

SAFE WELL PROSPEROUS CONNECTED

ANNUAL GOVERNANCE STATEMENT

Draft

2022-2023

**North
Lincolnshire
Council**

www.northlincs.gov.uk

Executive Summary

The Council has in place strong governance arrangements which we are confident protect the interests of the council and provide necessary assurances to our residents and stakeholders.

Notwithstanding inherent risks facing local government and strategic risks within the local operating environment which are identified and reviewed throughout the year, the Council's governance arrangements provide robust mechanisms to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council has set out a clear ambition for North Lincolnshire in its Council Plan and will strive to seek continuous improvement. The council will continue to provide effective governance arrangements and will make further improvements in line with good practice and external recommendations accordingly.

The Annual Governance Statement 2022-2023 concludes that there are no significant governance issues that have arisen during the year which require specific reporting.

Becky McIntyre

Director Governance and Partnerships

Date 9 June 2023

Chair of Audit Committee

Date

(to be presented to Audit Committee 12 July 2023)

1. Council's responsibility for good governance

North Lincolnshire Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Local Government Act 1999 requires local authorities to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Accounts and Audit Regulations 2015 require the council to publish with its final accounts an Annual Governance Statement (AGS). The AGS sets out the council's governance arrangements that it has in place and considers their effectiveness.

2. Council's Governance Framework

The council's governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services, achievement of desired outcomes and value for money. Key elements of the council's framework are:

- The council's Constitution sets out how the council operates and how it makes decisions. The Constitution says what the council must do to make decisions efficiently, transparently and accountably. Periodic reviews of the Constitution are undertaken to ensure alignment with the Council Plan and strategic objectives as well as incorporating legislative change and developments in case law. Any major changes to the Constitution are reported to Full Council by the Monitoring Officer.
- Council Plan 2022-2025 - approved by Full Council on 18 May 2022 and added to the policy framework. It sets out the priorities the council will focus on and the way it will work in order to deliver better outcomes across North Lincolnshire.
- The system of internal control, which is set by the council's local code of corporate governance and is based on the seven principles detailed below. It ensures that the council carries out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. This is an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3. Review of effectiveness of governance arrangements

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review relates to the governance framework which has been in place at North Lincolnshire Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2023-2024 to address these issues will be reported regularly to the Audit Committee as the body charged with governance.

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; by the Head of Audit and Assurance Annual Report; comments made by External Auditors and other review agencies and inspectorates. The Council Assurance Group is responsible for co-ordinating the review.

The three lines of assurance model is central to this review of effectiveness and is made up as follows.

First Line – (delivery/operational area)

The council has a performance framework to help assess the effectiveness of its arrangements. Performance is monitored at different levels across the organisation and forms part of the Directors' assurance.

Self-assessment at Assistant Director level identifies how assurances are sought to confirm that the services and functions they are responsible for, comply with each of the seven principles. Directors use these to inform their assurance statements within the overall assurance framework. Issues identified at this level include:

- The Adults and Health self-assessment identified a number of challenges moving forward, which are being considered through strategy action plans.
- Legal Services has experienced a significant overspend as the shortage of qualified staff has resulted in locum solicitors being appointed, which are being resolved through recruitment of trainees.
- There was a lack of stability within Public Health due to organisational change. This is being addressed through the recruitment of Director of Public Health and Consultant.

The Director assurance statements review against previous years' actions, highlighting areas of good governance actions to further strengthen the control environment. Examples of good governance and improvements progressed include:

- The Proud to Care Campaign continues to support recruitment across the social care sector, raising the profile of working in care.

- The Children and Families Voice and Engagement governance arrangements were reviewed and refreshed. The Children and Families Voice and Engagement Steering Group and Operational Group are now in place to provide forums to oversee and co-ordinate all engagement activity across Children and Families and to consider its impact and outcomes.
- Under the auspices of the One Family Approach, the ways in which parents and young people can shape and influence local practice and the integrated offer have been improved. Family Voice Representatives roles enable further opportunities for the views and experiences of people who have experienced services to directly support, shape and influence developments.
- As part of the ICB (Integrated Care Board) Place Partnership remit the Population and Prevention Partnership, which looks at health inequalities across North Lincolnshire has developed well.

In addition, Directors produce reports for Cabinet, Scrutiny and committees which provide assurance on governance and the control environment in specific areas. For example:

- ***Annual Report of the Virtual Headteacher 2021/22*** – reported to Cabinet 6 February 2023. The role of the Virtual School is to promote the educational achievement of children in care whether they are placed in North Lincolnshire or out of county. The report provides an overview of the work undertaken to support children and young people throughout their journey and the impacts and successes over the past year.
- ***Local Safeguarding Adults Board Annual Report 2021/22*** – presented to Cabinet 6 February 2023. This sets out the activities and work undertaken by North Lincolnshire Safeguarding Adults Board and its members to deliver on the aims and objectives of its Strategic Plan.
- ***Independent Reviewing Service (IRS) Annual Report 2021/22*** – presented to Cabinet 21 November 2022. It focuses on the IROs for Looked After Children and sets out a range of information about the service, including the extent to which it complies with regulation and best practice.
- ***Annual Report of Local Arrangements to Safeguard and Promote the Welfare of Children and Young People 2021/22*** – reported to Cabinet 21 November 2022. The report demonstrates that the local arrangements:
 - effectively meets statutory obligations
 - benefits from strong and consistent leadership
 - has made good progress against its 'shine a light' areas of focus
 - listens and responds to the voices of children and young people

Second Line - (oversight of management activity and separate from those responsible for delivery)

The council's Assurance Group receive a quarterly overview which provides an update on the position against a set of criteria, which help identify whether the council is fulfilling its duties as an organisation and employer. Assurance is evaluated using information and data including management sign-off of critical functions and by referencing specific performance measures.

As part of the process for completing the AGS those responsible for the oversight of management activity, separate from those responsible for delivery, were asked to provide statements on the overall operation of the control environment within their particular areas of oversight and how assurance is sought:

- ***Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct*** – Having reviewed existing controls mechanisms, procedures and evaluation processes within the Monitoring Officer's areas of responsibility, no significant concerns have been identified. During 2022-23, no judicial reviews were issued against Council decisions; no costs were awarded against the Council in litigation and all council prosecutions were successful and issued in accordance with statutory timescales.
- ***Assurance provided by the Head of Human Resources and Organisational Development*** - Human resource related policies are reviewed to ensure compliance with relevant legislation. New staff are inducted appropriately, and all staff receive on-going training and awareness packages to ensure continued compliance with employment legislation, with on-going support and guidance available.
- ***Assurance provided by the Head of Health and Safety*** - the Health and Safety team use recognised sources of information to ensure that statutory obligations are met, staff keep abreast of changes in legislation and local/national updates and the council's differing working environments and work styles are regularly monitored, recorded and evaluated for risk.
- ***Assurance provided by the Deputy S151 Officer on Finance and Procurement policy and procedures*** - the service applies a Business Partnering Model as its main method of engaging with service users to ensure robust budget and financial management and has also adopted a Resource Accountability Framework (RAF) which describes the relevant tasks and responsibilities required in effective financial management. The council's Contract and Procurement Procedure Rules (CPPRs) are reviewed annually to ensure they remain aligned to legislative and best practice updates. During the year the council operated within its set budget and no challenges to procurement processes were received.
- ***Assurance provided by the Information Governance/Data Protection Officer on information governance arrangements*** – the Council continues to meet the demands of external assessments, with the most significant being the annual NHS Data Security and Protection Self-Assessment. A programme of mandatory Information Governance training is provided for all staff, including new starters, and take-up is high. Reviews are conducted when there are changes to legislation or national good practice, when internal process or system changes take place and when incidents occur. During 2022-2023, two breaches were reported to the Information Commissioner with both requiring no further action. Consequently, a high level of assurance exists that current policies and procedures support robust Information Governance and Data Protection across the council. An annual report is presented to the Audit Committee outlining the key information and governance activities undertaken by the Council during the year.
- ***Head of Strategy, Policy and Insight on performance management arrangements*** - the council has a performance management framework which sets

out the approach that is used to assess progress and to measure success and lays out the foundations and approach locally to performance management. The council assurance group and senior leadership team receive quarterly performance reports which focus on matters of exception and the contextual narrative behind the data. This provides assurance that council is managing performance and can demonstrate that it is fulfilling its duties as an organisation and employer and is actively ensuring that it meets nationally laid down standards. Performance is monitored closely within service areas and therefore any areas of concern are identified at an early stage, the reasons understood, and remedial action taken.

- **Annual Report of the Audit Committee 2022/23** – this was presented to the Audit Committee 15 March 2023. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee’s self-assessment against good practice. No issues of non-compliance were identified.
- **Annual Report of the Standards Committee 2022/23** – to be received by the Standards Committee in July 2023. The annual report will highlight the work of the Committee over the period and outcomes from complaints made against the Code of Conduct.
- **Annual Whistleblowing Report 2022/23** – reported to the Audit Committee 25 March 2023. It outlines the whistleblowing disclosures made to the council under its Reporting a Concern Policy (Whistleblowing). No issue of concern were identified.
- **Director of Public Health Report (DPHAR) 2022** – reported to Health Cabinet 13 March 2023. This DPHAR has been produced by the Greater Lincolnshire (GL) public health team as part of the GL pilot. The report provides an opportunity for the Council to recognise the key challenges and opportunities facing its distinct geographical areas. The report makes recommendations for future focus, to help ensure resources are allocated most appropriately and residents supported as best as possible.
- **Fraud Annual Report** - reported to the Audit Committee 15 March 2023. It highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct in 2022-2023. The report highlights the work undertaken in relation to blue badges, council tax single residency discounts, school admissions and internal allegations. No major frauds were reported.
- **Managing allegations against people who work with children annual report** – reported to Childrens and Families Cabinet Member 23 November 2022. The Annual Report provides an overview of the activity and impact of The Local Authority Designated Officer (LADO) function for the year 2021/22 this includes an analysis of the allegations reported to the LADO, including the responses and outcomes. The report identifies strengths and learning, making recommendations aimed at further strengthening the system to help ensure children remain safe in professional and organisational settings.
- **Risk Management Annual Update Report** – to be reported to the Audit Committee 12 July 2023. The report highlighted the work that has been undertaken in relation to risk management.

- **Treasury Management Annual Report** – to be reported to Audit Committee 12 July. This report provides details of the Council's treasury arrangements, activity and performance during 2022-2023.

Third line (independent oversight)

Head of Internal Audit Annual Report and Opinion 2022-2023

This will be presented to the Audit Committee on 12 July 2023. Any issues arising from this report will be reported in the final Annual Governance Statement.

External Audit

The Council's External Auditors, Mazaars, are timetabled to provide an opinion on the Council's statement of accounts and on value money by 30 September 2023.

Ofsted

- Kingfisher Lodge Ofsted inspection – 2022 – Good
- The Cygnets section 45 Ofsted inspection – 2022 – Outstanding
- Inspection of Local Authority Children's Services – October 2022 – Outstanding in all areas

Other External Inspections/Assessments

Other external inspections and verifications carried out in 2022-2023 are listed below together with their ratings:

- Care Quality Commission (CQC) Inspection of Myos House took place in January 2023 and an overall outcome of 'Requires Improvement' was received with a rating of 'Requires Improvement' in four domains and a rating of 'Good' in the caring domain. An action plan has since been developed which is robustly monitored.
- Adult Education and Community Learning (AECL) Quality Review (March 2023) - this was a commissioned quality review. The report is still pending due to further information being collated by FIN (fellowship of inspection nominees), but the provider was deemed to be performing well and had positive feedback.
- Defence Employers Recognition Scheme (Gold Award).
- Visitor Attraction Quality Assurance Service - North Lincolnshire Museum – 84%.
- Annual Association of Public Service Excellence (APSE) return benchmarking for leisure services – outcome APSE recognition award achieved for Ancholme Leisure Centre and Riddings and Best Performing and Most Improved Leisure Centre – National APSE Awards 2022.
- Highways Incentive Fund – Band 3 achieved.
- Green Flag – five sites meet standards.

Local Government and Social Care Ombudsman

The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. The Annual Letter of the Ombudsman will be issued in July 2023.

4. Governance Challenges

Governance challenges can arise when something has gone, or is going wrong, which will affect the achievement of the council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant

cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk. Determining the significance of a governance issue will always contain an element of judgement.

An issue is likely to be significant if one or more of the following criteria applies:

- It has seriously prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved.
- It has required a significant diversion of resources.
- It has had a material impact on the accounts.
- It has been identified by the Audit Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

Based upon the assurance systems in place and the council's approach to continuous learning through external and internal review and the information considered in the AGS, the conclusion is that there are no significant governance issues that have arisen during the year which require specific reporting.

Required improvements in governance arrangements identified at an operational level (first line) and/or second line will continue to be monitored through the Council's Assurance processes.

5. Governance Risks 2021-2022

The following risks were reported in the 2021-2022 AGS. As part of the compilation of the AGS for 2022-2023 the current position in relation to these areas was reviewed and consideration was made as to whether they remain a risk into 2023-2024.

- During 2021-2022 a number of issues arose relating to breaches of information governance and data protection and two cases have necessitated self-reporting to the ICO (Information Commissioner's Office).

Response: Internal procedures concluded no significant risks identified and the ICO have been satisfied with the Council's response and on-going mitigation.

- There were two incidences of administrative errors within council tax. One concerning a direct debit instalment date being taken earlier than scheduled and the other related to the energy rebate payment being made in error to Band E properties.

Response: Both were identified quickly, and mitigating actions taken, including the recovery of the energy rebate paid in error. Recommendations from an independent learning review are substantially complete.

- Concerns regarding the ability to recruit and retain to professional positions across areas in the council, such as social workers, legal services, planning and building control.

Response: Pro-active steps have continued to be taken including, recruitment publicity, 'grow our own' initiatives and partnership arrangements. Recruitment and retention, training and development, skill mix are focussed areas in the Organisation Development plans.

6. Governance Risks 2022-2023

Financial

Council spending is exposed to the impact of inflation primarily either through contractual application of an inflation measure (e.g. CPI/RPI) or national pay awards. The current economic environment has impacted on the council's normal activity levels, revenue and as our cost base has grown faster than funding availability.

The council has deployed revenue investment of £175.5m against a revised budget of £173.1m, which represents a 1.4% variance. At the beginning of the year the estimated variance was spend 6.5% above the budget, reflecting mainly the impact of the wider economic conditions. Based upon anticipated mitigating actions including a mixture of pro-active cost management initiatives and appropriate use of specific and non-specific government grants, it was agreed that an increase to the planned use of reserves by £5m would be required. The final position required use of planned reserves of £7.8m draw down of reserves, which was £0.5m more than budget.

Regulatory

The External Audit opinion for the 2021-22 accounts and value for money judgement has not yet been issued. Although the Audit Completion Report Year Ended 31 March 2022 was presented by Mazars to the November 2022 Audit Committee indicating that an unqualified opinion was expected, this was subject to the legislation update in respect of Infrastructure Assets which was concluded in December 2022. Whilst this is a national issue, not unique to North Lincolnshire, there may be a knock-on impact of the timeliness of completion of the 2022/23 audit.

Reputational

The Returning Officer made a referral to the Electoral Commission following the Local Elections in May 2023 when it was identified that postal ballots for one ward had not been counted. The outcome of the Electoral Commission assessment against the Election Performance Standards will be reported in September. The Association of Electoral Administrators have been commissioned by the Director Governance and Communities to carry out a post-election review of the May 2023 count. The recommendations from the report will be actioned accordingly.

7. Governance Risks 2023-2024 – The Present and the Future

Financial

North Lincolnshire Council remains a high performing and ambitious council. It has a clear set of priorities that are outcomes focussed and continues to transform its services and processes to achieve its ambition. The environment in which the council operates has seen major changes over the past decade and this will continue for the foreseeable future, with economic conditions adding additional uncertainty to an already uncertain future. These changes bring with them their own set of opportunities and risks. The council is adopting a transformational approach to maximise the potential from the opportunities and manage the

risks. At the same time setting a clear strategic intent to become financially sustainable to ensure the vital services it provides continue.

Council spending is exposed to the impact of inflation primarily either through contractual application of an inflation measure (e.g. CPI/RPI) or national pay awards. The current economic environment is likely to continue to impact on the council's normal activity levels, revenue and funding streams and as our cost base is likely to grow faster than our ability to grow our income, the impact will be closely monitored throughout the year.

All these factors have combined resulting in the medium-term financial plan having a gap to close by 2025/2026 between the cost base and availability of income. A motion was presented and approved by Full Council to support communities at this time by freezing general council tax and support older and disabled residents by setting the adult social care precept at 1.75% for 2023/2024. Although the proposal represented a balanced budget, this was achieved by increasing the planned use of reserves in 2023/2024 which in turn places a higher risk on the Council's financial resilience. This means that a higher level of savings is required to be confirmed over the medium-term financial plan period and accelerated to maintain the recommended level of risk reserves.

A strategic frame has been set to achieve this challenge and the Council's organisational goal – enabling, progressive and sustainable. There is an opportunity to re-set at a functional level, through improvement, innovation, and business change; at an organisational level through OD and transforming design, space, resources, and people and at a system level with partners and stakeholders. There is a clear democratic mandate confirmed through the recent local election, as the majority group take up a fourth term of office for the next four years.

Leadership Capacity

At the time of writing the draft AGS, the Council are recruiting for a Director of Public Health (DPH) and Public Health Consultant and Assistant Director Resources and Performance. Additionally, by September 2023 the S151 role will be vacant. The Council must ensure that plans are in place to recruit to this role.

North Lincolnshire Council working with North East Lincolnshire Council and Lincolnshire County Council have submitted to government a bid for Devolution and the creation of a Greater Lincolnshire Mayoral Combined Authority. The delivery and implementation of this will require prioritised use of Leadership capacity and capability to ensure the opportunities for North Lincolnshire are maximised and the governance arrangements are robust.