

**DRAFT**

**Lincolnshire County Council**

**Annual Governance Statement 2019**



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## Executive summary

The Leader of the Council (Cllr Martin Hill OBE) and Interim Chief Executive (Debbie Barnes) both recognise the importance of having good management, effective processes and other appropriate controls in place to have a well-run Council - delivering services to the communities of Lincolnshire.

*Insert comments by CEX*

## Significant governance issues

Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. These generally work well but we acknowledge that there are a number of areas for improvement or where closer governance oversight is needed. These are:

Key improvement area	Lead officer	To be delivered by
IT Governance	Executive Director - Commercial	31 <sup>st</sup> March 2020
Fairer Funding – Financial Sustainability	Executive Director - Resources	On-going through to late 2019

## Signed on behalf of Lincolnshire County Council

Councillor Martin Hill OBE

*Leader of the Council*

.....

Debbie Barnes

*Interim Chief Executive*

.....

Andrew Crookham

*Executive Director – Resources*

.....

## What is corporate governance?

Good governance can mean different things to people – in the public sector it means:

*"Achieving the intended outcomes while acting in the public interest at all times"*

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

It is crucial to the Council's success that its governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance – this cannot be achieved by rules and procedures alone. The Council is expected to have a culture that places the public and integrity at the heart of its business.

A governance review of culture and values showed that the Council's core values<sup>1</sup> were at the heart of what the Council does – being open, transparent and inclusive.

On the 25th March 2019 the Audit Committee considered and challenged the content and the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions.

The final statement was formally approved by the Audit Committee on the 17th June 2019 - where it was recommended for signing by the Leader of the Council, Interim Chief Executive and the Executive Director – Resources.

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<sup>1</sup> Council's values – Professional, Resourceful, Respectful, Reflective

## Principles of corporate governance

 <p><b>Principle A: Integrity and values</b></p> <ul style="list-style-type: none"> <li>• Staying true to our strong ethical values and standards of conduct</li> <li>• Respecting the rule of law</li> <li>• Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities</li> <li>• Ensuring fraud, corruption and abuse of position are dealt with effectively</li> <li>• Ensuring a safe environment to raise concerns and learning from our mistakes</li> </ul>	 <p><b>Principle D: Making a difference</b></p> <ul style="list-style-type: none"> <li>• Having a clear vision and strategy setting out our intended outcome for citizens and service users</li> </ul>
 <p><b>Principle B: Openness and engagement</b></p> <ul style="list-style-type: none"> <li>• Keeping relevant information open to the public and continuing their involvement</li> <li>• Consultation feedback from the public is used to support service and budget decisions</li> <li>• Providing clear rationale for decision making – being explicit about risk, impact and benefits.</li> <li>• Having effective scrutiny to constructively challenge what we do and the decisions made</li> </ul>	 <p><b>Principle E: Capability</b></p> <p>Clear roles and responsibilities for council leadership            Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles.            Evaluating councillor and officers' performance            Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning</p>
 <p><b>Principle C: Working together</b></p> <ul style="list-style-type: none"> <li>• Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money</li> <li>• Being clear about expectations - working effectively together within the resources available</li> <li>• Developing constructive relationships with stakeholders</li> <li>• Having strong priority planning and performance management processes in place</li> <li>• Taking an active and planned approach to consult with the public</li> <li>• Regularly consult with employees and their representatives</li> </ul>	 <p><b>Principle F: Managing risk and performance</b></p> <ul style="list-style-type: none"> <li>• Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units</li> <li>• Having well developed assurance arrangements in place – including any commercial activities</li> <li>• Having an effective Audit Committee</li> <li>• Effective counter fraud arrangements in place</li> </ul>
 <p><b>Principle C: Working together</b></p> <ul style="list-style-type: none"> <li>• Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money</li> <li>• Being clear about expectations - working effectively together within the resources available</li> <li>• Developing constructive relationships with stakeholders</li> <li>• Having strong priority planning and performance management processes in place</li> <li>• Taking an active and planned approach to consult with the public</li> <li>• Regularly consult with employees and their representatives</li> </ul>	 <p><b>Principle G: Transparency and accountability</b></p> <ul style="list-style-type: none"> <li>• Having rigorous and transparent decision making processes in place</li> <li>• Maintaining an effective scrutiny process</li> <li>• Publishing up to date and good quality information on our activities and decisions.</li> <li>• Maintaining an effective internal and external audit function</li> </ul>

## Looking back at 2017/18

A number of improvement actions were identified as part of the 2017/18 Annual Governance Statement.

The table below shows progress with these actions:

Key improvement area	To be delivered by (original target date)	Progress
IT governance	31 <sup>st</sup> March 2019	Behind plan*
Fairer Funding -financial sustainability	Ongoing through to late 2019	On track – carried forward
Market supply – adult social care	On-going through to 2020	On track – check with CMB if should be c/f
Collaborative working - governance arrangements	31 <sup>st</sup> December 2018	Behind plan – in draft

## Areas behind plan

**IT governance** – New IMT Governance Board in place and improvements have been made in recent months around refresh of IT equipment. Progress has been slower than expected and this is a key priority area for 2019. To be updated by CEX and Executive Director – Commercial.

**Collaborative working - governance arrangements** – the financial procedures are currently being updated (in draft) with completion / sign off planned for the end of June 2019. It includes procedures around commercial activities, external funding as well as partnerships.

## How the Council works

The Annual Governance Statement covers the 2018/19 financial year. The information below relates to this period.

**The Council is made up of 70 councillors and operates a 'Leader and Executive' model of decision making.**

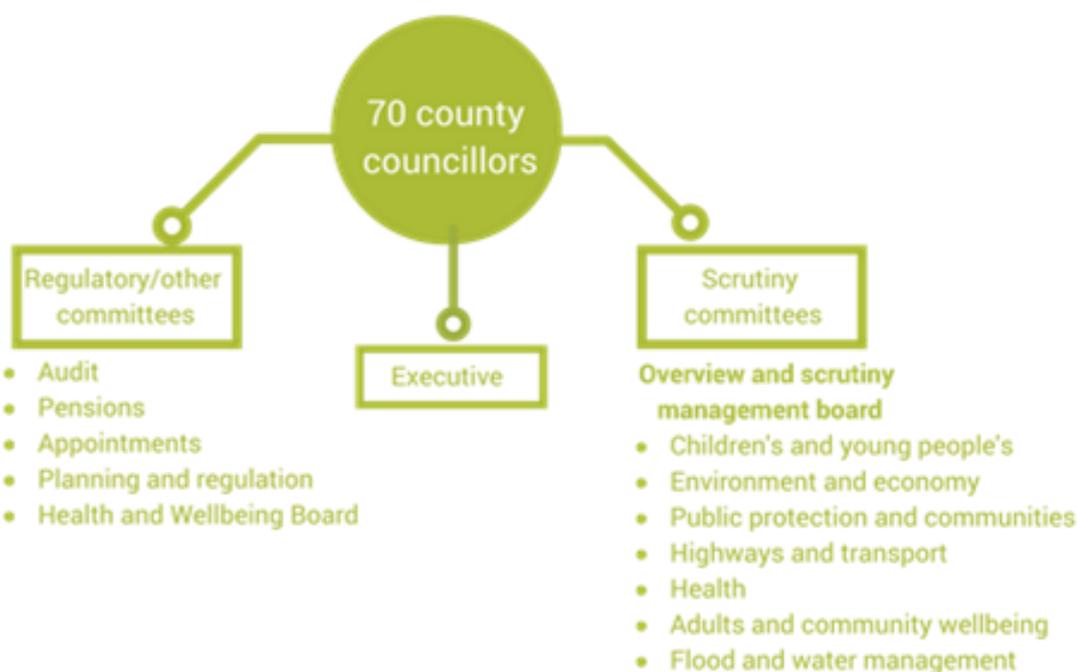
- All 70 councillors meet to agree the budget and policy framework.

**The Executive makes the decisions that deliver the budget and policy framework of the council and consists of a minimum of 2 members and a maximum of 10.**

- In 2017/18 the Leader and 7 councillors sat on the Executive.

**The remaining 62 councillors form scrutiny committees.**

- These committees develop policy and scrutinise decisions made by the Executive officers – holding them to account.
- A number of these committees deal with regulatory issues.



## Outcomes and value for money

### Our plan and performance dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:

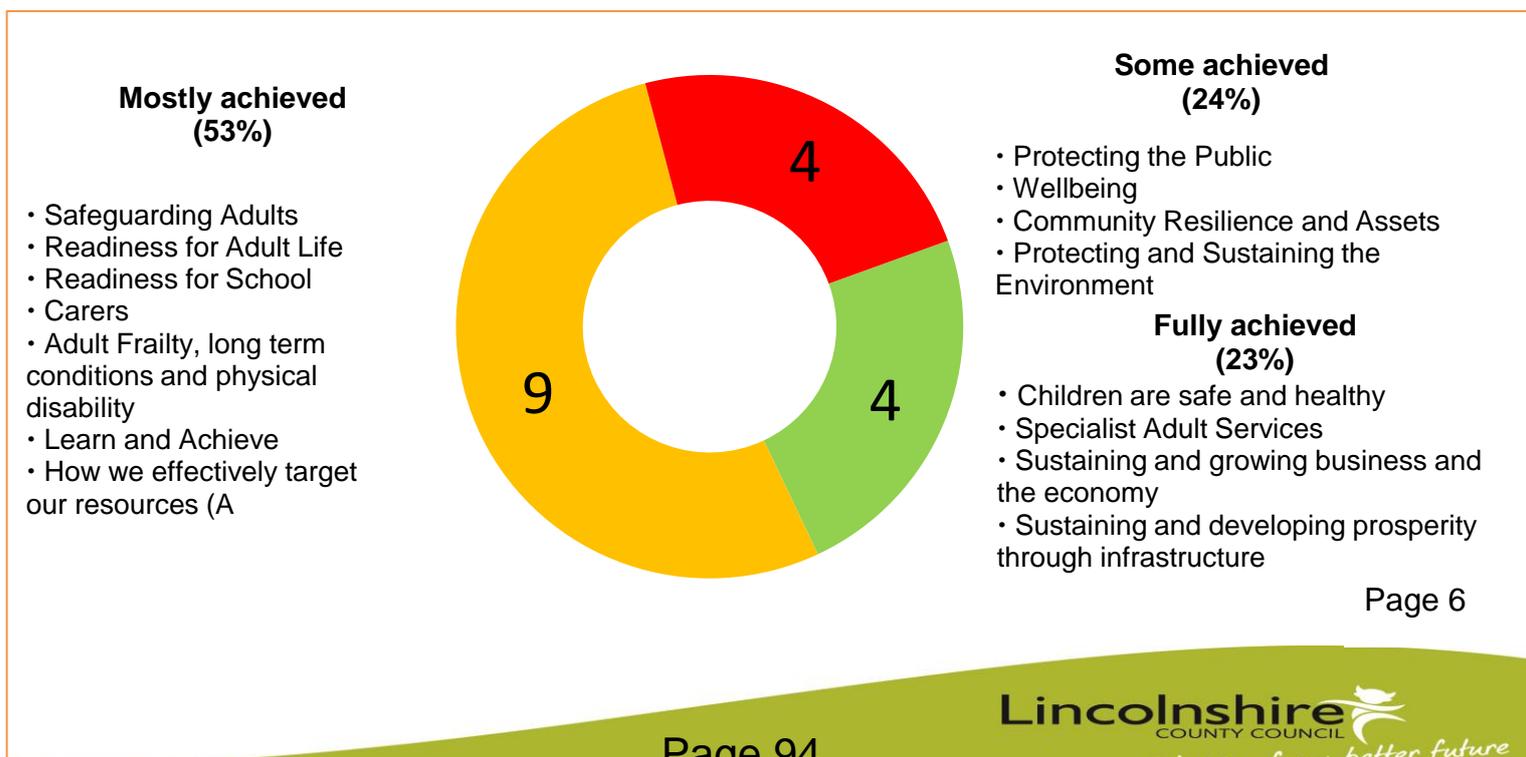


A link to the Performance Dashboard can be found [here](#).

### Performance summary

We achieved the majority of the targets we set out in our Council Business Plan 2018/19. – will need updating for Q4 currently Q3 and may change diagram.

The performance of the 17 commissioning strategies is shown below.



## Value for money

The external auditors of the council are expected to issue an unqualified Value for Money judgement for 2018/19.

**The Council remains generally in a sound financial position relative to other councils over the short term.** This is because of considerable savings made in the earlier part of this decade coupled with a recent trend of underspending its annual budget resulting in either limited or no calls on reserves to balance the budget. In addition confidential information made available to senior finance officers relating to the provisional financial resilience index being developed by CIPFA provides evidence to support this statement.

The Council has had a financial strategy for a number of years now which has combined:

- service efficiency savings
- modest service reductions
- prudent use of reserves

Continuing to follow this strategy, **the Council has set a one year budget up to March 2020**, and this would leave the council with at least enough in reserves to cover an underlying deficit at April 2020 for a minimum of at least another two years. The 2019/20 budget is effectively a balanced one when account is taken of around £6m of business rate collection fund surplus which is being placed in a new reserve. The 2019/20 position is a considerable improvement over that expected for 2019/20 a year ago when a provisional budget was set.

As in previous years, **there has been no general increase in public dissatisfaction across the board** with the standard of services delivered. Services which have received external inspections over the last year in Children's Services and Fire & Rescue have received strong ratings.

***The 2019/20 budget does not include any major service reductions.***

Public feedback has been taken into account in reinstating a number of highways related services previously the subject of budget reductions (eg. verge cutting, gully emptying). In a similar vein core funding to Citizen Advice Bureau's has been reinstated.

**The implementation of the Council's first capital strategy from April 2019** will bring added transparency and rigour to the processes for approving, assessing the affordability of, and monitoring of the capital programme.

**The Council is constantly monitoring its long term financial position** using a funding model which currently goes to March 2022. The model predicts the budget shortfall for future years taking into account known cost pressures and planned

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savings. A major budget savings exercise will be undertaken during 2019 which will look to identify savings options in the revenue budget, including income generation options, to be applied as and when required in post April 2020 budgets. At the same time there will be a comprehensive review of the reserves of the Council to seek to repatriate funding from existing ring-fenced reserves which may not be needed in future. The future capital programme will also be developed in line with the provisions of the new capital strategy.

During the 2019/20 financial year, the Council will also be considering the impacts of:

- the outcome of the Government's spending review
- the partial localisation of business rates from April 2020
- the outcomes of the Fair Funding Review being undertaken by Government
- the Adult Care White Paper
- full publication of CIPFA's financial resilience index

The Council's approach to, and governance of, commercial activities will be developed further during 2019 with the introduction of a Corporate Management Board level post of Director of Commercial Services from April 2019.

## Roles and Responsibilities

### Head of Internal Audit

The head of internal audit is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the Head of Internal Audit is included in this statement.

They are able to operate effectively and perform their core duties - complying with the CIPFA Statement on the role of the Head of Internal Audit.

### 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 Monitoring Officer provided an [Annual Report](#) to the Council on how he discharged his duties during the year on the 17<sup>th</sup> May 2019 – check with MO.

It gave assurances that: Update for 2019

### 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.

## **Council managers**

Our managers have the day to day responsibility for services, and 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.

## **Corporate Management Board**

Our corporate management board oversee the review, the Council's governance arrangements and the development of the Annual Governance Statement. There is also a corporate governance group of officers and councillors, whose role is to support the council to ensure that it complies with the standards of good governance.

**The Leader of the Council, interim chief executive and executive director for finance and public protection have overseen the review of our governance, and have signed the Annual Governance Statement.**

## Effective Scrutiny and Review

### Overview and Scrutiny Management Board

The [Overview and Scrutiny Management Board](#) exists to review and scrutinise any decision made by the executive, executive councillor or key decision made by an officer.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Each year an [overview and scrutiny annual report](#) is produced showing the activities undertaken.

### Audit Committee

The council's audit committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It 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 and make 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.

[Find out more about the audit committee here.](#)

### Full Council

The Annual Governance Statement is brought to the attention of the full Council

### External Audit

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

Mazars, 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.

## How we carry out assurance

A combined assurance status report is produced by each executive director.

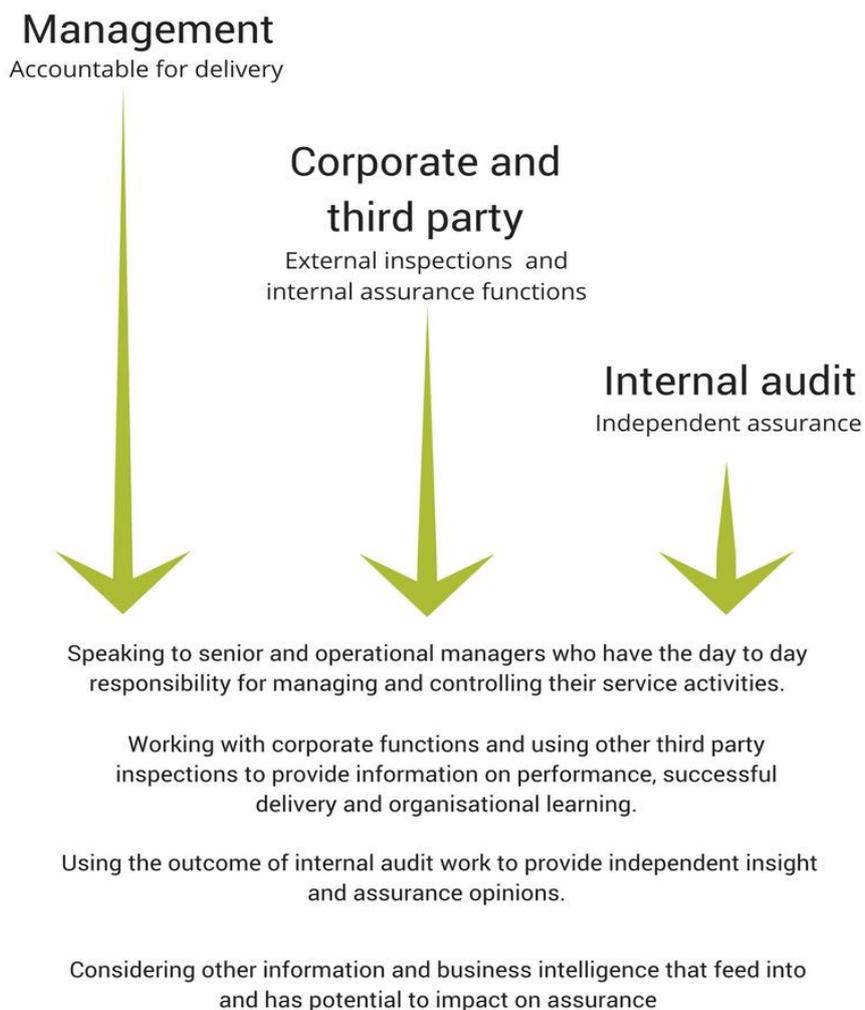
It looks at the level of confidence the council can have in each area for:

- service delivery arrangements
- management of risks
- operation of controls
- performance

These reports were reviewed by the Audit Committee in January 2019.

The council adopts the 'three lines of assurance' methodology, as seen below.

### How do we assure ourselves about how the council is run?

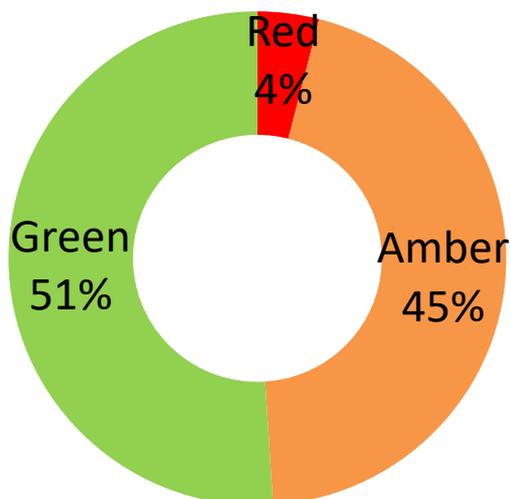


## The Council's assurance levels

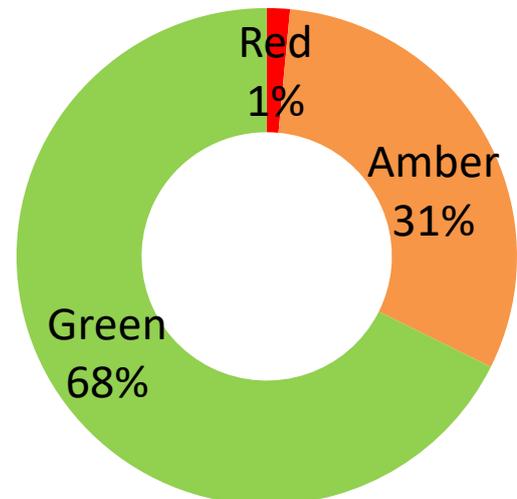
Overall there is a positive assurance picture for the council but one that reflects the complex environment in which we operate.

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. (Obtained statement from CMB)

Overall assurance 2017/18



Overall assurance 2018/19



### Red

High impact on resources, significant costs likely, high impact on service delivery

### Amber

Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery

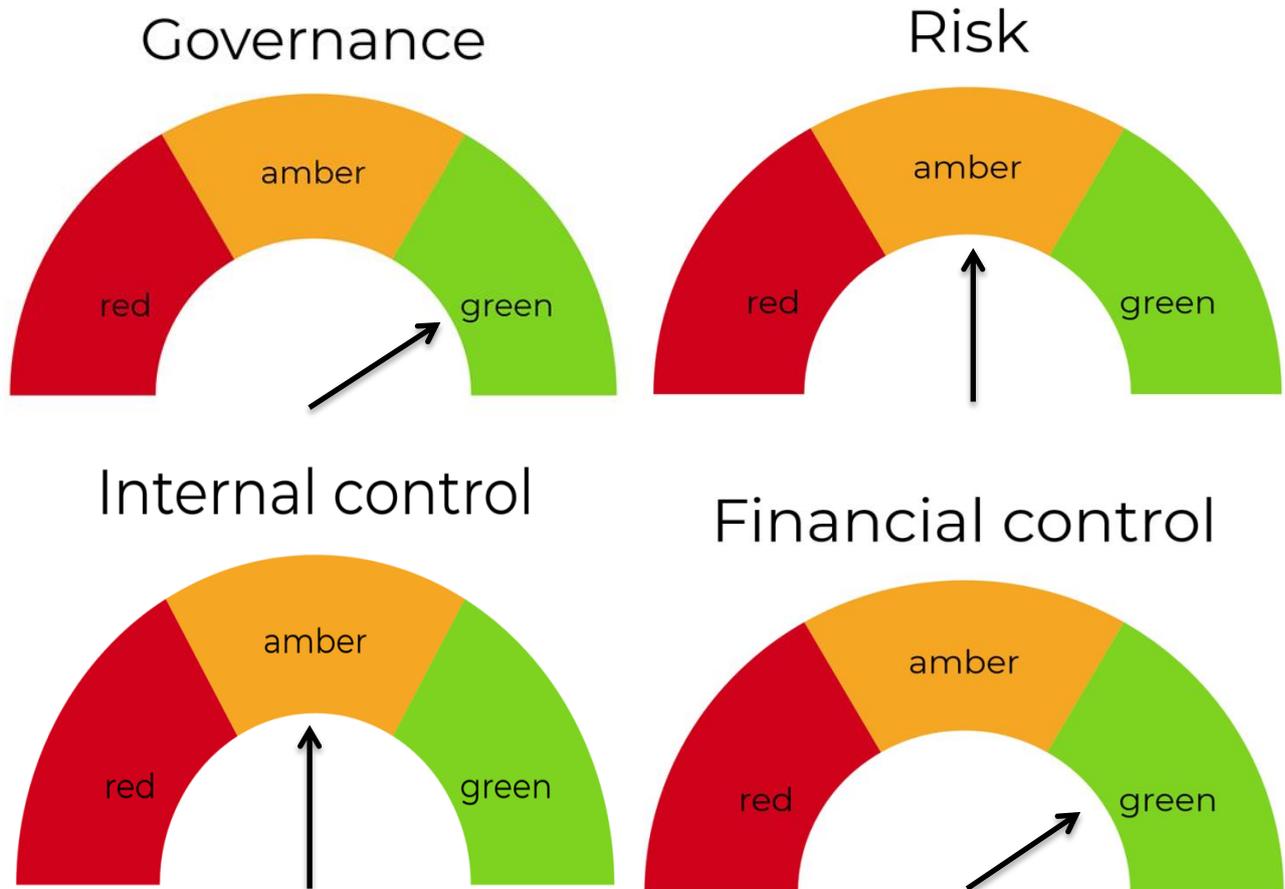
### Green

Monitor and be aware, activity to mitigate risk within existing service delivery plans

## Head of internal audit opinion

The opinion of the head of internal audit is given for 2018/19 on four areas of Council assurance:

- **governance** (how the council is run)
- **risk** (the risks to the council's operations)
- **internal controls** (the processes in place to ensure compliance)
- **financial controls** (the processes in place to ensure we manage our finances appropriately)



Initial assessment – will update in May 2019.

The Council is **performing well** for governance and financial control – some improvements may be required to frameworks or to manage medium risks across the Council.

The Council is **performing adequately** for risk and internal control - some improvements may be required to manage a significant issue, a specific high risk, or medium risks across the Council.

Appendix 1 – Governance framework

## Where do we need assurance?

 Compliance

 Democratic engagement & public accountability

 Management of risk

 Financial management

 Members & Officers roles & responsibilities

 Standards of conduct & behaviour

 Action plan approved & reported on.

 Effectiveness of Internal controls

 Services delivered

## Where can / do we get assurance from?

 Constitution

 Audit committee, council executive & scrutiny

 Internal & external audit

 Independent & external sources

 Financial strategy

 Complaints system, counter fraud & whistle blowing

 HR policies & codes of conduct

 Risk management strategy & framework

 Performance management system

## Appendix 2 – Strategic risk register

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 put us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating actions	Risk rating	Level of assurance
Safeguarding children	Good and effective management arrangements in place with controls working effectively	Amber	Substantial
Safeguarding adults	Programme in place to develop and implement suitable assurance frameworks for commissioned services & personal budgets.	Amber	Limited
Good business continuity and resilience	Programme in place to review and test continuity and recovery plans	Amber	Substantial
Market Supply – Adequacy of market supply to meet eligible needs across a number of directorates within the Council	Strong relationships with providers & funding for residential care secured. Improved contract management.	Amber	Limited
Ability to deliver our programme of designated projects	To update	To update	To update
Funding and maintaining financial resilience	2019/2020 budget underway. Good financial management and monitoring.	Amber	Substantial
Ability to recruit and retain staff in high risk areas	Proactive work continuing in this area	Amber	Substantial
Ensuring contracts and markets (other than adult care) are fit for purpose	Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement/existing contracts	Amber	Limited

Cyber security	Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained	<b>Red</b>	<b>Limited</b>
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Key	Risk	Assurance
<b>Red</b>	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
<b>Amber</b>	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
<b>Green</b>	Monitor and be aware , activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk

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