

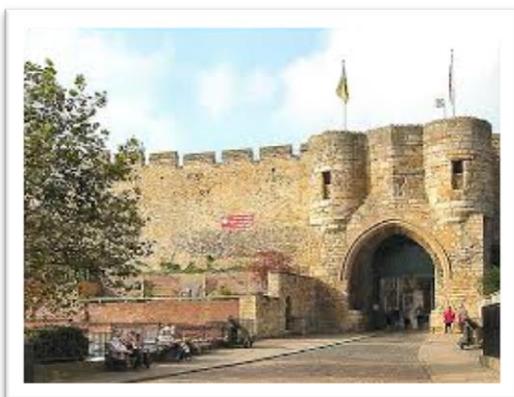


Lincolnshire County Council

Draft - Annual

Governance

Statement 2018



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Executive Summary

The Leader of the Council (Cllr Martin Hill OBE) and Interim Chief Executive (Richard Wills) 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.

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 March 2018 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 June 2018 - where it was recommended for signing by the Leader of the Council, Interim 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 or where governance oversight is needed.

Key improvement Area	Lead Officer	To be delivered by
IT Governance	Interim Chief Executive	TBC
Fairer Funding – Financial Sustainability	Executive Director – Finance and Public Protection	TBC
Market Supply - Adult Social Care	Executive Director – Adult Care	TBC
Collaborative Working – Governance Arrangements	Interim Chief Executive	TBC

Councillor Martin Hill OBE
Leader of the Council

Richard Wills
Interim 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

DRAFT

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

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
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability

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	<p>Clear roles and responsibilities for Council leadership</p> <p>Maintaining a development programme that allows Councillors and Officers to gain the skills and knowledge they need to perform well in their roles.</p> <p>Evaluating Councillor and Officers' performance</p> <p>Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning</p>	<p>Ensuring that effective risk management and performance systems are in place. That these are integrated in our business systems / service units</p> <p>Having well developed assurance arrangements in place – including any commercial activities</p> <p>Having an effective Audit Committee</p> <p>Effective counter fraud arrangements in place</p>	<p>Having rigorous and transparent decision making processes in place</p> <p>Maintaining and effective scrutiny process</p> <p>Publishing up to date and good quality information on our activities and decisions.</p> <p>Maintaining an effective internal and external audit function</p>

The Council – How it works

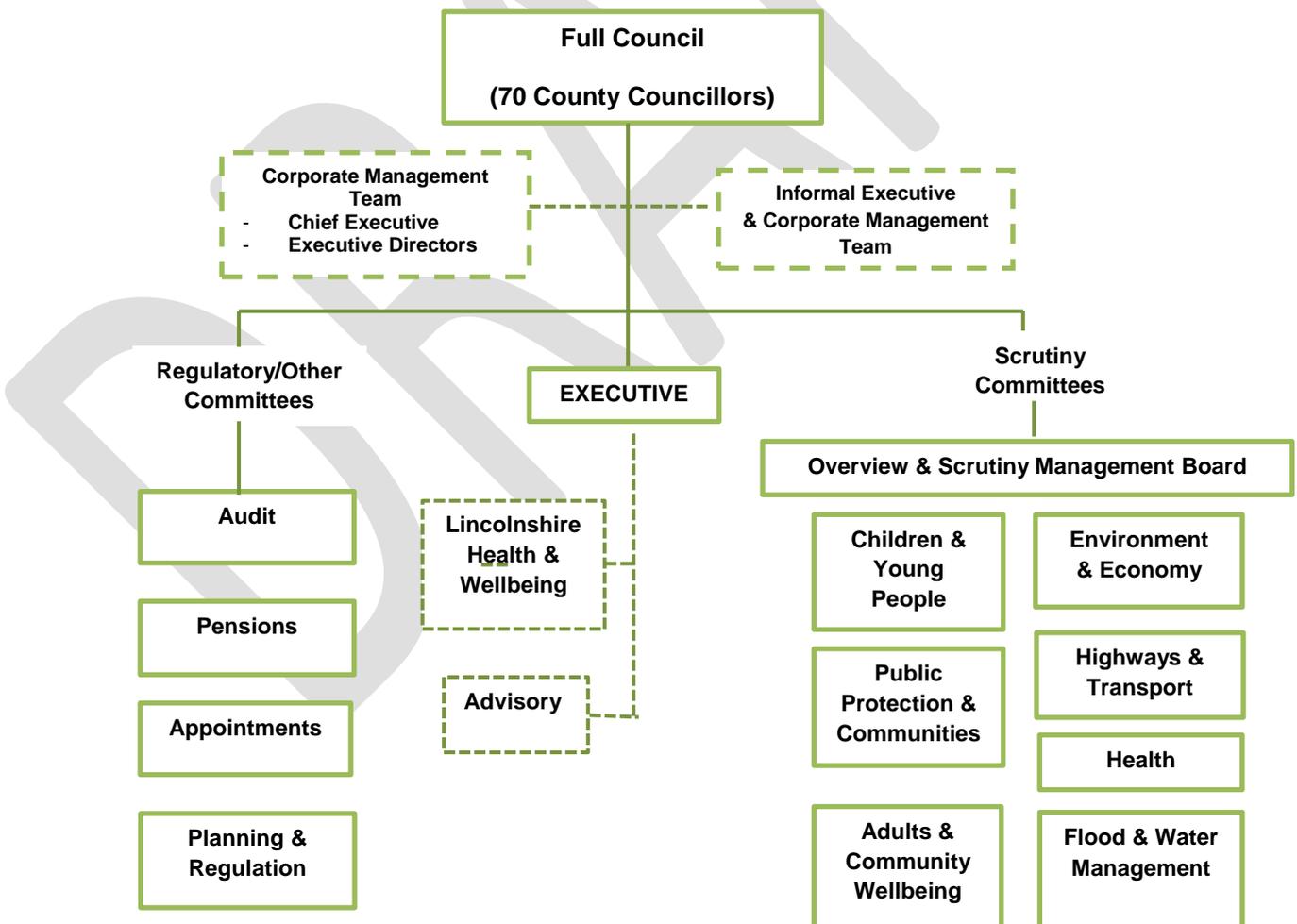
The Annual Governance Statement covers the period 1st April 2017 to 31st March 2018. The information below relates to this period. A new Executive and Scrutiny structure came into effect from May 2017.

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

All 70 Councillors meet at full Council to agree the budget and policy framework. In 2017/18 ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework of the Council.

The remaining 60 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.

Figure 2 – Council Committee Structure



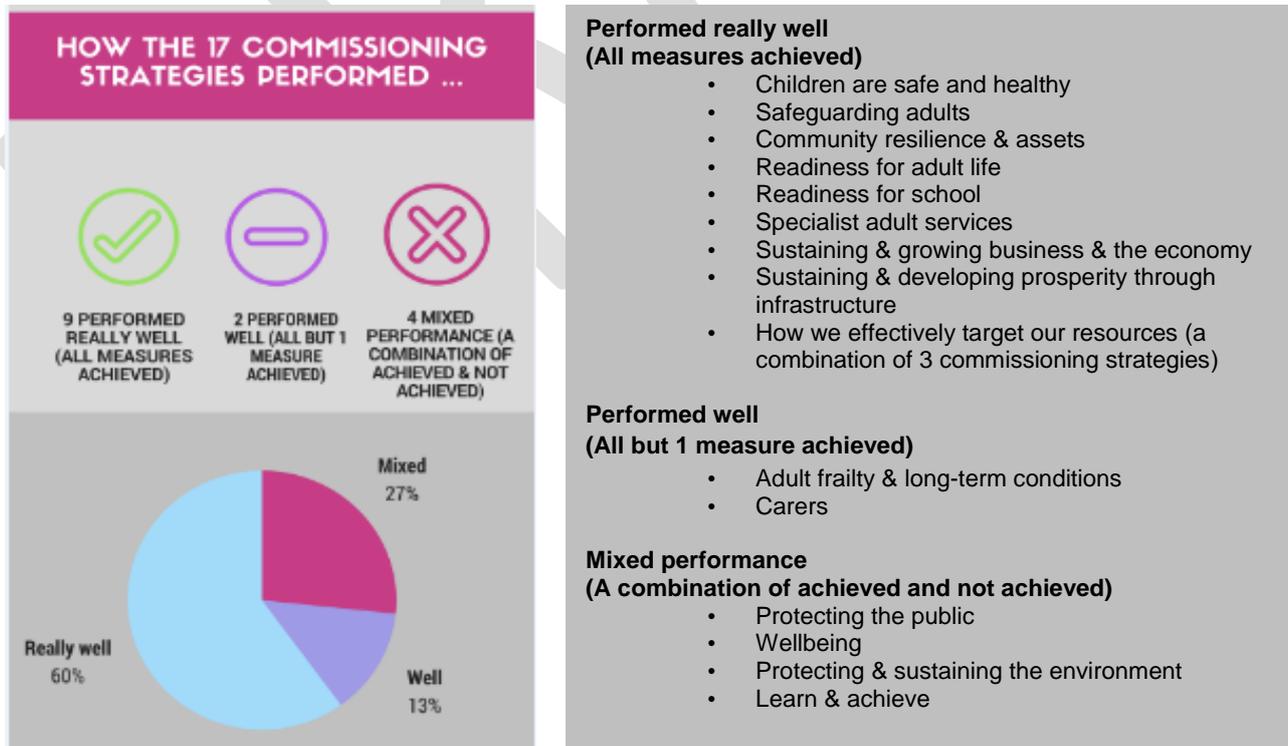
Outcomes and Value for money

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](#). We achieved the majority of the targets we set out in our Council Business Plan 2017/18. A summary of our performance as a snap shot at the end of **March 2018 is** presented below. **This will be updated for Q4 information**



Managing our resources (Value for Money)

The external auditors of the Council issued an unqualified Value for Money judgement for 2016/17 having issued a qualified opinion in the previous year reflecting the then inadequate budget monitoring information available from Agresso during that year. There have been no Agresso related issues in 2016/17 that have impacted upon the Value for Money judgement and none are anticipated during 2017/18.



The Council is generally in a sound financial position relative to other Council's over the short term. This is a consequence of implementation many savings initiatives in the earlier part of this decade. A strategy of combining both service efficiency savings and modest service reductions combined with the prudent use of reserves has been applied for a number of years now. The Council has set a two year budget up to March 2020 covering the remainder of the spending review period set by Government. This has maintained the previous strategy and 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 year. As in previous years, there has been no general increase in public dissatisfaction across the board with the standard of services delivered. Specific changes have caused some public disquiet at and just after the point of their initiation.

The 2018/19 budget does not include any major service reductions or rationalisations. Public consultation on that budget has therefore not been as extensive as in some earlier years. Final budget proposals have been modified in two specific areas to reflect feedback from the public and other key stakeholders. Firstly, funding to Citizen Advice Bureau's has been partly reinstated rather than stopped completely to allow a core service still to be provided across the county. In addition, extra local funding has been allocated to highways maintenance to deal, in particular, with public concerns over the damage the winter weather has caused to the network.

The Council is constantly monitoring its long term financial position using a funding model which presently covers the next four financial years (i.e. up until March 2022), a period that includes the last two years covered by the four year funding deal agreed with Central Government in 2016. The model predicts the budget shortfall for future years taking into account known cost pressures and planned savings. The model is necessarily underpinned by a range of prudent assumptions. The partial localisation of business rates from April 2020 combined with the impact of the related Fair Funding Review being undertaken by Government will drive the Council's finances from April 2020 onwards. The Council will be actively planning for the potential consequences of the new regime during the 2018/19 financial year.

The longer term projected budget shortfall is periodically reported to the Corporate Management Board and forms a starting point for setting future budgets.

The Council has responded proactively in its role as accountable body for the [Greater Lincolnshire Enterprise Partnership](#) (GLEP) to enhanced accountability and governance requirements emanating from Central Government. The GLEP was recently assessed by Government as 'Good' for governance and strategy and has some 'areas for improvement' regarding delivery. Action is well in hand to mitigate the concerns that led to the latter conclusion.

How do we know our arrangements are working?

There are a number of ways we do this:-

The role of the Executive

The Leader of the Council, the Interim Chief Executive and Executive Director – Finance and Public Protection have overseen the review of and signed the Annual Governance Statement.

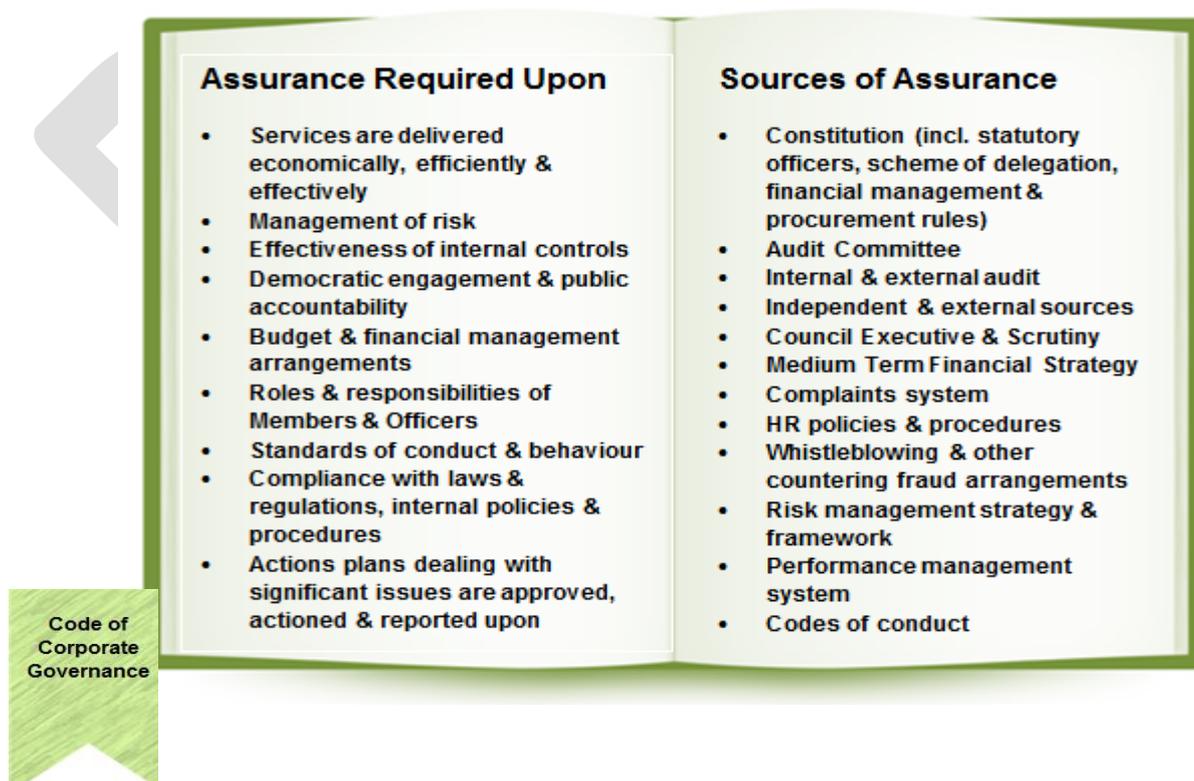
The Annual Governance Statement is brought to the attention of the Council.

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 Board and Governance Group oversee the review and the Council's governance arrangements and the development the Annual Governance Statement.

Our Governance Framework



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.

[Audit Committee Meetings and Minutes](#)

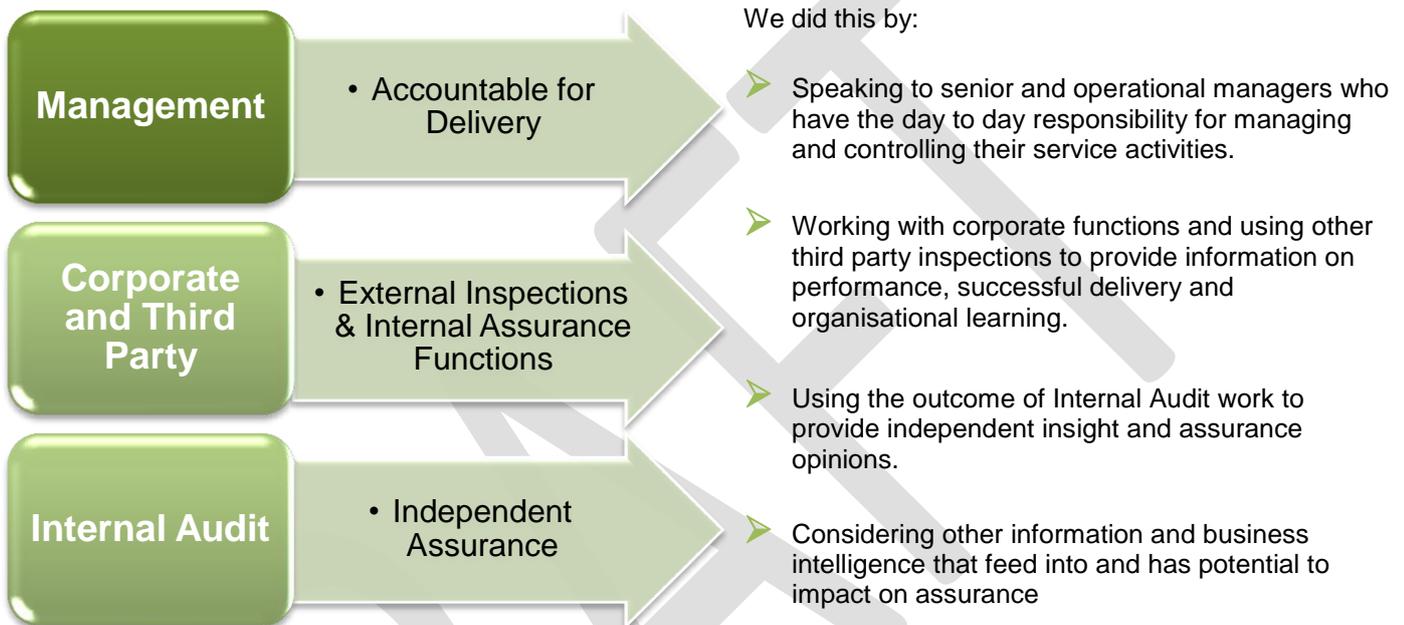
Our Governance Framework



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 2018.

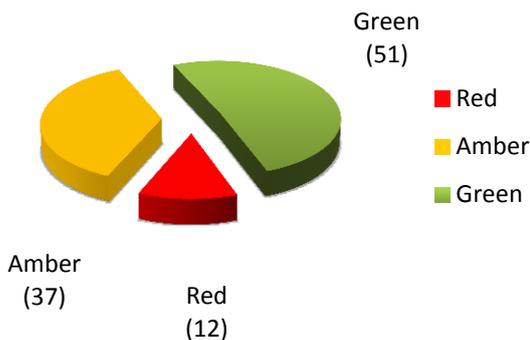
The Council adopts the 'three lines of assurance methodology';-



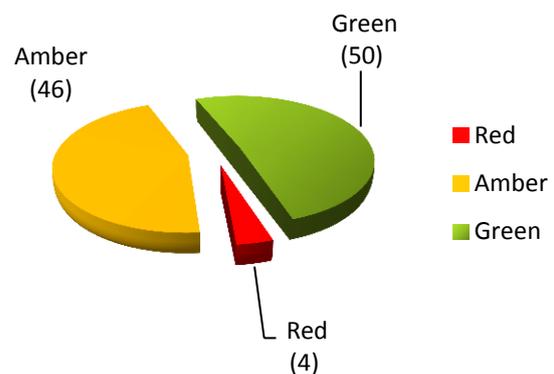
Overall it gives a positive assurance picture for the Council but does reflect the complex environment in which we operate. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions

Our assurance levels

Overall Assurance Status 2016/17



Overall Assurance Status 2017/18



Key

Red

Amber

Green

Purple

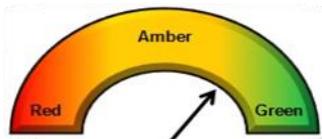
High impact on resources, significant costs likely, high impact on service delivery
Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
Monitor and be aware, activity to mitigate risk within existing service delivery plans
Not known

The role of the 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. Their Annual Report and opinion has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate.

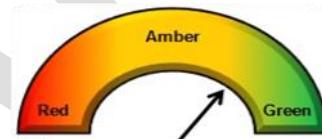
Head of Internal Audit opinion – twelve months to 31st March 2018

Governance



Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council

Risk



Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council

Internal Control

TBC

Financial control

TBC

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	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Safeguarding Adults	<i>Ongoing work to implement the new case management system</i>	Amber	Substantial
Good Business Continuity and Resilience	<i>Programme in place to review and test continuity and recovery plans</i>	Amber	Limited
Funding and maintaining financial resilience	<i>Balanced budget and Medium Term Financial Strategy in place</i>	Amber	Substantial
Ability to deliver our programme of designated projects	<i>Project management arrangements in place</i>	Amber	Limited
Adequacy of market supply to meet eligible needs for adults	<i>Ongoing work with market and suppliers to stimulate market in target areas</i>	Amber	Limited
Ability to recruit and retain staff in high risk areas	<i>Proactive work continuing in this area</i>	Amber	Limited
Ensuring contracts are fit for purpose in the Commission Agenda / significant contracts	<i>Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement / existing contracts</i>	Amber	Limited
Cyber Security	<i>Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained</i>	Red	Limited
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	

Looking Back on 2016/17

A number of improvement actions were identified as part of the 2016/17 Annual Governance Statement. The table below shows progress with these actions:

Key improvement Area	To be delivered by	Progress
IT Governance	March 2018	Behind Plan
Financial Sustainability	February 2018	On track
Financial Control Environment	March 2018	Behind Plan
Market Supply	March 2018	On track
SERCO contract – Lessons Learnt (KPMG report).	March 2018	Completed
Delivery of Support Services and Improvement - SERCO	March 2018	On track
Collaborative Working - Governance Arrangements	March 2018	Behind Plan – Financial Procedure requires updating

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