



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.

Signed on behalf of Lincolnshire County Council

Councillor Martin Hill OBE
Leader of the Council

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Richard Wills
Interim Chief Executive

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Pete Moore
Executive Director – Finance and Public Protection
(oversight responsibility for Governance and the Council's
Section 151 Officer)

.....

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	Executive Director – Environment and Economy	31 st March 2019
Fairer funding – financial sustainability	Executive Director – Finance and Public Protection	Ongoing through to late 2019
Market supply - adult social care	Executive Director – adult care	Ongoing through to 2020
Collaborative working – governance arrangements	Executive Director – Environment and Economy	31 st December 2018

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.

Principles of corporate governance

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

Looking back at 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

Areas behind plan

IT governance – The Council has a robust and mature system of governance around information management, with the Executive Director –Environment and Economy as the designated Senior Information Risk Owner and we appointed a Data Protection Officer some time ago. However, a review of the Council's IT Governance and IT Strategy was commenced in 2017. A monthly meeting of the Executive Councillor with the Executive Director and Chief Digital Officer has already been put in place, but further proposals for the delivery of IT and its associated governance and oversight will be decided upon by the Executive by October 2018 as part to the Corporate Support Services programme

Financial control environment – improvements in the control environment have been made. Payroll has improved from an internal assurance '**low assurance**' to '**limited assurance**' **opinion** during the year. It is anticipated that this will move to '**substantial assurance**' in 2018.

Collaborative working - governance arrangements – the financial procedure is due to be updated by 31st December 2018. It includes procedures around commercial activities, external funding as well as partnerships.

How the council works

The Annual Governance Statement covers the 2017/18 financial year. 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 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](#).

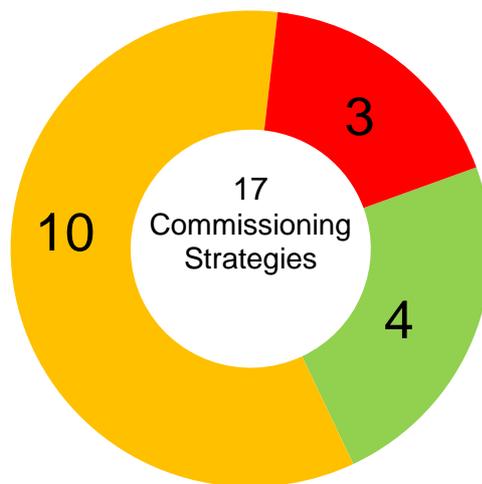
Performance summary

We achieved the majority of the targets we set out in our Council Business Plan 2017/18.

The performance of the 17 commissioning strategies is shown below.

Mostly achieved (59%)

- Adult frailty, long-term conditions and physical disability
- Community resilience and assets
- How we effectively target our resources (a combination of 3 commissioning strategies)
- Learn and achieve
- Readiness for adult life
- Readiness for school
- Specialist adult services
- Wellbeing



Some achieved (18%)

- Carers
- Protecting the public
- Protecting and sustaining the environment

Fully achieved (23%)

- Children are safe and healthy
- Safeguarding adults
- Sustaining and growing business and the economy
- Sustaining and developing prosperity through infrastructure

Value for money

The external auditors of the council issued an unqualified Value for Money judgement for 2016/17.

The council is 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. 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 two 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 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.

Final budget proposals have been modified in two specific areas to reflect feedback from the public and other key stakeholders:

- Funding to the Citizen Advice Service has been partly reinstated rather than stopped completely to allow a core service still to be provided across the county.
- 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 currently goes to March 2022, and 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.

During the 2018/19 financial year, the council will also be considering the impacts of:

- the partial localisation of business rates from April 2020
- the outcomes of the Fair Funding Review being undertaken by Government
- any lessons learned or recommendations issued by CIPFA arising from the financial governance issues identified at Northamptonshire County Council

The council's **governance for commercial activities will be formally established** during 2018 with the development of a Commercial Strategy and oversight functions.

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 any concerns that have been highlighted.

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.

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 11th May 2018. It gave assurances that:

- the council acted and operated within the law
- appropriate arrangements are in place and operated effectively under the Regulation of Investigatory Powers Act and the council's whistleblowing policy
- an effective officer and member register of interest process is in place
- any actions have been taken arising from the published findings by the Local Government Ombudsman.

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.

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.

How we carry out assurance

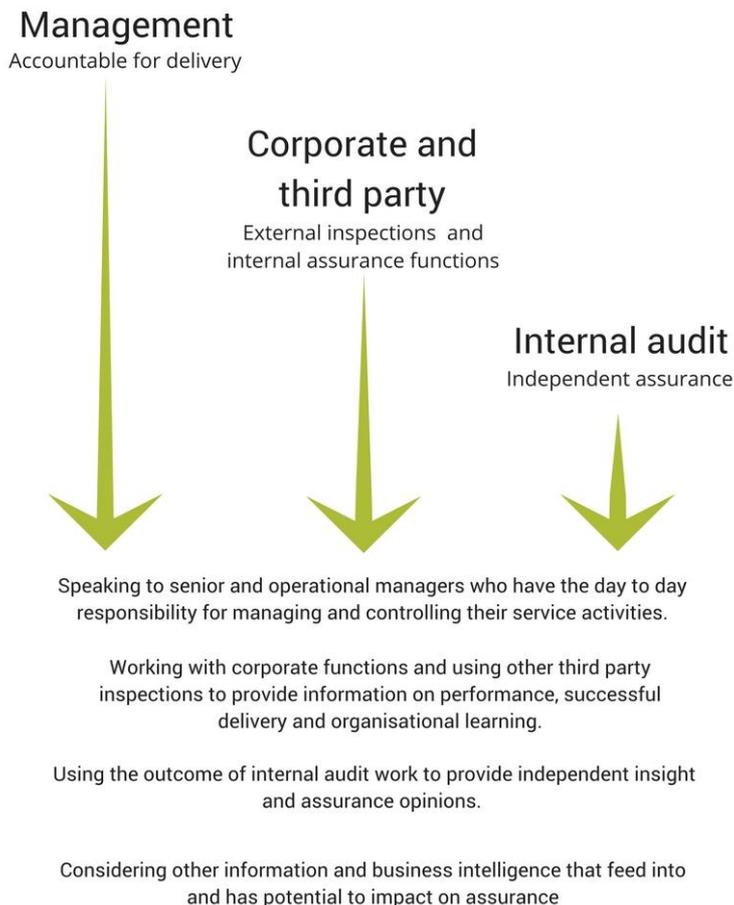
A combined assurance status report is produced by each executive director. It looks at the level of confidence the council can have in each area for:

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

These reports were reviewed by the audit committee in January 2018.

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

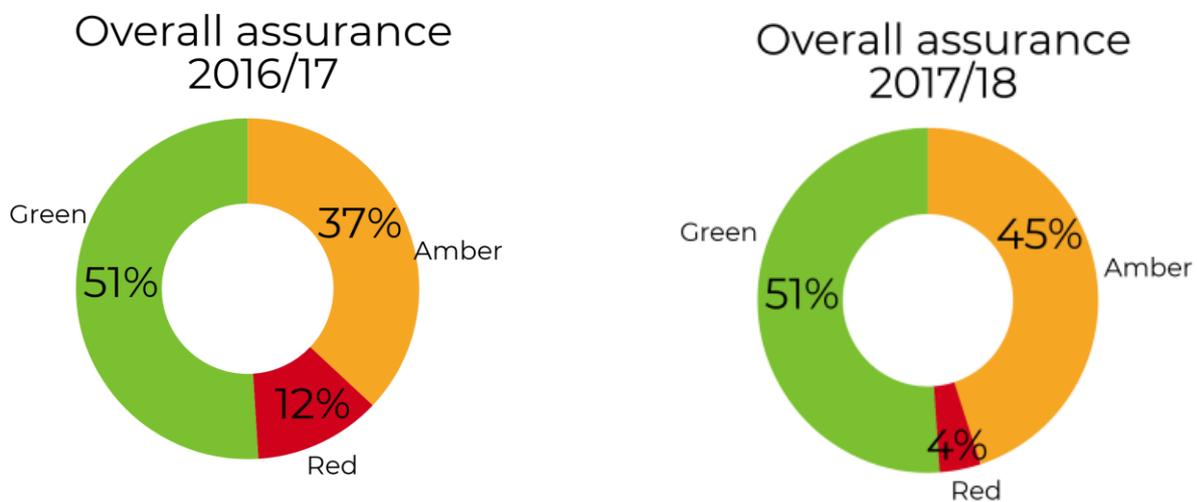
How do we assure ourselves about how the council is run?



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.

In future, 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.



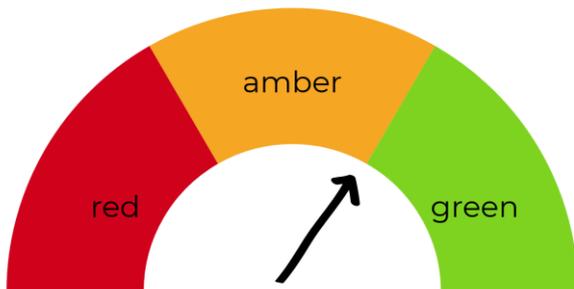
- Red** High impact on resources, significant costs likely, high impact on service delivery
- Amber** Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
- Green** Monitor and be aware, activity to mitigate risk within existing service delivery plans

Head of internal audit opinion

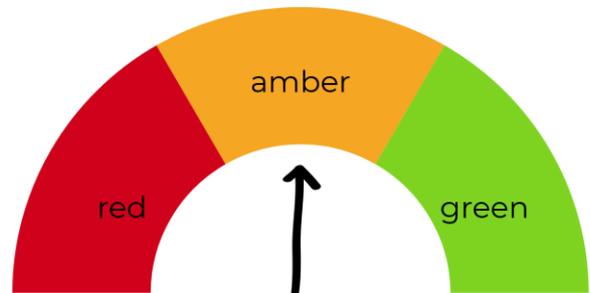
The opinion of the head of internal audit is given for 2017/18 on four areas of council assurance:

- **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)

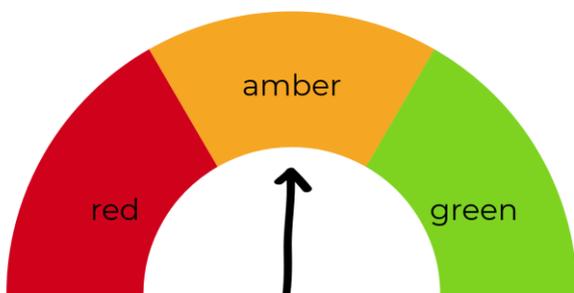
Governance



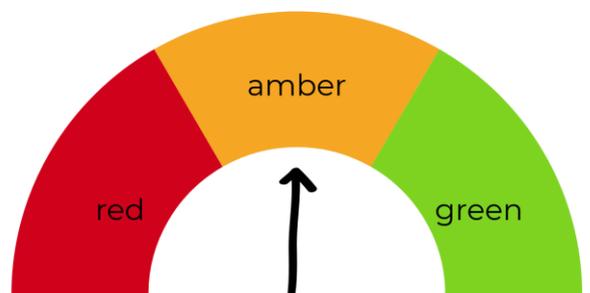
Risk



Internal control



Financial control

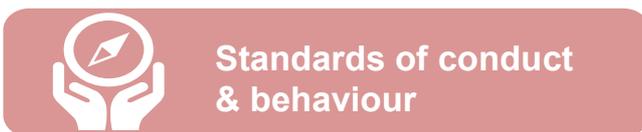


The council is **performing well** for governance – some improvements may be required to frameworks or to manage medium risks across the council.

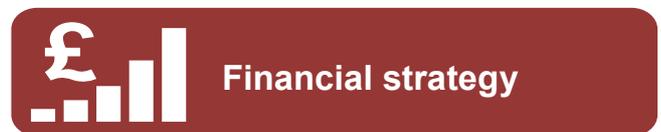
The council is **performing adequately** for risk, internal control and financial control - some improvements may be required to manage a significant issue, a specific high risk, or medium risks across the council.

Appendix 1 – Governance framework

Where do we need assurance?



Where can / do we get assurance from?



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	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Safeguarding adults	<i>Good and effective management arrangements in place with controls working effectively</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	

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