

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Review of Governance Framework and development of the Annual Governance Statement 2017/18

Summary:

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

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

A 'good' Annual Governance Statement is an open and honest self-assessment of how well we have run our business across all activities - with a clear statement of the actions being taken or required to address any areas of concern.

The Audit Committee oversees the development of the Annual Governance Statement and recommends its adoption by the Council.

This paper provides the Committee with the opportunity to review the contents of the draft statement - ensuring that it accurately reflects the Committee's understanding of the Council's governance and assurance arrangements. This is a key activity in the Committee's terms of reference.

Recommendation(s):

That the Committee considers the contents of the draft Annual Governance Statement 2018 and:-

1. Agree that it accurately reflects how the Council is run.
2. That the Statement includes the significant governance issues/key risks it would have expected to be published.
3. Identify any changes it wishes to make to the statement

Background

What do we mean by Governance?

1. Good Governance can mean different things to people – in the public sector it means:

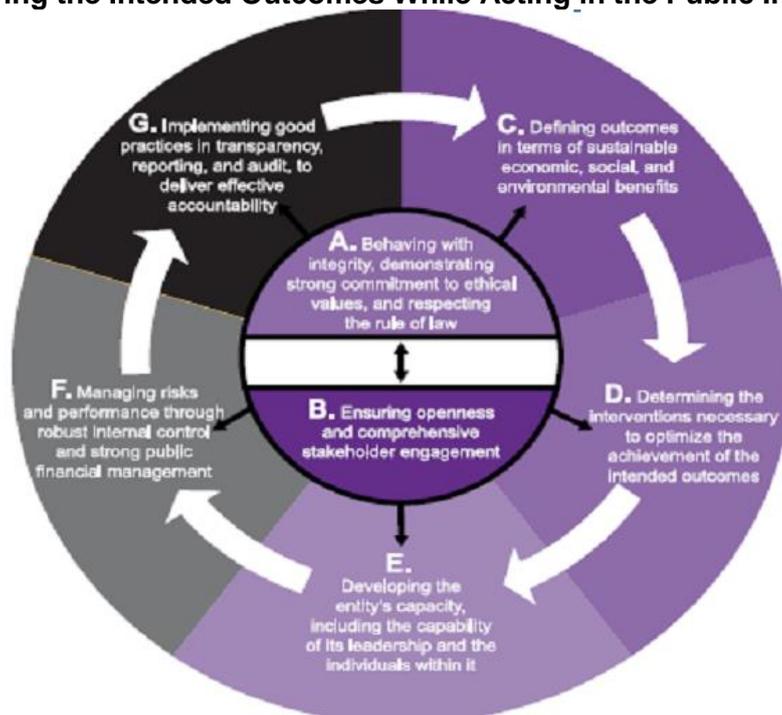
"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

2. It is comprised of systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

What is the Governance Framework?

3. Our Governance Framework brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.
4. In April 2016 CIPFA/SOLACE published an updated 'Delivering Good Governance in Local Government – Framework and Guidance'. This sets out the latest good practice operating in the current public sector environment. It defines six core principles by which a Council can test out their governance arrangements. These are shown in Figure 1.

Figure 1 –
Achieving the Intended Outcomes While Acting in the Public Interest at all Times"



The international framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Annual Review of our Governance Framework

5. The annual review and development of the Annual Governance Statement is undertaken by the Governance Group in consultation with the Executive Directors. The Council's Governance Group comprises:-

- Monitoring Officer
- Section 151 Officer – Executive Director – Finance and Public Protection
- County Finance Officer
- Audit and Risk Manager (Head of Internal Audit)
- Chief Legal Officer
- Democratic Services Manager

6. The sources of information used to develop the Governance Statement include:

- The assurance arrangements of the Council, particularly each Directors Combined Assurance Status reports
- Head of Internal Audit annual audit opinion
- Council's Strategic Risk Register and risk management arrangements
- External Audit Annual Audit Letter
- Ombudsman investigations
- Complaints and lessons learnt
- Comments of the Corporate Management Board
- Outcome of Staff Survey
- Whistleblowing annual report
- Budget robustness statements
- Peer or external reviews

Governance Issues

7. As a result of our annual review we have identified the following areas where further work is required to improve systems or monitor how they key risks facing the Council are being managed. These are:

- IT Governance Arrangements
- Fairer funding – Financial Sustainability
- Financial Control Environment - Payroll – *this may be removed once the Head of Internal Audit opinion is received*
- Market Supply – Adult Care
- Collaborative working – governance

8. These areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which require, or are likely to require, support (including but not limited to financial support) over the next year in order to ensure that they are working effectively and efficiently. This in turn should ensure that any future problems in those areas are averted or at the very least minimised.
9. During 2017/18 the Council agreed a Commercialism Strategy which outlines the Council's approach to commercialism. The Council also has a number of Trading Company's. Existing governance arrangements will be used so that early review and feedback will be received from Corporate Management Board and the Commissioning and Commercial Board prior to the Council's formal decision making being invoked. No significant governance issues have been identified with these entities during the assurance mapping process but the Governance Group will consider if additional assurance is required over the Governance, Risk and Control framework from the Directors / Board.
10. The draft Annual Governance Statement can be found in Appendix A. It is presented to the Committee for your consideration and 'challenge' of the contents e.g.
 - Does it accurately reflect the Committee's understanding of how the Council is run?
 - Reflecting on evidence presented to the Committee during the year and other relevant information. Are the significant governance/key risks those that the Committee expected to see published? Are there any surprises/gaps?

Note: Recognising that the statement is a reflective/backward look at the Council from April 2017 to March 2018 but does need to be contemporary at the time of publication.

11. Our governance framework and annual review covers all activities of the Council including Fire and Rescue and Pensions.

Conclusion

12. The Council has a strong control environment which is demonstrated by the realistic and open assessment of its functions and activities.
13. Officers have identified a number of governance issues to be included in the Annual Governance Statement. The Audit Committee is asked to independently review and approve these for 'realism'.

14. The final Annual Governance Statement will be presented to the Committee in June for approval.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Annual Governance Statement 2018

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

This page is intentionally left blank