Social Care the Council's Section 75 Agreement with the CCG will be replaced by new arrangements involving the ICB and other partners which are currently being progressed. This is a significant NHS reorganisation that seeks to bring local government and the NHS closer together, through a population health management approach, to improve outcomes and experiences for the local population.