
Annual Governance Statement - Draft

Page 55

2015/2016

Version 3 16.06.16

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Lincolnshire County Council in statistics

Lincolnshire has **731,500** residents comprising **306,971** households.

The number of residents aged 75 years and over is projected to double over the next 20 years to **139,000**.

The average annual house price, all types, is **£176,119**.

Lincolnshire has **87** exciting and varied venues licensed by LCC for civil marriage/partnership.

104,195 pupils are enrolled at **361** schools across Lincolnshire

Lincolnshire's secondary schools have outperformed the national rise in GCSE results. **56.1%** of Lincolnshire's pupils achieved 5A* - C grades.

The unemployment claimant rate as a percentage of the working age population is **1.5%**.

Lincoln's hire bike scheme launched in 2013 and **100** bikes are now available to rent from **19** docking stations across Lincoln.

320,000 passengers used CallConnect in 2015, a service designed to provide accessible transport for the most rural and isolated areas of the county. Adjusting for the difference in working days compared to 2014, this represents a **1.3%** increase in patronage.

200,000 people visited Lincoln Castle in the first 6 months after its £22 million refurbishment.

Lincoln Castle is now the only place in the world where an original **1215** Magna Carta and **1217** Charter of the Forest can be seen side by side, on permanent loan from Lincoln Cathedral.

49.6% of Lincolnshire's household waste is recycled. The remaining black bin waste which used to go to landfill is now processed at the Energy from Waste facility at North Hykeham and presents an opportunity to develop a District Energy Network to benefit local businesses and residents.

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Annual Governance Statement for Lincolnshire County Council 2015/16

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 xxxxxx the draft statement was agreed and signed off by the Corporate Management Team.

On the 18th July 2016 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 19th September 2016 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

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

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 is required by the Council to ensure it achieves its objectives and policy priorities in an effective and well managed way. It runs throughout the Council from decision making and scrutiny at the top to service delivery on the front line. It relies on good management, effective processes and other appropriate controls. The Governance Group within the Council has assessed that overall governance arrangements are working effectively. However, the Council has faced and continues to face a number of challenges, which include:

- The continued significant reductions in Government funding through to 2019/20, requiring a continued programme of efficiency savings and service reductions to balance the budget. This is requiring the Council to re-assess how it assesses and manages risks.
- The implementation of key IT systems including Agresso and Mosaic. Problems in the implementation of the former has weakened aspects of the financial control environment during 2015/16.
- The development of new areas of governance covering the devolution arrangements, including a potential combined authority with a mayor.

The Council will continue to monitor the operation of its governance arrangements and make appropriate adjustments, where and when required.

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.

Updated good practice guidance was published in April 2016 – we will benchmark our governance arrangements against these during 2016 – reporting the outcome in our Annual Governance Statement for 2016/17.

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

Source of Assurance

- Services are delivered economically, efficiently & effectively
- Management of risk
- Effectiveness of internal controls
- Democratic engagement & public accountability
- Budget & financial management arrangements
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Compliance with laws & regulations, internal policies & procedures
- Actions plans dealing with significant issues are approved, actioned & reported upon

Assurance Required Upon

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Audit Committee
- Internal & external audit
- Independent & external sources
- Council Executive & Scrutiny
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management strategy & framework
- Performance management system
- Codes of conduct
- Corporate Management Team

- Statement of accounts
- External audit reports
- Internal audit reports
- Local Government Ombudsman report
- Risk Management Reports
- Counter fraud reports
- Scrutiny reviews
- Effectiveness reviews of Audit Committee
- Combined Assurance Status Reports
- Overview & Scrutiny Annual Report
- Performance & Delivery Reports
- Annual Report

Assurances Received

Opportunities to Improve – our key risks

- Financial Challenges Ahead
- Financial Control Environment
- Case Management (MOSIAC)
- Information Management Team (SERCO)
- Establishing the Combined Authority
- Governance Arrangements – Risk Culture

Code of Corporate Governance

Annual Governance Statement

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. In 2015/16 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.

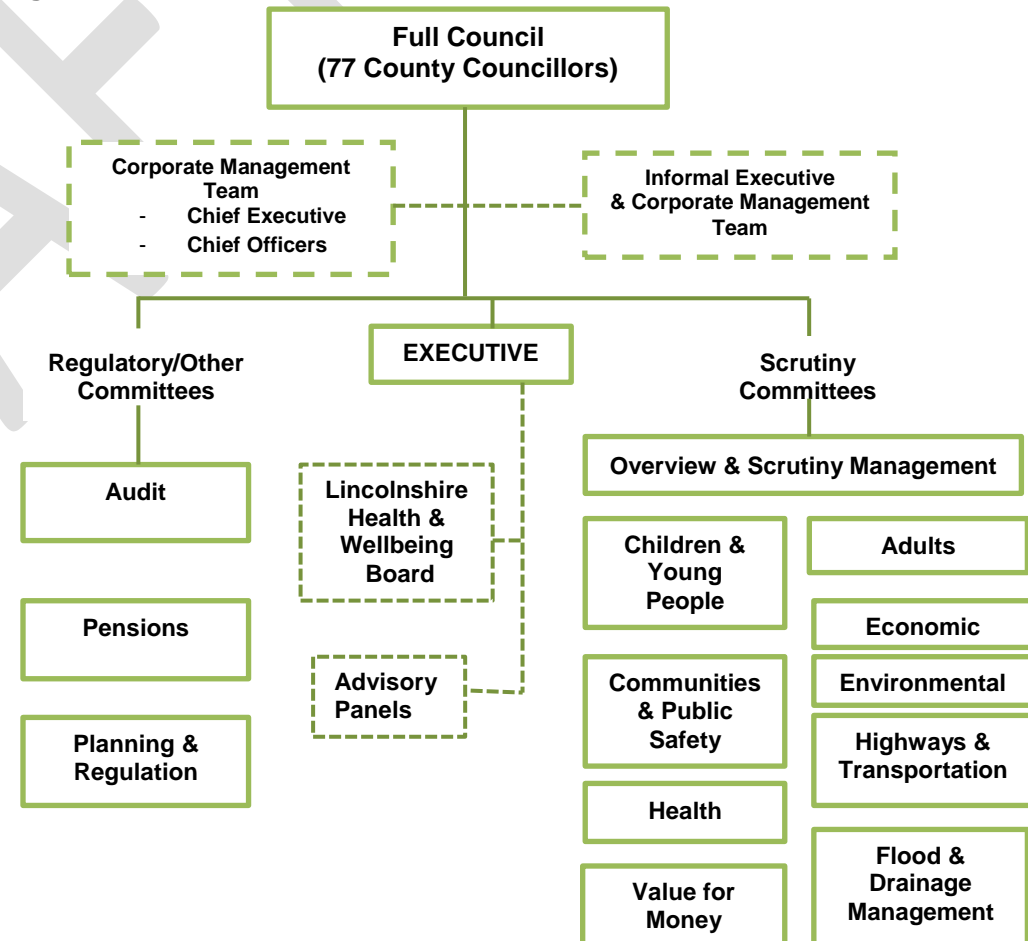
In times motivated by change we are committed to sharing as much information about our plans and programmes as possible. Meetings are therefore normally open to the public and we undertake extensive consultation on major changes to the way we propose to deliver our services.

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 are delivering £41m savings this year, with an estimated £78m in further savings required over the next three years. This will be 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



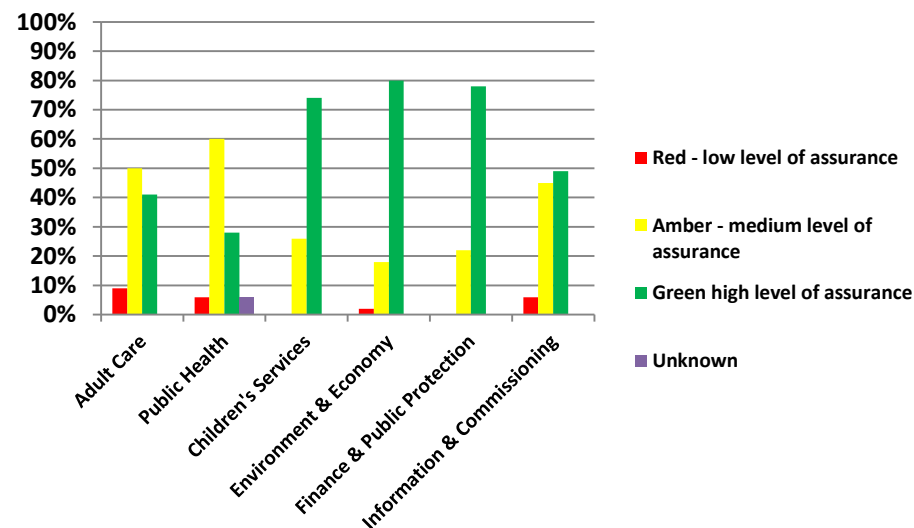
How do we know our arrangements are working?

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 [LCC 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](#).

The Leader's [Statement](#) at the Councils Annual General Meeting on the 20th May 2016 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 was challenged by a Claimant about the Council's Library service plans for a second time at a Judicial Review in July 2015. The Court considered the Claimant's arguments but these were dismissed by the Court.

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 Councillors' Code of Conduct and has a Local Scheme by which the Monitoring Officer deals with complaints that Members may have failed to comply with the requirements of that Code.

In 2015/16 the Monitoring Officer dealt with fewer informal and formal Code of Conduct complaints than in the previous year. In December 2014, the Council added the attribute of "Respect" to the 7 Principles for Standards in Public Life already contained within the Code. It is possible that this has had a positive influence in the way councillors have acted.

In most cases of complaint, the Monitoring Officer found that the complaint did not fall within the Code of Conduct scheme or were dealt with informally. One complaint required an Investigation and a report was submitted to a Standards Panel of the Audit Committee for consideration. The determination was that there had been a breach of the Code and it was referred to the relevant Group Leader for action.

The Monitoring Officer provided an [Annual Report](#) to the Council on how he discharged his duties during the year on the 20th May 2016. 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.

In early 2015 the Council commissioned an independent review on how well its scrutiny function worked. In December 2015 the Constitution was amended to transfer responsibility for scrutinising corporate performance and finance from the Value for Money Scrutiny Committee to the Overview and Scrutiny Management Committee. A number of other recommended improvements were made and accepted as part of the [Scrutiny Review](#)

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: [Assurance Lincolnshire's Risk Management Service](#)

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.

Tackling Fraud Locally (cont)

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. Results of this work have helped generate net savings of over £680k.

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 Meetings](#)

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 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. An external assessment is scheduled for September 2016.

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 Meetings](#)

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 – 2016/17	Implementation Date
Financial Challenges Ahead			
<p>Since I last reported there have been a number of key, national announcements – the Spending Review 2016, the Local Government Finance Settlement and the Chancellor's Budget. These confirmed significant, further reductions in public spending and Government financial support to the Council for the remainder of this Parliament.</p> <p>During 2014 and 2015 the Council undertook two significant reviews of its budgets and identified a number of options to significantly reduce budgets going forward. Because of the late settlement and other grant announcements the Council published just a one year budget (2016/17). This incorporated budget savings and also significantly draws on the Financial Volatility Reserve in 2016/17.</p> <p>Looking forward the Council has updated its 4 year financial model to take account expected funding levels, budget pressures and anticipated savings. At this stage it is estimated that in addition to those savings identified in the FBR and Financial Challenge work the Council will need to find an additional £78m in base budget savings over the 3 years 2017/18 to 2019/20, with the most significant pressures likely to fall in 2018/19.</p>	<p>Executive Director Finance and Public Protection</p>	<p>Ongoing monitoring of budgets and plans to ensure the savings options previously agreed are delivered.</p> <p>The Corporate Management Board will be doing further work with the Executive to identify further savings options for 2017/18 and an indication of options for the following two years. A new Council will be elected in May 2017 and may wish to review options for the following two years.</p> <p>The Council will need to consider submitting a 4 year efficiency plan to</p>	<p>Ongoing</p> <p>It is expected that budget options will be available for wider discussion and scrutiny in the Council in the early autumn and that will work will feed into the wider consultation and budget processes leading to the final budget decisions in February 2017.</p> <p>This will need to be considered at the full</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
<p>Within the final settlement announced in February 2016 the Government also invited councils to submit a 4 year 'efficiency plan' by 14th October 2016 in order to secure DCLG grant funding for the financial years 2017/18 to 2019/20.</p>		<p>help secure Government funding in future years.</p>	<p>Council meeting in September 2016.</p>
Financial Control Environment			
<p>The control environment has been significantly impacted during 2015/16 by the implementation of the Agresso system (HR and Financials), new business processes involved and the change to a new contractor (Serco) in April 2015. Internal controls were weakened during this period and it has taken much longer than anticipated for Serco to solve problems and implement improvements. Whilst some key improvements have been made (especially around creditor payments) there are still a number of both historical and current issues outstanding with respect to HR / payroll. This has also had a knock on impact in terms of postings to the general ledger and the availability of financial management information for the majority of 2015/16. The Finance Department has worked with budget holders to provide monitoring information and outturn estimates through alternative means. At the time of writing (June 2016) the majority of the year end activity has been completed. The one issue still being worked on relates to refining the detailed payroll entries in the school accounts. This should be complete by the end of July. It is envisaged that External Audit of the financial statements will start as scheduled on the 1st August 2016.</p>	<p>Executive Director Finance and Public Protection</p>	<p>Controls and monitoring mechanisms in respect of the Serco contract. This has been enhanced over the last 6 months both through a Member / Officer Recovery Board to monitor progress with Serco and ongoing dialogue between Senior Council Officers and Serco Board Members.</p> <p>Follow up of internal audit review of payroll. A separate independent payroll audit by PWC has also been commissioned by Serco and this is due to report in May 2016. An action plan to resolve issues identified will need to be agreed subsequently.</p> <p>Regular dialogue and liaison with External Auditors on close down and year end audit</p>	<p>Ongoing until all issues resolved.</p> <p>Complete any improvements identified by September 2016.</p> <p>Ongoing but complete by September 2016.</p>

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
An independent, internal audit update on payroll has identified a number of control weaknesses that will need to be addressed.			
Case Management System (Mosaic)			
Delivery of the new Case Management System for Adults, Children's and Public Health for use by the Council, Serco and other delivery partners.	Chief Information and Commissioning Officer	To complete integration, testing, and transition to the new system.	By the end of 2016
Information Management Team (SERCO)			
Delivery IMT transformation projects is behind schedule which is delaying improvements to the Council's IT operations and service efficiencies across the Council.	Chief Information and Commissioning Officer	Various dates for projects tracked through the Transformation Board.	Through to 31.03.17
Establishing the Combined Authority			
Shortly after the General Election in May 2015, the Government indicated that they wished to see Combined Authorities led by a directly elected mayor. Although aimed at cities, our Council along with the other councils in the Greater Lincolnshire Local Enterprise Area (LEP) conferred and concluded that they wished to submit an expression of interest. They were clear that this was to be a combined authority established for the specific intent of receiving devolved powers and funding from Her Majesty's Government. Conversations took place with other organisations and a submission (<i>Greater Lincolnshire: A place to grow – faster than anywhere</i>) was made by the deadline of 4 September with a total of	Chief Executive Executive Director Environment & Economy	Consultation with residents and businesses in Greater Lincolnshire (Humber to the Wash) Decision on Mayoral Combined Authority for Greater Lincolnshire and agreement of next steps	July / August 2016 August / October 2016

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
<p>21 signatories.</p> <p>The submission did not propose any powers being ceded by existing councils to the Combined Authority. Thus no direct governance issues arose for the County Council.</p> <p>During the final quarter of the 2015-16 financial year, a lot of work was undertaken by the chief executives and leaders of the ten constituent councils to produce devolution proposals that were negotiated with civil servants. The Government insisted that they would not consider proposals unless a directly elected mayor was included in a governance scheme for a Combined Authority. Council leaders acceded to this, with provision for a combined authority comprising the ten authorities and the Greater Lincolnshire LEP Chair.</p> <p>There will be indirect consequences for governance in the Council in the short term. It is anticipated that the Leader will be the County Council's representative. There are areas of devolved powers in which the Council has interests – transport, highways and skills development, for example. We will need to explore the relationships between our council and the Combined Authority, but it is anticipated that few significant governance problems will arise. The constituent councils will have to fund the operation of the Combined Authority, which will have a financial implication for the Council, albeit it is expected to be relatively small.</p>			
Governance Arrangements			

Governance Issue	Lead Officer(s)	Key Delivery Milestones – 2016/17	Implementation Date
<p>Risk Culture</p> <p>Management of risks needs to be done in an effective way to allow the Council to achieve its strategic objectives and agreed priorities. Both councillors and officers will need to be comfortable in taking high risk decisions. Risk assessment and management is built into key decision making and into the delivery of services. Because of budget retrenchment and reductions in officer numbers and resilience this may lead to some deterioration of the Council's risk control environment, particularly on medium and lower priority activities. The Council's risk appetite and thresholds for risk may need to be reviewed allowing for a high degree of pragmatism that balances cost, affordability, quality and risks.</p> <p>The Council will need to continue to ensure its risk management processes work well and with a risk culture that promotes:</p> <ul style="list-style-type: none"> • Taking the right risks in an informed way. • Having clear accountability for ownership of specific risks and risk areas (officers and councillors). • Having transparent and timely risk information throughout the organisation and ensuring early and effective learning both from good practice and also when things go wrong. 	<p>Executive Director Finance and Public Protection</p>	<p>Continue with risk awareness training and workshops with councillors and members.</p> <p>Executive Directors to ensure the Strategic Risk Register is updated on an annual basis.</p>	<p>Refresh programme in October to January when changing budget priorities are known. Second programme for new councillors after elections 2017.</p> <p>December to February as changes to service and commissioning priorities are identified as part of the annual budget / business plan processes.</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/...../.....
Executive Director – Finance &
Public Protection

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

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

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