Annual Governance Statement 2017 DRAFT

Contents

Executive Summary

The Leader of the Council (Cllr Martin Hill OBE) and Chief Executive (Tony McArdle) both recognise the importance of having good management, effective processes and other appropriate controls in place to run the Council in delivering services to the communities of Lincolnshire.

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.

On the 26th June 2017 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 25th September 2017 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

Significant Governance Issues

Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified a number of areas for improvement, namely:

Key improvement Area	Lead Officer	To be delivered by
IT Governance	Executive Director – Environment and Economy	September 2017
Financial Sustainability	Executive Director – Finance & Public Protection	February 2018
Financial Control Environment	Executive Director – Finance & Public Protection
Executive Director – Children Services (HR/ Payroll)	December 2017
December 2017
Market Supply	Executive Director – Adult Services	March 2018
SERCO contract – Lessons Learnt (KPMG report)	Chief Executive	September 2017
Delivery of Support Services and Improvement - SERCO	Chief Executive	September 2017

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Key improvement Area	Lead Officer	To be delivered by
Collaborative Working - Governance Arrangements	Executive Director – Finance & Public Protection	December 2017

Progresses made dealing with the governance issues identified in the 2015/16 Annual Governance Statement are contained on page 12 This shows that the planned improvements in the Council's financial control environment and in the information management team (SERCO) have yet to be addressed. They have therefore been included in the current statement.

We are satisfied that steps are being taken to address the above issues and will monitor implementation and operation as part of performance management. The Audit Committee will also help us with independent assurance during the year.

Councillor Martin Hill OBE
Leader of the Council

Tony McArdle
Chief Executive

Pete Moore
Executive Director – Finance and Public Protection

(oversight responsibility for Governance and the Council's Section 151 Officer)

Signed on behalf of Lincolnshire County Council

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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 Councils 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 with the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Principles

A summary

Principle A	**Principle B**	**Principle C**
Integrity and Values	Openness & Engagement	Working Together
How we do this:	**How we do this:**	**How we do this:**
Staying true to our strong ethical values and standards of conduct	Keeping relevant information open to the public and continuing their involvement	Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
Respecting the rule of law	Consultation feedback from the public is used to support service and budget decisions	Being clear about expectations - working effectively together within the resources available
Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities	Providing clear rationale for decision making – being explicit about risk, impact and benefits.	Developing constructive relationships with stakeholders
Ensuring fraud, corruption and abuse of position are dealt with effectively	Having effective scrutiny to constructively challenge what we do and the decisions made	Having strong priority planning and performance management processes in place
Ensuring a safe environment to raise concerns and learning from our mistakes		Taking and active and planned approach to consult with the public
		Regularly consult with employees and their representatives

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The Council aims to achieve good standards of governance by:

A.   behaving with integrity and in accordance with our core values
B.   being open and ensuring effective engagement takes place
C.   working together to achieve our intended outcomes
D.   setting goals for economic, social and environmental benefits and reaching them
E.   growing our capacity - including our leadership and the people who work with us
F.   managing risks and performance through robust internal control and strong financial management

Principle D	Principle E	Principle F	Principle G
Making a Difference	Capability	Managing Risk & Performance	Transparency & Accountability
How we do this:	**How we do this:**	**How we do this:**	**How we do this:**
Having a clear vision and strategy setting out our intended outcome for citizens and service users	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	Ensuring that effective risk management and performance systems are in place. That these are integrated in our business systems / service units Having well developed assurance arrangements in place Having an effective Audit Committee Effective counter fraud arrangements in place	Having rigorous and transparent decision making processes in place Maintaining and effective scrutiny process Publishing up to date and good quality information on our activities and decisions. Maintaining an effective internal and external function

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The Council – How it works

The Annual Governance Statement covers the period 1st April 2016 to 31st March 2017. The information below relates to this period. A new Executive and Scrutiny structure will come into effect from May 2017.

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 2016/17 ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework of the Council.

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.

We have reviewed our scrutiny arrangements during 2016 – aiming to make them more effective. The new scrutiny structure for the new Council started in May 2017. We will assess how well they are working later in the Autumn.
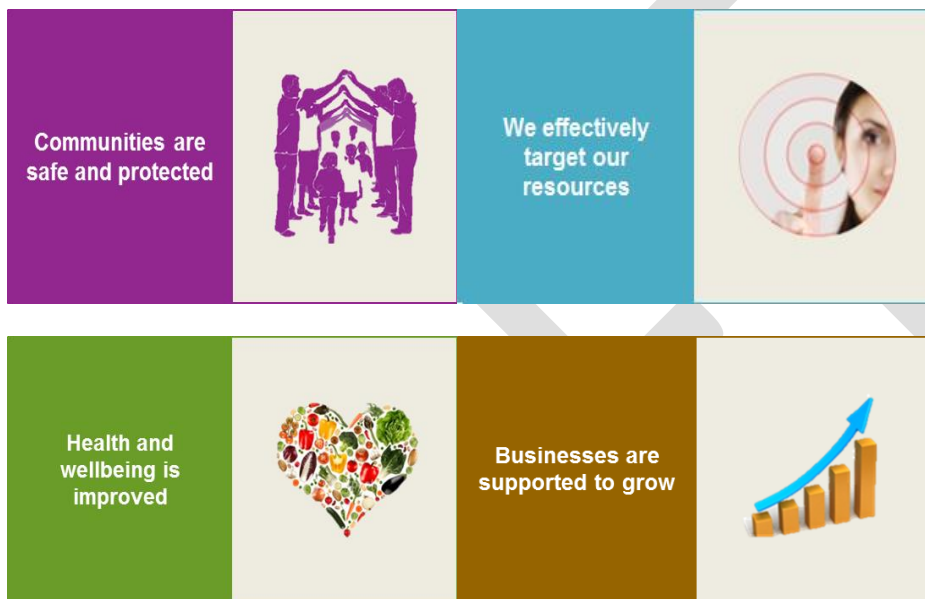
Figure 2 – Council Committee Structure

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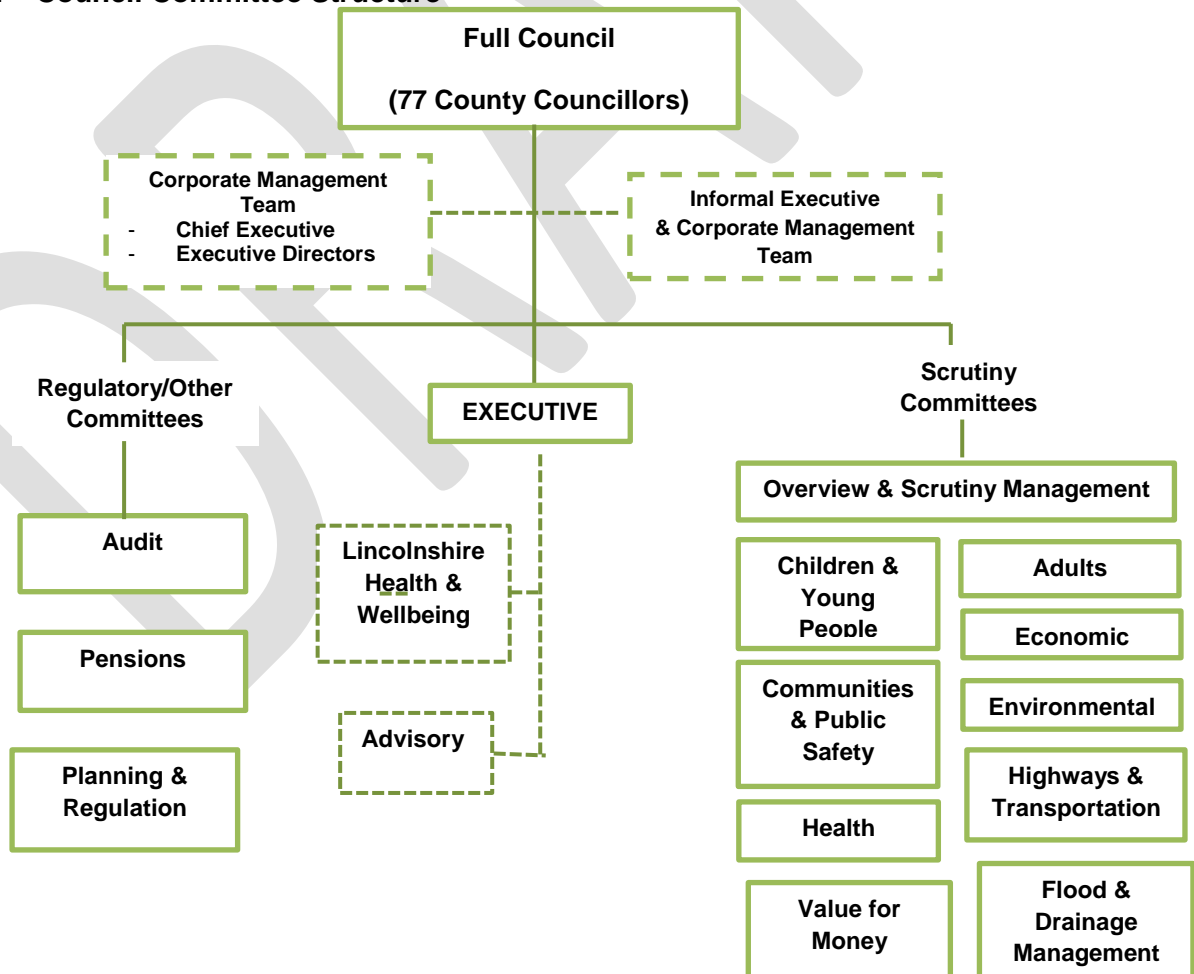
Outcomes and Value for money

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:

Managing our Resources (Value for Money)

Note: Performance and Value for Money Information will be populated once the final data is available and External Audit opinion received

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How do we know our arrangements are working?

There are a number of ways we do this:-

The role of management

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.

Our Corporate Management Team and Governance Group oversee the review and the Council's governance arrangements and the development the Annual Governance Statement.

This year, a review of our governance arrangements was undertaken by Internal Audit – commissioned by our Governance Group. The outcome of this confirmed that we comply with current best practice – with strong governance arrangements in place that are up to date and relevant to the environment we work in. The review did suggest a number of improvements around:

- **Ethics** – One key area of the new governance guidance is demonstrating the 'ethical mind set' in how decisions are made. An Internal Audit is planned for 2017/18 seeking to provide the Corporate Management Board with assurance on how well our governance arrangements work in practice.

- **Partnerships** - better accountability and transparency is required over contract and partnership risks and their assurance arrangements. The Council's financial procedures and guidance in this will be updated during 2017.

Our Governance Framework

Assurance Required Upon
- 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

Code of Corporate Governance

Sources of Assurance
- 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

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The role of the 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.

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 Governance Framework

Assurances Received

- 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
- Monitoring Officer Annual Report

Opportunities to improve – our key risks

- IT Governance
- Financial Sustainability
- Financial Control
- Environment
- Market Supply
- SERCO contract – Lessons Learnt (KPMG report)
- Delivery of Support Services & Improvement – SERCO
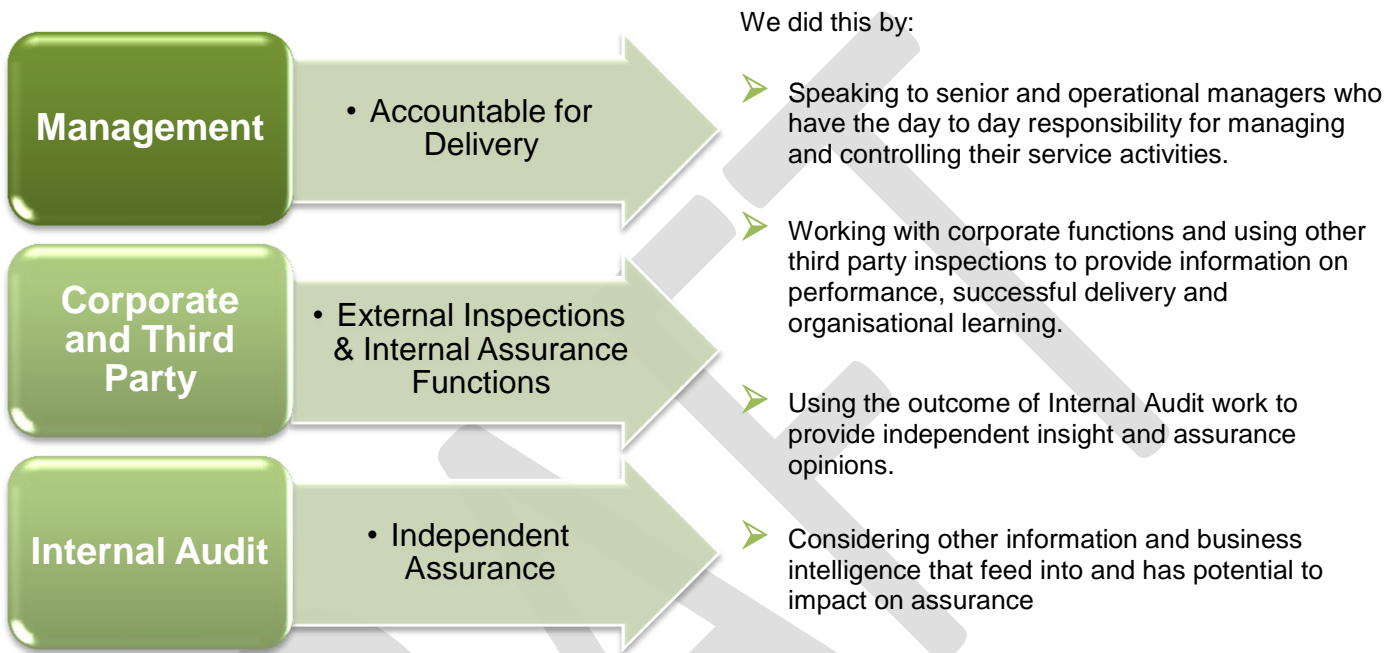- Collaborative Working – Governance Arrangements

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Combined Assurance

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 were reviewed by the Audit Committee in January 2017.
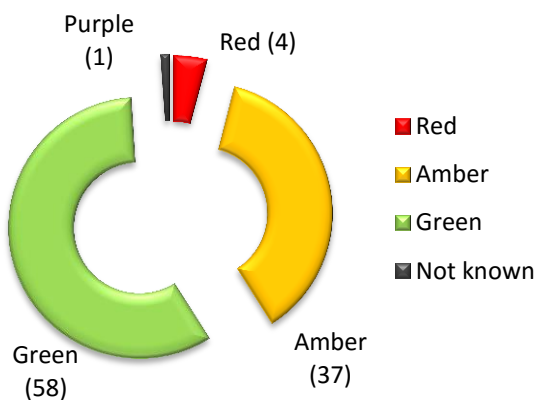
The Council adopts the 'three lines of assurance methodology;-

We did this by:

Management • Accountable for Delivery

➢ Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

Corporate and Third Party • External Inspections & Internal Assurance Functions

➢ Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.

➢ Using the outcome of Internal Audit work to provide independent insight and assurance opinions.

Internal Audit • Independent Assurance

➢ Considering other information and business intelligence that feed into and has potential to impact on assurance
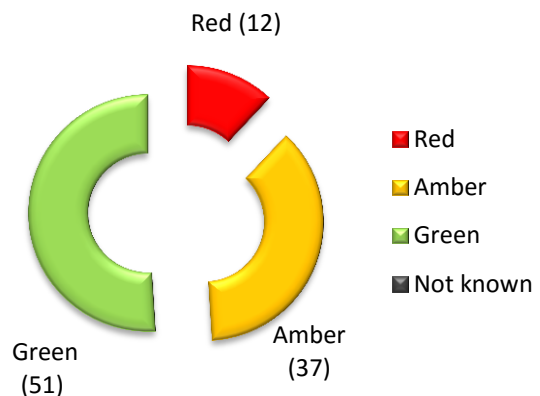
Overall it gives a positive assurance picture for the Council but does reflect the complex environment in which we operate. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions

Our assurance levels

Overall Assurance Status 2015/16

Purple (1)
Red (4)
Green (58)
Amber (37)

Red
Amber
Green
Not known

Overall Assurance Status 2016/17

Red (12)
Green (51)
Amber (37)

Red
Amber
Green
Not known

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Key

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
Purple	Not known

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Our Strategic 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 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 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	*Ongoing work to implement the new case management system*	**Amber**	**Limited**
Good Business Continuity and Resilience	*Programme in place to review and test continuity and recovery plans*	**Amber**	**Limited**
Funding and maintaining financial resilience	*Balanced budget and Medium Term Financial Strategy in place*	**Amber**	**Substantial**
Ability to deliver our programme of designated projects	*Project management arrangements in place*	**Amber**	**Substantial**
Adequacy of market supply to meet eligible needs for adults	*Ongoing work with market and suppliers to stimulate market in target areas*	**Amber**	**Limited**
Ability to recruit and retain staff in high risk areas	*Proactive work continuing in this area*	**Amber**	**Limited**
Maintenance of effective governance arrangements	*Benchmarked against good practice and review of scrutiny structure implemented*	**Green**	**Substantial**
Ensuring contracts are fit for purpose in the Commission Agenda / significant contracts	*Commercial team supports he business with ongoing work to strengthen contract management (intelligent client) and learning from procurement / existing contracts*	**Amber**	**Limited**
Effective implementation of Agresso system – Finance and HR systems	*Ongoing work to improve systems, processes and controls.*	**Amber / Red**	**Limited / Low**
Cyber Security	*Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained*	**Red**	**Limited**

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Key	Risk	Assurance
Red =	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
Amber =	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
Green =	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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Looking Back on 2015/16

A number of improvement actions were identified as part of the 2015/16 Annual Governance Statement. The table below shows progress with these actions:

Action Identified	Progress
Financial Challenges Ahead – medium term financial strategy in place and the Council will submitted a 4 year efficiency plan to help secure Government funding in future years.	On track
Financial Control Environment – implementation of improvement plan by SERCO	Behind Plan
Implementation of Case Management System (Mosaic)	On track
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. Various dates for projects tracked through the Governance Board.	Behind Plan
Establishing the Combined Authority	No longer applicable
Governance Arrangements – Review risk culture	Complete
Governance Arrangements – Review strategic risk register	On track

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