
Annual Governance Statement

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2014/2015

Version 2 07.09.15

Lincolnshire County Council in statistics

724,500 residents comprising **306,971** households were in receipt of LCC services. This is projected to increase to **831,100** residents in **373,000** households by 2037.

Nearly **100,000** homes have benefitted from the Onlincolnshire broadband programme, ensuring faster and more reliable broadband connectivity.

293 people became British Citizens through formal citizenship ceremonies in Lincolnshire.

7,276 free home fire-safety checks were undertaken.

410 compliments and **551** complaints were received by the Council. **54** referrals went to the Local Government Ombudsman and out of those - where a detailed investigation was carried out - **6** were upheld and **18** were not upheld.

Lincolnshire has **5,444** miles of roads and was able to repair **77,000** pot holes last year.

322,061 passenger journeys were made via CallConnect, providing public transport in isolated areas.

The Energy from Waste Facility in North Hykeham is processing **150,000** tonnes of waste and producing enough electricity to power **26,500** homes.

8,360 people attended adult learning courses.

393,324 visits were made to the county's heritage sites.

The **£22 million** refurbishment of Lincoln Castle, which was opened by HRH the Princess Royal, has been awarded Heritage Project of the Year by the National Federation of Builders.

93% of Lincolnshire's secondary and primary school children were offered places at their first preference school.

Over **£338 million** was spent with local suppliers in the last year.

Annual Governance Statement for Lincolnshire County Council 2015

How has this Statement been prepared?

Each year we reflect on how well the Council's governance framework has operated during the year and identify any significant governance issues we need to draw to the attention of Lincolnshire residents.

To help us do this the Council's Audit Committee undertakes a review of the Council's governance framework¹ – considering and challenging evidence and information supplied by an Officer Group (comprising of the Chief Financial Officer, Monitoring Officer, Head of Internal Audit, Head of Legal Services and Democratic Services Manager).

On the 8th July 2015 the draft statement was agreed and signed off by the Corporate Management Team.

On the 20th July 2015 the Audit Committee considered the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run and identified any improvement actions.

The final statement was formally approved by the Audit Committee on the 21st September 2015 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

Introduction by Pete Moore Executive Director, Finance and Public Protection

"If management is about running the business – governance is about seeing that it is run properly"²

Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

It's important our resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources and that key risks are managed effectively. This ensures that we achieve the desired outcomes for the people of Lincolnshire.

We continue to face significant financial challenges with less money for Local Authorities. As things stand – and depending on what we learn in the next spending review – we anticipate having to operate with a further reduction of nearly £131m to balance our budget by March 2019. This will mean we will use our balances to help support the budget and the change programme the Council will be undertaking over the next few years.

We will be reassessing our priorities against available budgets and looking at different ways to deliver our services – working far closer with key partners such as health and police, business, the 'third sector' and community groups. It will also mean some services will be stopped altogether.

During this time of change it is vital that people and businesses have trust and confidence in how we run our business and that public money is well spent – it's all about good governance.

¹ The Council has adopted a governance and assurance structure which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government – 2012 Edition

² Robert Tricker. An expert in Corporate Governance.

What is Corporate Governance?

Lincolnshire County Council spends around £1,000 million of public money every year. It is our duty to **“ensure the greatest benefits for the people in Lincolnshire from the resources we use.”**

The public have a right to expect high standards and value for money in how we spend this money to improve the lives of the people of Lincolnshire.

Local Government has been and will continue to undergo significant change. The way we operate and deliver services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. We need to aim for the standards of the best and our governance arrangements should not only be sound but also seen to be sound.

The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire - it's about **Community Leadership**.

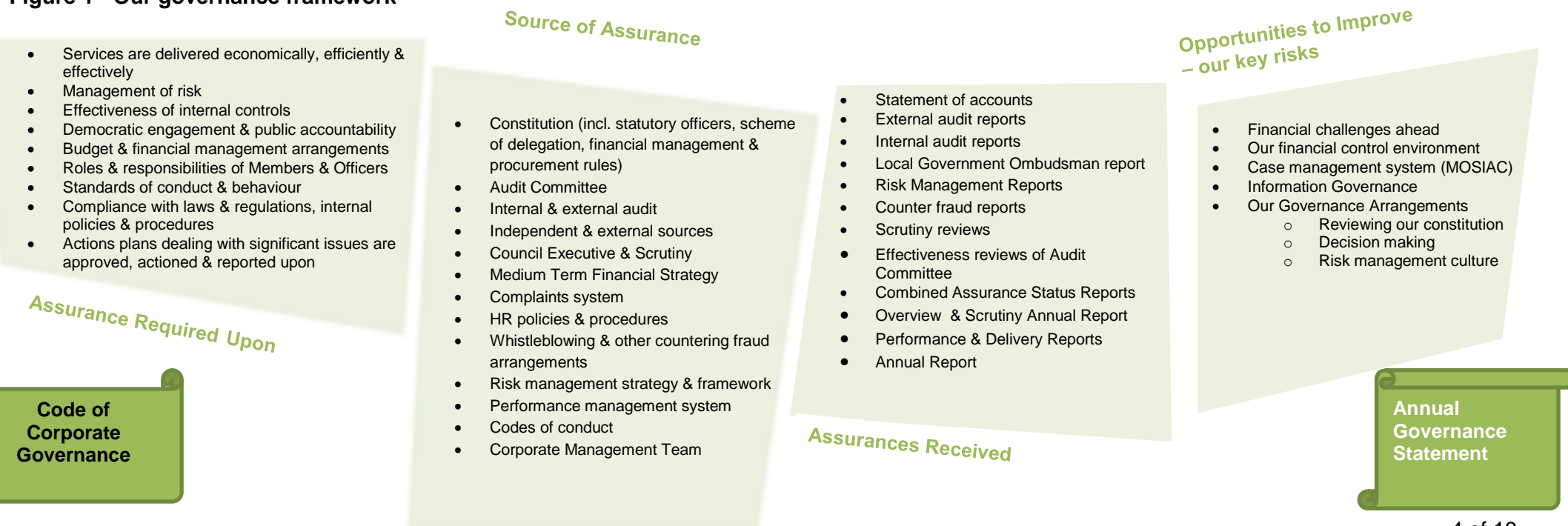
It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

Our Governance Framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Whose responsibility is it?

Having good governance arrangements is important to everyone involved in the Council. However, it is a key leadership responsibility of the Leader of the Council and of the Chief Executive. They are accountable for ensuring good governance in the Council.

Figure 1 - Our governance framework



The Council – How it works

The Council is made up of 77 Councillors and operates a Leader and Executive model of decision making.

All 77 Councillors meet at full Council to agree the budget and policy framework. Ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework.

The remaining 67 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

The conduct of Council's business is defined by formal procedures and rules – known as the Constitution. This explains the roles and remits of all committees and the delegation arrangements that are in place. It also contains the Budget and Policy Framework, finance and other procedure rules and the Codes of Conduct for Members and Employees.

Council elections were held on the 2nd May 2013. This resulted in a change in the ruling political group on the Council, which is now the Lincolnshire Administration – a coalition of Conservatives, Liberal Democrats and Independents.

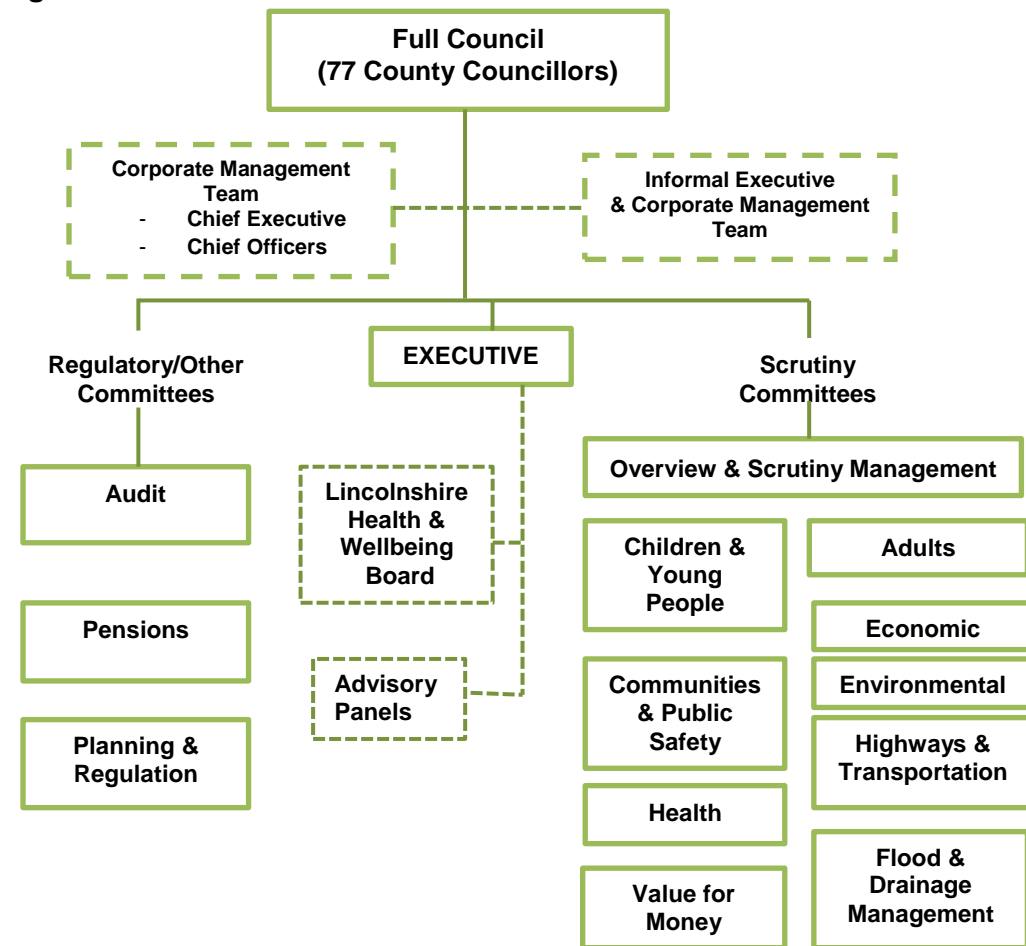
In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

With substantial funding cuts and cost pressures to absorb we undertook a fundamental budget review – including a widespread public consultation. This helped us identify our overriding priorities, particularly services which keep individuals and communities secure. We deliberately set a one year budget to enable us to respond to changes following the general election. We have identified £65m towards our reduced budget target of £130m through better ways of doing things and being more efficient in how we operate. We still a way to go and some difficult decisions to make. The risk of service failure will increase in a lower funded environment. Risk will

be a key driver in determining future budget reductions. Having a strong governance framework during this period will be vital to our success.

Having far closer co-operation with health partners and community groups will play a key part in how we run our business. Collaborative governance and accountability arrangements will need to be fully developed – balancing accountability for successful delivery of outcomes with proportionate and pragmatic approaches based on acceptable levels of risk and affordability.

Figure 2 – Council Committee Structure



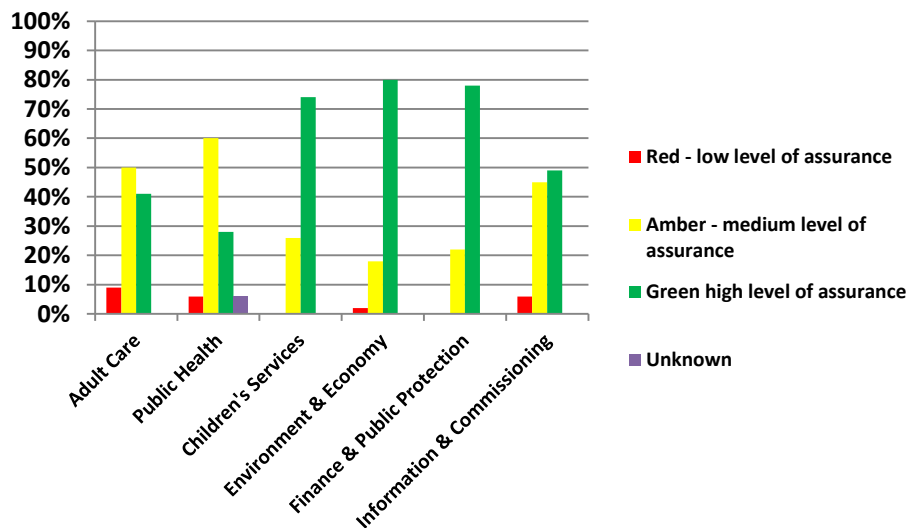
How do we know our arrangements are working?

There are a number of ways we assess if our governance arrangements are working.

Our managers have the day to day responsibility for managing and controlling services - they are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

A Combined Assurance Status report is produced by each Director on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee. **Figure 3** shows the current assurance levels for each Executive Director – it gives a positive assurance picture for the Council. This is likely to be the last year where the Council will be able to give this level of positive assurance. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions.

Figure 3 – Overall Assurance Levels 2015



We communicate the vision and purpose of the authority to the public by setting out our objectives and priorities for the year within our [Business Plan](#).

We make sure the public receive high quality services by measuring our success and publicly reporting our overall financial position in our [Statement of Accounts](#).

We publish an [Annual Report](#) that highlights some real achievements in services provided to Lincolnshire residents, summarises how we spent our budget and shows what efficiency savings we have made. The Leader's [Statement](#) at the Councils Annual General Meeting on the 15th May 2015 also gives an account of the achievements of the Council during the year.

If for any reason someone feels that the Council has failed to do something that should have been done or has done something badly or feel that they have been treated unfairly we have a [Complaints Policy](#) to proactively deal with complaints and learn from our mistakes.

From time to time the council makes decisions that others want to challenge. Apart from our own complaints mechanisms, people who are dissatisfied after that process may take a complaint to the Local Government Ombudsman.

There is one other route for challenge, that of judicial review. This is a legal challenge on the processes that we have followed or allegedly with which we have not complied. The Council has been subject to a judicial review around the decision on the future of the Library Service. The Audit Committee considered the outcome of the judicial review and how the Council can improve its governance arrangements at its January 2015 meeting.

Role of Monitoring Officer

The Executive Director – Environment and Economy is the designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution](#).

The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by members and co-opted members of the authority. The Council has adopted a Code of conduct and arrangements by which the Monitoring Officer will deal with complaint that Members may have failed to comply with the requirements of that Code.

In 2014/15 the Monitoring Officer dealt with a number of informal and formal complaints that councillors had allegedly breached the Code of Conduct. In most cases he found that the complaint did not fall within the Code of Conduct scheme and were largely matters of perceived harassment and interpersonal relationships between councillors, which are matters for the relevant Group Leader to resolve. No investigation reports were submitted to a Standards Panel of the Audit Committee for consideration.

The Monitoring Officer provided an [Annual Report](#) to the Council on how he discharged his duties during the year on the 15th May 2015. It gave assurances that:

- the Council acted and operated within the law
- that appropriate arrangements in place and operated effectively under the Regulation of Investigatory Powers Act and the Council's Whistleblowing policy.
- effective officer and member register of interest process in place
- action taken arising from the published findings by the Local Government Ombudsman

Effective Scrutiny and Review

Our [Overview and Scrutiny](#) Management Committee exists to review and scrutinise any decision made by the Executive, Executive Councillor or key decision made by an officer. It examines the County Council's overall performance and advises our Overview and Scrutiny Committees of any areas of performance requiring detailed consideration.

Each year an [Overview and Scrutiny Annual Report](#) is produced which shows the activities undertaken by the 10 Committees and how they have contributed to the delivery of agreed priorities and outcomes.

Managing our Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This will put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are. Our Strategic Risk Register is regularly reviewed and more details can be found in our [Risk Management Strategy](#)

Our strategic risk management team supports management to help create an environment of 'no surprises'. An Internal Audit Review identified some opportunities to improve risk information around key decisions, projects and the level of risk the Council is prepared to take across its different business units.

For more information go to: [Risk Management Strategy](#)

Tackling Fraud Locally

We are dedicated to promoting a strong culture to prevent and detect fraud. This is supported by our [Counter Fraud Policy](#) and our [Whistleblowing Policy](#).

Our response to Central Government's expectations for tackling fraud and corruption is reflected in the Counter Fraud Policy and annual work plan.

Progress and delivery of our counter fraud work plan is monitored through our Audit Committee with an Annual Report produced to provide information on the overall effectiveness of the Council's Counter Fraud arrangements.

The Council secured £200,000 funding from the Department of Communities and Local Government to help create a Lincolnshire Counter Fraud Partnership – working with Lincolnshire Districts to tackle corporate fraud over a 2 year period.

Chief Financial Officer

The Council has designated the Executive Director – Finance and Public Protection as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the Financial Strategy of the Council.

They are a member of the Council's Management Board and have a key responsibility to ensure that the Council controls and manages its money well. They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.

Our Audit Committee

The Audit Committee is a vital group that oversees and promotes good governance, ensures accountability and reviews the way things are done. The Audit Committee provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

Our External Auditors attend Audit Committee meetings. At least once a year a private meeting is held with them to help provide the Audit Committee with independent insight on key issues facing the Council and how well its governance arrangements are working.

Our Internal Audit team is one of the Audit Committee's key independent assurance providers.

We have a non-elected member on the Committee. The ability of an independent member to offer different perspectives and constructive suggestions will improve the way we work. For more information go to: [Audit Committee Records](#)

Internal Audit

Internal Audit provides independent assurance designed to add value and improve how the Council operates. It helps the Council achieve its priorities and objectives by bringing a systematic and disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done.

We undertake an annual review of the effectiveness of our Internal Audit service ensuring it conforms to the UK Public Sector Internal Audit Standards including CIPFA's advisory note on the standards and their statement on the role of the Head of Internal Audit in public service organisations.

Our [Internal Audit Charter](#) sets out Internal Audits role and remit.

Each year the Head of Internal Audit (Audit and Risk Manager) provides an independent opinion on the effectiveness of the Council's governance, risk and control environment. This helps inform the Annual Governance Statement and is reported to the Audit Committee. For more information go to: [Audit Committee Records](#)

External Audit

The Council's financial statements and annual governance statement are an important way we account for our stewardship of Public funds.

KPMG, our External Auditors, audit our financial statements and provide an opinion on these.

They also assess how well we manage our resources and deliver value for money to the people of Lincolnshire.

Governance Issues

Whilst we are generally satisfied with the effectiveness of our governance framework and assurance arrangements our review identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
Financial Challenges Ahead			
<p>Local government will continue to face a reduction in its mainstream grant funding from central government for at least the next 3 financial years (ie. until 2018/19) given the new government's commitment to balancing the public finances.</p> <p>Recent modelling work has identified a funding gap of £131m over the 4 year period commencing April 2015. The Fundamental Budget Review exercise in 2014 identified measures to deliver £65m of that requirement. The financial challenge going forward is to find the remaining £66m whilst maintaining services in line with Council priorities and statutory requirements.</p> <p>At the time of writing a Budget Statement is scheduled for early July 2015 with an expectation that a spending review will report in autumn 2015 setting public spending targets for a number of years from April 2016. These events will require the Council to review its medium term financial plans and underlying assumptions.</p>	<p>Executive Director Finance and Public Protection</p>	<p>A financial challenge exercise is underway with the Executive working collectively in collaboration with the Corporate Management Team.</p> <p>There are a number of strands to this work but a key feature of it is the identification of the basic service offer for activities across all commissioning strategies. The basic service would encompass both statutory requirements and other essential aspects of service provision.</p> <p>Other strands relate to lobbying for better funding and greater funding flexibility as well as exploring the appetite for alternative administrative governance models within the county area where this will lead to material savings.</p>	<p>For agreement at the February 2016 County Council meeting</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
Financial Control Environment			
<p>A new integrated suite of financial and HR IT systems (Agresso) was introduced on 1st April 2015. This included significant changes to underlying business processes and coincided with the start of a new support service contract with Serco who will deliver the majority of the processing activity in these areas going forward.</p> <p>The transition to these new arrangements has, on a temporary basis, materially weakened the internal control regime around the business systems impacted by the changes. Whilst this is clearly disappointing and a cause for some concern, the situation is not unusual when change of this scale and nature is undertaken. Historically the Council experienced similar issues in 2000 when it implemented the predecessor to Agresso (ie. SAP).</p> <p>Internal Audit colleagues completed a review of the impact on the internal control regime within the authority as a consequence of the introduction of Agresso. This was considered at the Audit Committee meeting on 21st September and provides more detail on both weaknesses identified and proposed action by the way of mitigation of those control weaknesses.</p>	Executive Director Finance and Public Protection	<p>An Agresso remediation plan has been developed and resourced with the project completion deadline initially extended from end July to end September 2015. It is now considered unlikely that the remediation work will be fully complete by the end of September and therefore a revised date of end December is now considered more realistic.</p> <p>The plan is based on partnership working between Serco, Unit 4 (the Agresso supplier) and the County Council and is of a comprehensive nature and, when complete, will provide the basis for re-establishing a sound internal control regime throughout the Council.</p> <p>The LCC accountancy team are undertaking a wide range of activity to assist Serco in rectifying a range of errors that have arisen with the operation of the system to date. These relate primarily to accounts payable, payroll and related costing issues. This activity is resource demanding and will continue over the short term until an acceptable level of</p>	<p>End December 2015 for completion of the recovery plan.</p> <p>End March at the very latest to return to a business as usual environment for all financial systems and budget management including the testing of year end routines.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
		<p>confidence in the integrity of the system is obtained. Consequently, priority in terms of routine activity is being given to work to assist in ensuring the integrity of the financial statements of the Council for the current year. This means that more routine management accounting activity, including within year budget monitoring work in conjunction with budget holders, has had to be scaled back. In addition there will be a conscious delay in implementing the restructuring of the finance team which would have reduced resources available for finance work from November 2015.</p> <p>Internal audit have been very proactive in supporting and advising the project to date and this will continue during the remediation phase. Additional internal audit detailed testing activity is also scheduled for the current year. Both these aspects will assist in providing assurance that normality has returned to the internal control regime.</p>	

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
Case Management System (Mosaic)			
<p>Successful implementation of Mosaic to replace several current systems to support a range of case management activity across Adults, Children's and Public Health, providing a single integrated system for managing service provision to our most vulnerable citizens.</p> <p>Provision of citizen, provider and practitioner portals.</p>	Chief Information and Commissioning Officer	The project was due to go live in April 2015 but testing of the complex data migration showed this was not ready. Go live was delayed to allow this critical area to be satisfactorily tested.	<p>Summer 2015</p> <p>Winter 2015/16</p>
Information Governance			
The Council has been managing a number of information security breaches and improving its security policies, practise and training. The Information Commissioner Officer (ICO) is expected to audit these areas of Council activity later this year.	Chief Information and Commissioning Officer	<p>Implemented agreed management actions arising from Internal Audit.</p> <p>A plan of improvements is being undertaken.</p>	<p>June 2015</p> <p>The date of the ICO visit has not yet been confirmed.</p>
Governance Arrangements			
<p>Libraries</p> <p>The Audit Committee considered a comprehensive report prepared by Internal Audit (Audit Lincolnshire) into the decisions that preceded the Judicial Review. It also considered a response from the Corporate Management Team, which included an Action Plan.</p>	Monitoring Officer (Executive Director Environment and Economy)	<p>Report to Audit Committee: 26 January 2015.</p> <p>Implement Action Plan</p>	CMB Action Plan to be reviewed by Audit Committee in Autumn.
<p>Constitution</p> <p>A working party of members considered each part of the Constitution over the course of the year. The Council adopted changes over a number of meetings, with the final amendments resulting from the review being adopted at the December Council Meeting.</p> <p>A member task and finish group has also been set up to support and independent review of the Council's scrutiny arrangements.</p>	Monitoring Officer (Executive Director Environment and Economy)	<p>Council meeting agreed changes at its meetings in September and December.</p> <p>Review effectiveness of the scrutiny arrangements of the Council</p>	<p>December 2014</p> <p>Current – due to report to Council in September 2015</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2014/15	Implementation Date
<p>Risk Culture We need to reliably manage our risks to meet our strategic objectives and agreed priorities. This will inevitably mean that both members and officers will need to be comfortable in taking high risk decisions that may lead to some acceptance of service delivery failure and a deterioration of the Council's control environment on low or medium priority activities. A high degree of pragmatism needs to be developed balancing cost, affordability, quality and risk.</p> <p>The Council will need to ensure that its risk management processes work well – with a risk culture that promotes:</p> <ul style="list-style-type: none"> • taking the right risks in an informed manner • having clear accountability for and ownership of specific risks and risk areas • having transparent and timely risk information flowing up and down the organisation with bad news rapidly communicated without the fear of blame • Implement and encourage risk reporting – actively seeking to learn from mistakes and near misses and reporting on risk triggers / events. 	<p>Executive Director Finance and Public Protection</p>	<p>Update the Council's Risk Management Strategy and Toolkit to reflect the Risk Culture</p> <p>Raise awareness of risk culture with members and officers</p> <p>Update the Strategic Risk Register Executive Directors to develop / update Service / Commissioning Strategy risk registers.</p>	<p>September 2015</p> <p>September – December 2015</p> <p>November 2015 September – November 2015</p>

Conclusion

We are satisfied that plans are in place that will address the areas identified above and will monitor their implementation and operation as part of performance management. The Audit Committee will help provide us with independent assurance during the year.

Signed

..... Date/...../.....
**Director – Finance &
 Public Protection**

..... Date/...../.....
Chief Executive

..... Date/...../.....
Leader of the Council

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