

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**ANNUAL GOVERNANCE STATEMENT 2015/16**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To present the Annual Governance Statement (AGS) 2015/16 for Members' comment and approval.
- 1.2 The key points in this report are as follows:
- The AGS shows that the council's governance arrangements are generally good and meet good practice in most areas
  - Developments designed to address significant issues are identified in the AGS.

**2. BACKGROUND INFORMATION**

- 2.1 The Accounts and Audit Regulations 2015 require the Authority to publish with its accounts an Annual Governance Statement. The Annual Governance Statement (AGS) must accompany the final accounts and be considered in its own right, as has been the case here. This is due in September, however, the Committee 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 will be updated to reflect assurance provided through the outcome of external audit's final accounts work and presented again in September for approval.
- 2.2 CIPFA guidance to support councils to produce the AGS has been used. The guidance provides an example of an AGS and sources of assurance and evidence to compile the Statement.
- 2.3 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. Sources of assurance to support the statement are gathered throughout the council in the form of annual assurance statements prepared by Directors. These statements provide an evaluation of the adequacy of internal control within their service area and are evidenced by sources of assurance and managerial processes. Assurance is also provided from regular reports on various issues to the Audit Committee. Independent reviews carried out by internal audit in key areas such as risk management, corporate governance and fundamental financial system work are important sources of assurance. External audit reviews and inspections contribute as sources of assurance.

- 2.4 The Director of Policy and Resources, Assistant Director Legal and Democratic and the Risk Management Group have reviewed the Annual Governance Statement.
- 2.5 The Annual Governance Statement 2015/16 is attached (appendix A) and shows that the council has well-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. Significant governance issues requiring further development are identified in the AGS. 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 2016/19 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
  - To monitor the implementation of corporate and 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 to monitor the effectiveness of the shared service arrangements with North East Lincolnshire Council following implementation on 1<sup>st</sup> April 2016.
  - In implementing the devolution package accepted by government for Greater Lincolnshire, to ensure that it continues to best meet the needs of this council and the wider region, while delivering good governance.
  - 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 and the Care Act 2014.
  - To monitor the implementation of the requirements of the Education and Adoption Act 2016. As part of this Act there is a requirement to establish regional adoption services. North Lincolnshire are working with North Yorkshire, York, North East Lincolnshire, Hull and East Riding to consider how a regional approach will be adopted.
  - 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.
- 2.6 The Annual Governance Statement for 2015/16 represents the culmination of internal and external assurance sources. Therefore the Statement will need to be updated to reflect the outcome of the final accounts audit process prior to resubmission to the Committee alongside the audited accounts.

### **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 2015/16. If it concludes that it does provide sufficient assurance the Committee is invited to approve the AGS. The Committee may make amendments or seek clarification as necessary.

3.2 The Committee may decide not to approve or to amend the AGS.

### **4. ANALYSIS OF OPTIONS**

4.1 The Annual Governance Statement for 2015/16 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.

4.2 The option set out in 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively.

### **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 2015/16 provides 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 2015/16 is approved and a further update is submitted for the Committee to consider alongside the audited accounts in September.

DIRECTOR OF POLICY AND RESOURCES

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**Background Papers:**

**CIPFA- Delivering Good Governance in Local Government Framework  
The Accounts and Audit Regulations 2015**

# **NORTH LINCOLNSHIRE COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16**

## **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](http://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.

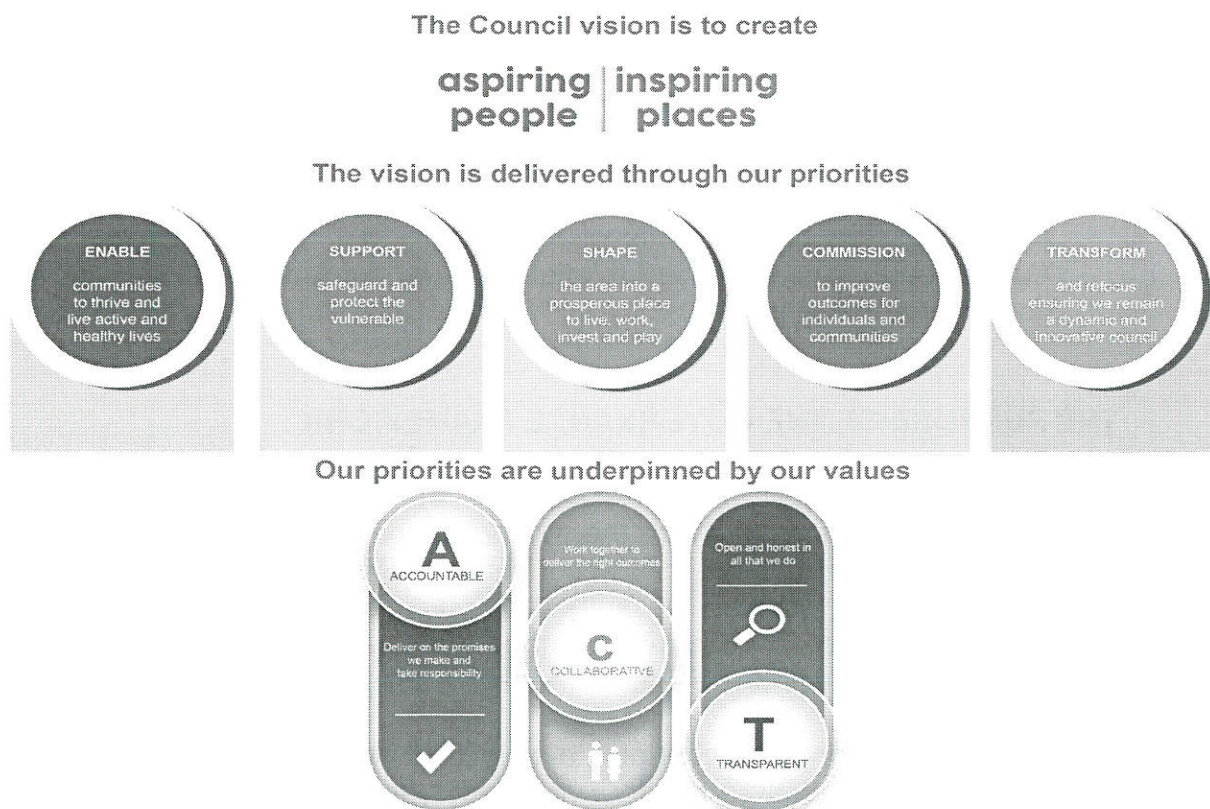
7. The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

## 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 February 2016 Full Council approved the North Lincolnshire Council Strategy. Our new vision is "Aspiring people, inspiring places". To support this vision we have identified five priorities which are each underpinned by a number of values 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.

## **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. The monthly performance process ensures that the service and corporate performance is reported to the council management team on a regular basis. The structured report highlights where key performance indicators are off track and where performance improvement is needed. Formal and more detailed reporting is undertaken during the year. This identifies where performance is underperforming but links where possible the underperformance to other relevant factors such as resource allocation and risk.
12. 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.

13. In 2015 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.

14. A key issue in 2015/16 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. In 2015/16 service revenue outturn spending was £1m (0.8%) under budget demonstrating the continued effectiveness of budgetary control processes at a time of significant reductions in funding. At the same time 86% of Key Performance Indicators were at or above target or within tolerance, of which 67% showed an improving trend year on year, demonstrating ongoing service effectiveness.

**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.**

15. 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. A recent amendment was introduced to establish the Shared Service Joint Committee for the back office shared service with North East Lincolnshire. The Committee comprises of elected members from both councils and has responsibility for staffing, performance and procedural matters.

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

16. 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.
17. 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.



18. 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.
19. 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.
20. The Officer Code of Practice for declarations of interest, gifts and hospitality addresses the provisions of the Bribery Act 2010 and clarifies 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.**

21. 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 which is being reviewed and updated for application in preparing the 2016/17 AGS.
22. 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.
23. Amendments approved at the Annual General Meeting in May include revising cabinet member portfolios and the amalgamation of the Places and Corporate Scrutiny panels into the Governance Scrutiny panel.

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

24. 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 and risk management newsletters are produced to raise awareness on new and emerging risk areas.

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

25. 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 developments and ensures appropriate arrangements are in place to eliminate or reduce fraud and 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. In November the Benefits Fraud Team was transferred to the DWP as a result of the development of the Single Fraud Investigation Service and a small counter fraud team has been retained as part of the shared service initiative to provide fraud investigation expertise across both councils.

#### **Ensuring effective management of change and transformation**

26. 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 sixth year in 2016/17. Additional resources have been directed to priority services to fulfil a commitment to maintain and enhance front-line services to the public.

27. The effectiveness of budgetary control is also evident in the fact that spending each year continues to come in under budget, including in 2015/16, 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 2015/16, 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.

28. 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.
29. 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. 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. The council has also been successful in working with others to secure the future of the steelworks in Scunthorpe through a change of ownership.
30. The financial plan including significant corporate transformation savings and commercial income generating initiatives are in place to achieve budget reduction targets in the 2016/19 four year plan. Delivery plan progress to achieve the council's strategy 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.
31. In January 2015 Cabinet approved work to commence on service transformation through a strategic scale sharing of back-office services with North East Lincolnshire Council. Shared services will provide the transformational platform for achieving further efficiencies as well as enabling the sharing of skills and knowledge, facilitating the creation of centres of expertise, increasing resilience and enabling future expansion

or commercial development. This programme will achieve combined savings of £12.6m over a 10 year period, and successfully went live on 1 April 2016

32. Working with North East Lincolnshire, Lincolnshire County Council and its seven constituent District Councils, a devolution proposal for Greater Lincolnshire has been prepared and accepted by government for further development. It brings significant devolved funding and responsibilities, requiring the creation of a Mayoral Combined Authority. All councils in the area have approved the draft scheme and this will be for public consultation in July/August this year.

**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.**

33. 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**

34. The Statement sets out principles that define the core activities and behavior 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**

35. The Constitution sets out the functions of the Chief Executive as Head of Paid Service. Directors deputise in the absence of the Chief Executive.

36. 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**

37. 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.

38. 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**

39. 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 (for significant decisions) and is the subject of regular monitoring.

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.

40. 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.

41. 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**

42. 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/fraud/fraudhotline.htm> and intranet. The whistle blower's hotline telephone details and email address are publicised throughout the council and via counter fraud newsletters.

43. 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

44. 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**

45. The council promotes member development and provides access to regular development opportunities. At the request of the Standards Committee induction training for newly elected town and parish members and newly appointed clerks was carried out on the 26, 29 June 2015 and 7 October 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. The Monitoring Officer also gave a presentation to ERNLLCAs annual conference in October 2015 on the Council's Code of Conduct. A review of the annual programme of member training is being carried out by Human Resources following the transfer of this function to that service.

46. 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.

47. The council has also worked hard 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 a 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.

48. 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**

49. 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.

50. 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**

51. 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 will help 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 in approving the Joint Strategic Assessment and joint health and wellbeing strategies, reviewing commissioning strategies and receiving and reviewing Public Health England's programme for the area. The Annual Public Health Report 2015 summarises achievements so far and further work planned for 2016.



**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.**

52. 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**

53. 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**

54. KPMG's Annual Audit Letter 2014/15 was presented to the Audit Committee in January 2016. The key findings of the report are:

- An unqualified opinion on the council's accounts
- A positive VFM conclusion
- The Annual Governance Statement was evaluated as consistent with their view of council arrangements.

55. External Audit's Certification of Claims and Returns Report 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.

56. 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.

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

- The regulated services for Children and Young People are inspected by Ofsted and inspections in year have all been positive with judgements of "Outstanding" for two children's homes.

- 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.
- The Care Quality Commission (CQC) regulates Adult services. Sir John Mason House and the Community Support Team were inspected under the CQC's new regulatory framework for the first time and both rated as "Good".
- The CQC undertook a pilot in 2015/16 to inform their approach to having a view of health and social care outcomes in an area – 'Quality in a Place'. North Lincolnshire was one of three local areas to take part in this pilot. The report was published in February 2016 and provided elements of assurance in respect of the quality of social care outcomes across North Lincolnshire and highlighted the positive impact that integrated working between the local authority and health on outcomes for people.
- 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.
- 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

58. In September 2015 the council was prosecuted for breaching Section 33(1) of the Health and Safety at Work etc. Act 1974 by failing to discharge a duty imposed by reason of Section 3(1) relating to a barrier gate. As a result of this the council undertook a full survey and risk assessment to identify and record details of all barrier gates within its estate and the following improvements and additional controls have been put in place:

- Management continue to review risk assessments on an annual basis and inspections by approved contractors are carried out twice a year.
- Councilwide work instructions issued to managers on the safe operation and securing of swinging barrier gates by employees, contractors and third parties.



- Inclusion of the 24/7 telephone number for the council's CCTV centre and unique reference number for each barrier to facilitate prompt action being taken to rectify any fault or concern reported to the council.
- Changes to processes for complaint handling so that the Contact centre Manager can refer Health & Safety issues to a key contact who will take personal responsibility to ensure action is taken.
- Use of established channels to communicate key health and safety issues.

59. Internal Audit provided an opinion to the Audit Committee in June 2016 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2015/16 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 comply with best practice guidance available. Investigations show no significant frauds were reported during the year.
- The Annual Report also contains information on the effectiveness of Internal Audit during 2015/16 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

60. During 2015/16 Information governance arrangements continued to be strengthened through the following actions:

- A review of the Information Governance Framework to ensure that council-wide information governance provisions remain fit for purpose. Changes were made in early 2016 to reflect new legislation and to address previously identified gaps.
- A corporate project for the adoption of a council-wide Electronic Document & records Management System solution underway. The system would enhance controls in respect of document management, retention, security and disposal.

- 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 records and an 18 month project to improve arrangements is underway.
- 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.
- A pilot Protective Marking Scheme is underway in Local Taxation & benefits to inform a corporate roll-out project.

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.

61. 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.
62. Strategic risks were reviewed again and approved by the Audit Committee in January 2016. 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.
63. 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. Regular newsletters to raise awareness on the risk of fraud are widely distributed throughout the council. The Counter Fraud Strategy has been reviewed and demonstrates 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.
64. The Standards Committee Annual report for the period July 2014 to 30 June 2015 was reported to the Standards Committee on 8 July 2015.



During the period seven new complaints were received involving members compared to 23 received last year. Four complaints related to members of North Lincolnshire Council and were considered by an Assessment Panel (one complaint refers jointly to an elected member and a Town Council). One of these was referred for investigation. The Panel decided that there had been a breach of the Code of conduct, and sanctions were recommended. Four complaints related to members of Town and Parish Councils (two parish councillors and two town councillors). One was resolved informally by the Monitoring Officer and three were considered by an Assessment Panel. None of the three were referred for investigation. No complaints had been referred for external assessment.

65. 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**

66. 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 2016/19 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
67. To monitor the implementation of corporate and 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 to monitor the effectiveness of the shared service arrangements with North East Lincolnshire Council following implementation on 1<sup>st</sup> April 2016.
68. In implementing the devolution package for Greater Lincolnshire, to ensure that it continues to best meet the needs of this council and the wider region, while delivering good governance.
69. 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 and the Care Act 2014.
70. To monitor the implementation of the requirements of the Education and Adoption Act 2016. As part of this Act there is a requirement to establish regional adoption services. North Lincolnshire are working with North Yorkshire, York, North East Lincolnshire, Hull and East Riding to consider how a regional approach will be adopted.

71. 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

17 June 2016

Signed:  
Chief Executive



17 June 2016