



Northumberland  
County Council



# Annual Governance Statement

for year ended 31 March 2020

# Foreword

**“Our Vision focuses on making Northumberland a county which you regard as a great place to live, and in which you can access the things you enjoy, whilst having the opportunity to learn and thrive”.**

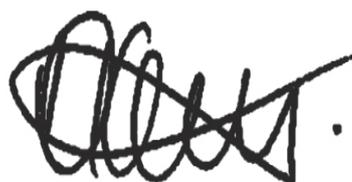
**This is the Council’s stated purpose as contained in the Corporate Plan for 2018-21. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of uncertain public sector finances while at the same time, planning for a sustainable future.**

**Effective corporate governance is essential to support the Council in meeting these challenges.**

All of our residents and service users, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council to achieve its objectives in recent years, we will ensure that this continues to be the case in 2020-21 and into the future.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.



**Daljit Lally**  
Chief Executive  
Northumberland County Council



**Cllr Peter Jackson**  
Leader  
Northumberland County Council



## What is Corporate Governance?

Good governance in the public sector means: **'achieving intended outcomes while acting in the public interest at all times'**.

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values.

### The Council's corporate governance arrangements aim to ensure that it:

- operates in a lawful, open, inclusive and honest manner;
- safeguards public money and assets from inappropriate use, loss or fraud, and ensures that they are properly accounted for and uses its resources economically, efficiently and effectively;
- has effective arrangements for risk management;
- secures continuous improvements in the way it operates;
- properly maintains records and information; and
- ensures that its values and ethical standards are met.

## What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2020, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2020-21 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (CIPFA).

# How this statement is prepared

## In preparing the Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- updated the Council's Local Code of Corporate Governance to reflect this guidance which includes the seven principles of good governance and the actions and behaviours taken by the Council that demonstrate good governance; and
- assessed the effectiveness of the Council's governance arrangements against the revised Local Code of Corporate Governance.

## The annual assessment of the effectiveness of the processes contained within the Local Code of Corporate Governance includes assessments such as:

- Service level review of governance arrangements
- Review of the Corporate Risk Register
- Review of the Constitution
- Review of the opinion of the Head of Internal Audit
- Review of External Audit Annual ISA 260 Report
- Review of reports from external inspectorates
- Review of the 2018-19 Improvement Plan
- Review of governance arrangements of subsidiary companies.



# 1. The Council's Governance Responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards, and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements. This also applies to the Council's only wholly owned subsidiary, Advance Northumberland, an arm's length company which is the Council's primary regeneration delivery vehicle.

The Council's Local Code of Corporate Governance was produced in accordance with the new governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved. The Code is reviewed annually and is available on our website ([click here](#)).

## Northumberland County Council Governance Code

### Principles of Corporate Governance

- **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 risk and performance through robust internal control and strong public financial management.**
- **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

## 2. The Governance Framework

The governance framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

As the Council improves the way it provides services, it is important that the governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Executive Board or Council as appropriate.

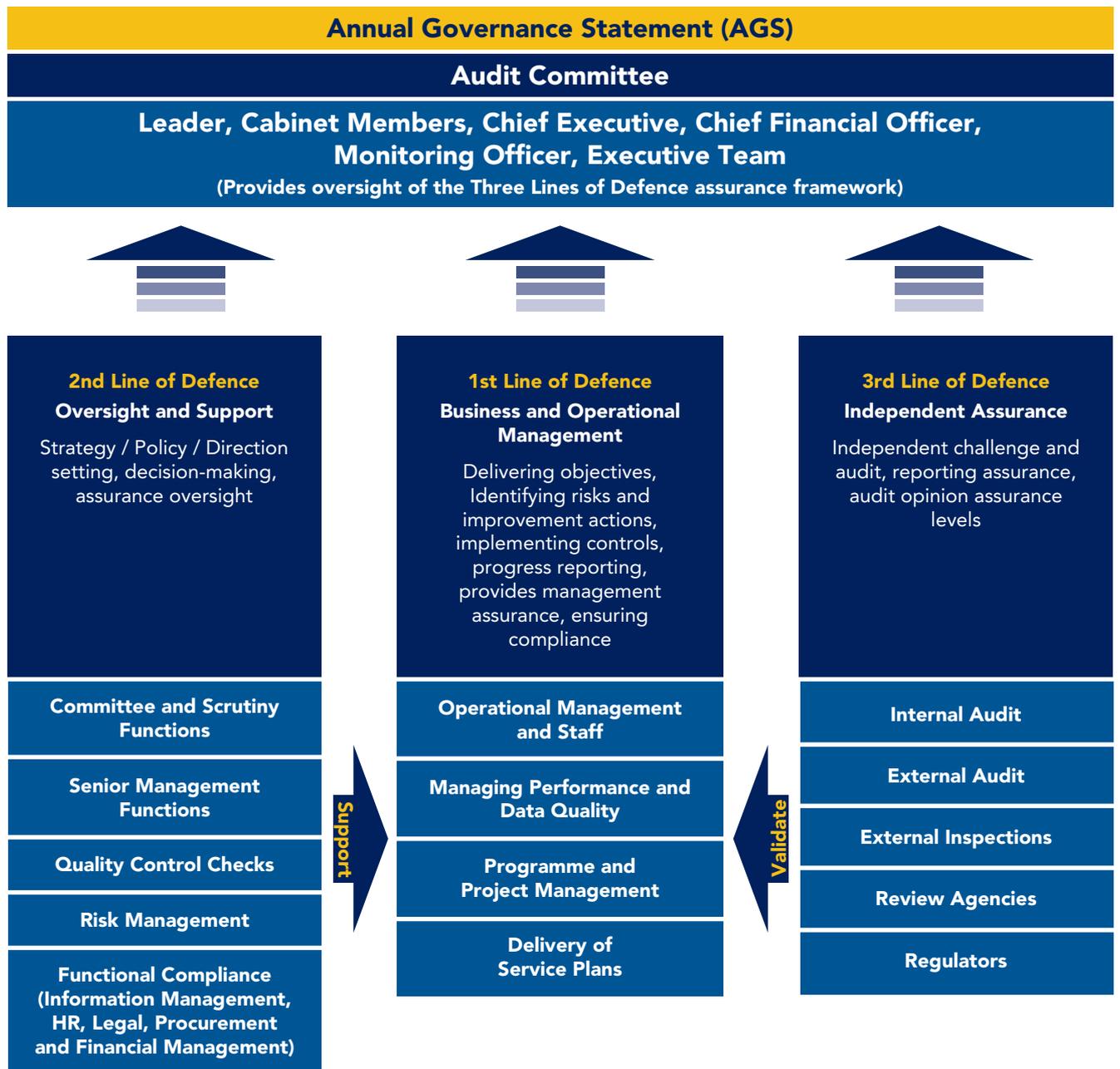
Some of the key elements of the governance framework are highlighted on the next pages.

The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

### **The Three Lines of Defence in effective Risk Management and Control**

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance. By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls), the Second Line (functions that oversee risks e.g. Governance structures and processes such as Audit Committee, Scrutiny, Boards) and the Third Line (functions that provide independent assurance on the management of risks e.g. OFSTED, Internal/External Audit), helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

The diagram below summarises the Council’s governance assurance framework, which is based on the Three Lines of Defence mode:

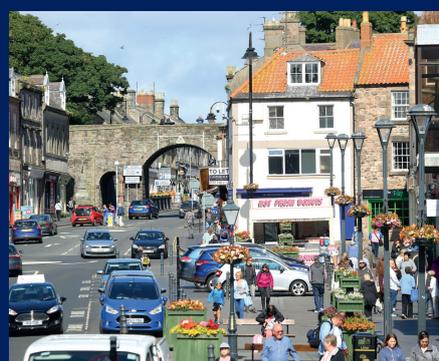


# The Council Plan

The Council's Corporate Plan was adopted in February 2018 alongside the Medium Term Financial Plan for 2018-22. The Plan covers the period up until 2021 and identifies priority areas around:



- We want to be efficient, open and work for everyone [How];
- We want you to feel safe, healthy and cared for [Living];
- We want you to love where you live [Enjoying];
- We want you to have access to the things you need [Connecting];
- We want you to achieve and realise your potential [Learning];
- We want to attract more and better jobs [Thriving];



These priorities are framed by the Council's vision, values and operating principles.

**Our people.** The heart of Northumberland

**Our values:** Residents first • Excellence and quality • Respect • Keeping our communities safe and well

A heart shape composed of many small, colorful human figures, representing the community.

Each service prepares a Service Statement annually setting out its priorities in delivering the Council's Corporate Plan together with a performance framework identifying key measures of performance, current performance levels and targeted performance levels. Measures of performance are captured in the Council's web-enabled performance management system which is regularly updated with current performance so that the information is readily accessible to members, managers, staff, the public, partners and other stakeholders.

The Council's Local Plan sets out the long term spatial vision and strategic planning policies of the Council. It identifies the scale and distribution of new development which is required to deliver the Council's economic growth ambitions. It also provides the strategic planning principles that will be used to inform Neighbourhood Development Plans across Northumberland.

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The inspector's role is to determine whether or not the Core Strategy in the Local Plan is sound and complies with all relevant legal requirements. Hearing Sessions and consultation on the plan will continue during 2020/21.

# Evaluating Performance

The Council's performance management framework is published on the website and performance information is updated regularly. Publicly available reports map the information to services, Corporate Plan priorities, Cabinet Member portfolios and Scrutiny committees.

The Council benchmarks its services against a number of national and regional comparators and each service includes details of its benchmarking in its annual service statement.

Finance officers meet regularly with budget holders across the Council and prepare a monthly financial monitoring statement which is shared with the Executive and reported to the Cabinet.

The Workforce Committee continues to provide regular scrutiny, challenge and accountability for all workforce related improvement initiatives. Monthly publication of workforce intelligence data and performance reports is used to monitor and steer improvement actions.

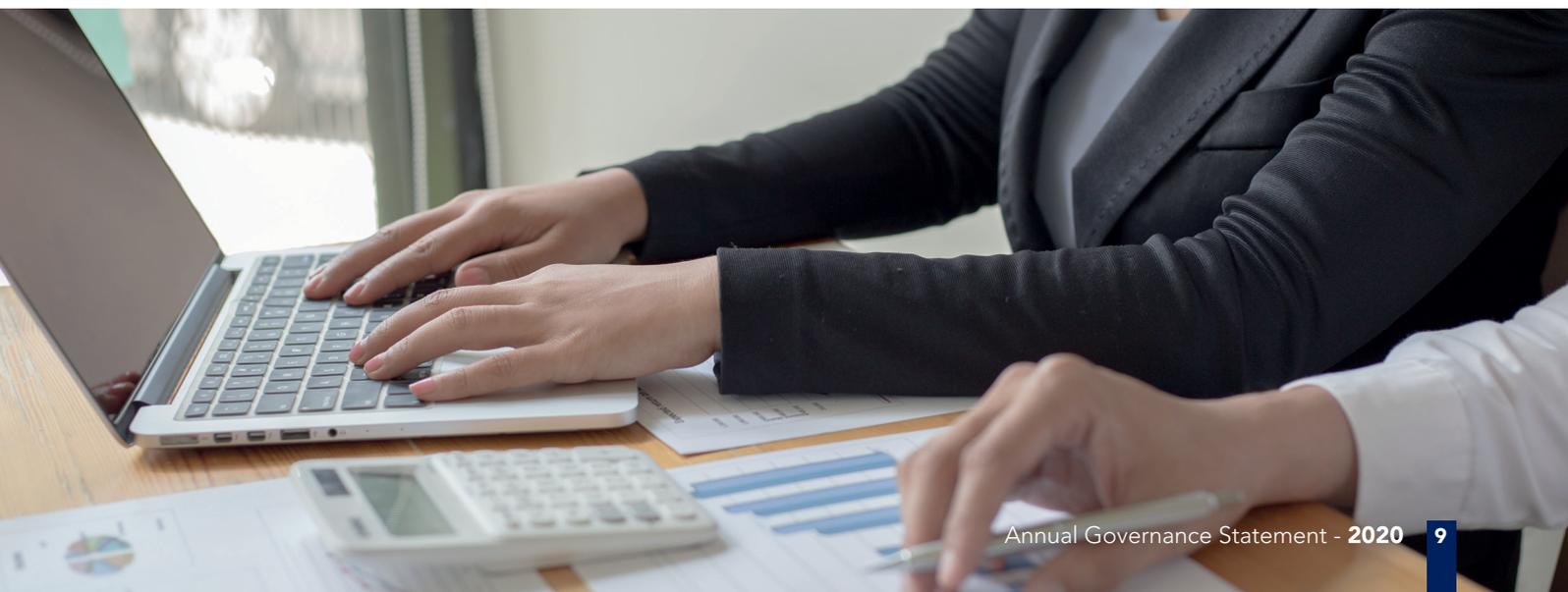
At a service level there has continued to be regular regulatory inspections of Adult and Children's Services by Ofsted and CQC and reports are provided to the Audit Committee to inform members of the findings of inspections and to provide assurance of how the actions resulting from inspections are implemented and monitored.

The Ofsted inspection of children's social care in January 2020 was recognised as 'Good' across all areas.

**Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) conducted an assessment of Northumberland Fire and Rescue Service during 2018-19 focusing on:**

- **Effectiveness** - Including prevention, protection, resilience, and response;
- **Efficiency** - How well it provides value for money, allocates resources to match risk, and collaborates with the police and ambulance services; and
- **How well does it look after people** - How well it promotes its values and culture, trains its staff and ensures they have the necessary skills, ensures fairness and diversity for the workforce and develops leadership and service capability.

The final report by HMICFRS was received in June 2019 and was rated as 'Requires Improvement' in all three areas. An improvement plan has been developed and this is being monitored by the Fire and Rescue Senior Leadership Team on a monthly basis with a summary report being sent to the Chief Executive and portfolio member.



# Managing Risk

The management of risk is key to achieving what is set out in the Council Plan and to ensuring that we meet all of our responsibilities.

Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact.

The Council has a process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The process is reviewed and updated on a regular basis with reference to available good practice and to ensure it reflects the rapidly changing environment in local government.

Substantive improvements to the process to enhance management of risk were rolled out in 2018-19 and, following interim review, further enhancements have been made in 2019-20.

The Senior Leadership Team retains corporate oversight of the risk management process. Corporate risks are formally reviewed and updated twice a year by senior managers and elected members of the Council to inform financial planning and service planning processes.

The updated approach has been cascaded to service strategic level with regular review and reporting to executive directors and directorate management teams.

The process includes a hierarchy of corporate, service strategic and operational risk registers and allows for the dynamic escalation and de-escalation of risks, so that risks sit where they are best able to be managed. Project risks may impact and be owned and managed at any level.

Against these arrangements, there is also cross-cutting risk management work addressing specific areas of risk across the Council on a short term basis (e.g. Brexit and COVID-19 response) or through corporate standing groups (e.g. health and safety and information governance).

The Corporate Risk Register plays an integral role in supporting achievement of priorities as set out in the Corporate Plan.

Key risks currently identified and being managed at a corporate level are highlighted below:

## Corporate Level Risks 2019-20

1. Financial Assumptions	9. Information Governance
2. Alternative Service Delivery Models	10. Multiple and concurrent high profile large scale capital projects
3. Engagement of communities	11. Contract Management
4. Northumberland Local Plan	12. Response to climate change
5. Economic Inclusion	13. Corporate Companies Group
6. OD/Workforce	14. Regeneration
7. Civil Contingency and Business Continuity	15. Covid-19 Response
8. Corporate Compliance	

# COVID-19

On 12 January 2020 it was announced that a novel coronavirus (COVID-19) had been identified. The Prime Minister addressed the nation on 23 March 2020 and announced a national lockdown. Coronavirus has remained a live, national risk since this time, and there remains no vaccine or cure. Therefore, the Council is continuing to respond to the ongoing profound challenges arising from the virus.

COVID-19 has required a strategic and operational co-ordinated crisis response by the Council, significantly shifting the focus of activities to support our most vulnerable residents. This has been done by the Council using its own resources, working with wider agencies, voluntary and community sector colleagues and also as part of the wider Northumbria Local Resilience Forum (LRF) public service response to the emergency.

Many resources, functions, plans, programmes and work have had to be reorganised and reprioritised on a regular basis in order to ensure that Northumberland has had a safe response, and that the Council has been able to respond to a wide range of guidance and legislation.

An overview of the Council's work to date on its COVID-19 response was presented at the Cabinet meeting on 23 June 2020, and will be subject to post-scrutiny.

This Annual Governance Statement assesses the governance that was in place during 2019/20. Therefore, as much of the financial year was unaffected by coronavirus, the annual governance review and conclusions made reflect normal Council operations.

However, COVID-19 did impact upon the governance of the Council during March 2020 and at the time of publication of the AGS the pandemic undoubtedly has had a greater impact.

**This has had a range of impacts upon Council activities including:**

- **Delivery of services and business continuity**
- **Additional COVID-19 response activities**
- **Conduct of meetings**
- **Decision making arrangements**
- **Funding challenges**
- **Health and safety and risk management**
- **Human resource management**
- **Procurement and supply chain management**

The Council's Governance Improvement Plan includes an action to conduct a review of its response to the COVID-19 crisis, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.

While there is a possibility that there may be secondary outbreaks and pandemic peaks, recovering from COVID-19 will set the context for future community and Council planning and decision-making in the county.

# 'Brexit'

The UK formally left the EU on 31 January 2020. While the UK agreed the terms of its EU departure, both sides are yet to agree a future relationship on trade and other issues.

Currently, the UK and EU are in a transition period (or implementation period) which is due to end on 31st December 2020. At the time of writing, we have passed the point at which a formal extension to the transition period could be requested and granted.

During this period, the UK continues to follow all EU rules, whilst negotiations on a potential, future trade deal are ongoing. The ongoing UK-EU negotiations could have potentially significant implications for Northumberland's economy and communities as well as the organisation itself and the Council will continue to keep track of the negotiations and assess likely impacts on the county.

## Decision Making and Responsibilities

The Council consists of 67 elected Members, with a Cabinet of Lead Members who are supported and held to account by Scrutiny Committees. The Council has also established five Local Area Councils which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower citizens, strengthen communities and improve services

The key document supporting the Council's governance arrangements is the Constitution, which sets out how the Council operates, how decisions are made and the rules and procedures that must be followed to ensure that work is efficient and transparent and that the Council is accountable to local people. The Council as a whole is responsible for agreeing the Constitution, and any amendments require the agreement of the Full Council.

In order to maintain relevance of the Constitution, the Council has established a Constitution Working Group. This is a politically-balanced private members working group. The work of the Group is determined by the areas of review proposed by Members; there is an open invitation to all members to add to the Constitution Working Group's work plan. The reports and recommendations of the Constitution Working Group are reported to Full Council for review and agreement.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' and 'Section 151 Officer' (Executive Director of Finance) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Decisions are made by the Cabinet, working within the agreed budget and policy framework. The Cabinet is held to account by the Council's Overview and Scrutiny Committees. To enable a more streamlined process, responsibility for certain decisions is delegated to chief and senior officers, in line with powers set out in the Constitution.

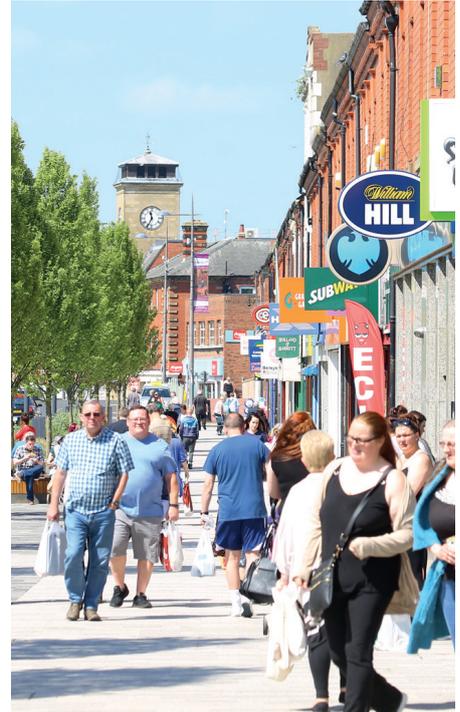
**The Key roles of those responsible for the Governance Framework in Northumberland are outlined in the diagram below:**

<b>The Council</b>	<ul style="list-style-type: none"> <li>■ Approves the Council Strategy.</li> <li>■ Approves the Constitution (including Standing Orders and Financial Regulations).</li> <li>■ Approves key policies and budgetary framework.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>■ The main decision-making body of the Council.</li> <li>■ Comprises eight Cabinet Members (including the Leader) who have responsibility for particular portfolios.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>■ Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</li> <li>■ Promotes high standards of member conduct.</li> <li>■ Approves the Annual Statement of Accounts and Annual Governance Statement.</li> </ul>
<b>Scrutiny Committees</b>	<ul style="list-style-type: none"> <li>■ There are four overview and scrutiny committees who support the work of the Cabinet and the Council as a whole.</li> <li>■ They allow citizens to have a greater say in council matters by holding inquiries into matters of local concern.</li> <li>■ They hold Cabinet and Officers to account and scrutinise performance.</li> </ul>
<b>Executive Team</b>	<ul style="list-style-type: none"> <li>■ Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues.</li> <li>■ Oversees the implementation of council policy.</li> </ul>
<b>Chief Financial Officer (s151)</b>	<ul style="list-style-type: none"> <li>■ Accountability for developing and maintaining the Council's governance, risk and control framework.</li> <li>■ Contribute to the effective corporate management and governance of the Council.</li> </ul>
<b>Monitoring Officer</b>	<ul style="list-style-type: none"> <li>■ To report on contraventions or likely contraventions of any enactment or rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise Members on the interpretation of the Code of Conduct for Members and Co-opted Members.</li> <li>■ Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for Employees. (Whistleblowing) and contributes to the effective corporate management and governance of the Council.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>■ Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</li> <li>■ Delivers an annual programme of risk based audit activity, including counter fraud and investigation activity.</li> <li>■ Makes recommendations for improvements in the management of risk.</li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>■ Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).</li> </ul>
<b>Managers</b>	<ul style="list-style-type: none"> <li>■ Responsible for developing, maintaining and implementing the Council's governance, risk and control framework.</li> <li>■ Contribute to the effective corporate management and governance of the Council.</li> </ul>

## Open Policy and Decision-making

Meetings are generally held in the public domain, although of necessity a small number of items may be considered in private where exempt or confidential matters are being discussed. All reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website. Reports are provided to a standard template.

The Council's Forward Work Programme is published on the website and contains information about all matters that are likely to be the subject of a decision taken by the Council during the forthcoming four month period.



## Equality

We aim to be an accessible and inclusive organisation and we welcome and respect the diversity of all people visiting, living and working in the county. As part of our duty under the Equality Act 2010, the Council publishes equality objectives every four years. These set out our equality priorities regarding employment practices and the way we provide services.

Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

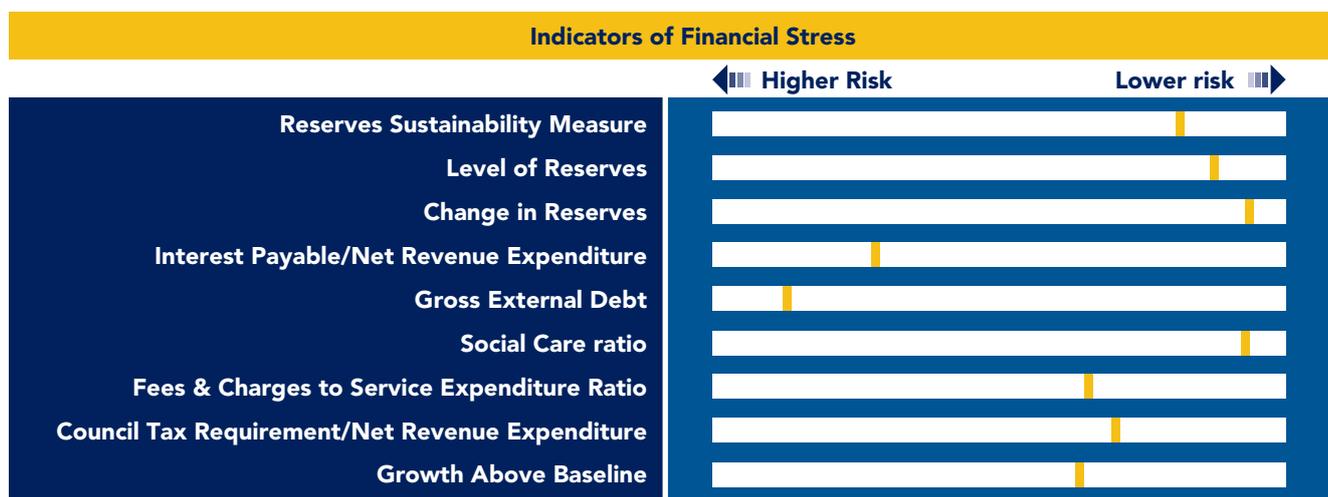
## Financial Management, Procurement and Value For Money

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

The Council's Corporate Plan, "A Council that works for everyone", was approved in February 2018 and is the Council's main strategic planning document, providing a framework for the delivery of all services. It is a clear statement of the Council's vision, strategic aims and policies for the period to 2021 and informs the Medium Term Financial Plan.

The Medium Term Financial Plan for 2021-2022 supports the objectives contained within the Corporate Plan whilst implementing budget efficiency measures of £21.8m over the same period. For the 2019/20 financial year the Council set a balanced budget and has delivered an outturn underspend of £1.5m against this budget, and delivered £11.3m of savings.

**In December 2019 CIPFA published a Financial Resilience Index for all English local authorities, measuring performance across nine financial ratios. The Financial Resilience Index for the Council shows lower levels of risk for seven of the nine primary indicators:**



The Executive Director of Finance is responsible for the proper administration of the Council’s financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy’s ‘Statement on the Role of the Chief Financial Officer in Local Government’ (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Finance and Contract Rules. These include established budget planning procedures, which are subject to risk assessment, and budget monitoring reports to Cabinet. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council has established an Innovation and Improvement Team during 2019/20, to support eight workstreams of continuous review and improvement. The eight workstreams are: Digital; Service Reviews; Place Based Shaping; Workforce; Quality and Complaints; Cultural and Engagement, Business Development and Income Generation; and Climate Change. The work of the Innovation Team will support the Council to deliver efficient, sustainable and

value for money services for its residents.

Procurement as a function is uniquely placed to provide an important contribution to the development of new service delivery models, control costs, achieve savings and deliver value for money solutions

**Through the Council’s Procurement Shared Service with the NHS, and procurement strategy 2017-2021, the Council provides a sustainable cost effective procurement service for both stakeholders. The shared objectives for the procurement service are:**

- To deliver a value adding sustainable professional procurement service
- To maximise collaborative spend and savings opportunities
- To increase economic benefits for Northumberland

The Shared Procurement Service leverages its combined procurement expertise and purchasing power to secure value for money for taxpayers.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Council’s Finance and Contract Rules.

# Managing Information

Information is an asset at the heart of all Council decision-making processes, and it is therefore vital we manage it throughout its lifecycle. Information governance is the framework of law and best practice that regulates the way information and data is managed, obtained, handled, used and disclosed.

The Council is a registered Data Controller with the Information Commissioner's Office (ICO) and we have a robust Information Governance Framework. Our framework sets out the roles, responsibilities, policies and procedures, along with best practice and standards adopted to manage our information and data assets. It also describes the approach to assurance and risk management.

As a Council we recognise our responsibilities to ensure information is available to the right person, in the right format at the right time to achieve accurate, reliable decisions that inspire confidence and transparency in our decision-making processes.

The Council's website provides details on information governance including the Council's policies covering data protection, freedom of information, environmental information regulations and records management. The publication scheme advises the public about how to get the information they seek from the Council and the transparency pages on the website meet the requirements of the Local Government Transparency Code 2015.

## Audit and Audit Assurances

The Council's Internal Audit Service plays a key role in the assessment of the control environment, and will make suggestions for improvement where necessary. The Council has established a shared arrangement with North Tyneside Council for Internal Audit and Risk Management Services. The Shared Service Management Board which includes the Chief Executive of Northumberland County Council and Head of Resources of North Tyneside Council oversees the arrangements across the two councils.

The Service operates in accordance with the Accounts and Audit (England) Regulations 2015, the Public Sector Internal Audit Standards (revised April 2017) and the related Local Government Application Note published jointly by the Chartered Institute of Public Finance and Accountancy and Institute of

Internal Auditors (revised February 2019).

Following wide consultation with stakeholders and assessment of risk, a Strategic Audit Plan is presented annually to the Audit Committee to consider and review the planned work and proposed coverage of Internal Audit.

Internal Audit report to the Audit Committee on the key outcomes of Internal Audits completed on a bi-annual basis with a summary of audits undertaken, opinion levels, good practice identified, issues identified and actions taken since the audit was completed. In addition to this they also provide the Audit Committee with details of evidence checking undertaken by them to ensure that recommendations stated by management as implemented have actually been undertaken. Internal Audit also has responsibility for investigating possible irregularities. The aim is to give assurance to management and members that certain processes operate in an efficient and effective manner and ensure the integrity of transactions.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control for 2019/20 was that:

**“Overall, Internal Audit’s work performed during 2019/20 found that the County Council’s internal systems of governance, risk management and control are satisfactory overall. This is a positive assessment of the Council’s control environment and reflects favourably on the organisation’s governance arrangements.”**

The opinion notes, however, show that there is an ongoing need across the Authority to ensure awareness of and compliance with corporate policies and procedures, to ensure that governance processes are effective. In addition, as public services, including Northumberland County Council, continue to embrace channel shift which is likely to see an increasing reliance on computerised systems and ‘self-service’ by stakeholders, it is also essential that all ICT systems are fit for purpose. This will be a continued area of focus within the Authority.

The Advance Northumberland Group of Companies was established in 2018. In 2017/18, Internal Audit was asked to provide a full internal audit service to its predecessor organisation, the Arch Group of Companies, for the first time. The opinion of the CIA was qualified at that time. The Advance Group of Companies, which replaced the Arch Group, has similarly received a qualified opinion in 2018/19 and 2019/20. It will be necessary for governance arrangements in the Group to fully embed in order for those responsible for governance to have sufficient confidence in the control environment in operation.

Our **Audit Committee** is a key component of Northumberland County Council’s corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of our Audit Committee is to provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.

It provides independent review of Northumberland County Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

**The Audit Committee’s responsibilities with regards to governance, risk and control are:**

- To review the Council’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit’s opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
- To consider the Council’s arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council’s framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

# Conduct

Our Codes of Conduct for Members and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

The Monitoring Officer has maintained the Councillors' register of interests established following the elections in May 2017, as required under the Localism Act 2011, which is available online for public inspection. The register includes the declaration of gifts and hospitality received by members in connection with their official duties.

Advice has been given throughout the year to Members with regard to the need to make appropriate declarations of interests under both the 2011 Act and the local members' code of conduct. As of the end of February 2020 nine member code of conduct complaints were received under the arrangements adopted by the Council under the 2011 Act. The number of complaints received represented a decrease of over 57% on the number of complaints received in the previous year.

## Whistleblowing

People who work for, or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council operates a whistleblowing policy, and has a robust complaints process, designed to ensure that all issues are properly investigated.

The Council also has Safecall which provides an independent, confidential service where employees can report any concerns. The hotline does not replace internal reporting procedures, but is used alongside them to provide an alternative for employees who, for a number of reasons, may not wish to use the internal options.

## Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

We're committed to a zero-tolerance approach on all aspects of fraud. This is why we have a dedicated Corporate Fraud Team, who investigate fraud and irregularity allegations. A dedicated resource is available within the Corporate Fraud Team to lead investigations into breaches of policy and suspected irregularities, with an element of the role being dedicated to pro-active work, and developing an anti-fraud culture. The Audit Committee receives regular updates on all fraud investigations.

**Our website tells you how you can report suspected fraud against the Council.**

# 3. Improving Governance

The progress made during 2019-20 on the improvement areas identified in our 2018-19 Annual Governance Statement is shown below:

<p><b>1. Local Plan</b> Submit the Local Plan to the Government in May 2019 for independent examination with a view to the Plan being adopted in March 2020.</p>	<p><b>Partially Complete</b> - The Northumberland Local Plan was submitted by Northumberland County Council to the Secretary of State for Housing, Communities and Local Government on 29 May 2019. In June 2019 the Inspector was appointed to undertake the independent examination of the Local Plan. A number of actions for the Council have resulted from the Hearing Sessions, which will be progressed during 2020/21 .</p>
<p><b>2. Consultation</b> Establish a framework for the consistent publication of all Council consultation (carried forward from 2018-19).</p>	<p><b>Partially Complete</b> - The Council is currently in the process of commissioning a supplier to provide an electronic system that will facilitate a process of digital consultation, and assist in widening participation and engagement going forward.</p>
<p><b>3. Active Northumberland</b> Ensure an Operating Agreement is in place for 2019-20 for Active Northumberland with appropriate monitoring arrangements in place. Ensure a formal process is in place for measuring customer satisfaction with an annual report to the Council.</p>	<p><b>Complete</b> - An Operating Agreement between Active Northumberland and the Council was put in place for 2019/20. The Leisure Client function is now well established with the appointment of a dedicated 'Contracts Officer'. Progress has also been made during 2019-20 towards the development of a comprehensive outcomes framework.</p>
<p><b>4. Advance Northumberland</b> Ensure an Operating Agreement is in place for 2019-20 for Advance Northumberland with appropriate monitoring arrangements in place.</p>	<p><b>Complete</b> - An Operating Agreement between Advance Northumberland and the Council was put in place for 2019/20. Monthly monitoring takes place at both an officer and shareholder level.</p>
<p><b>5. Operational Delivery</b> Establish a framework for strategic and operational performance which demonstrates delivery and assurance of key operational and strategic indicators, and which gives assurance on delivery of the Corporate Plan and in delivery of physical processes.</p>	<p><b>Complete</b> - Creation of a Steering Group chaired by the Executive Director of Regeneration, Commercial &amp; Economy to monitor the delivery of regeneration projects. Process of Project Initiation Documents (PIDs) put in place in collaboration to manage the commissioning of services. A new Policy Service was established during the year, to work with all services, partners and stakeholders and to support Members to develop policies based on sound evidence.</p>
<p><b>6. Programme of Service Reviews</b> Establish a series of service reviews to challenge current service delivery arrangements and provide assurance that value for money is being achieved.</p>	<p><b>Complete</b> - Following recruitment and establishment of an Innovation and Improvement Team during 2019/20, a programme of eight work streams has been established that will be carried out during 2020/21 and beyond, as a cycle of continuous review and improvement.</p>
<p><b>7. Partnership with NHS bodies</b> Establish a series of service reviews to challenge current service delivery arrangements and provide assurance that value for money is being achieved.</p>	<p><b>Complete</b> - The decision was taken that a review of the current partnership arrangements with NHS partners should be carried out. A draft terms of reference for the partnership review has been agreed and the membership of the review group proposed. Potential options and opportunities are currently being considered, with the formal review process expected to commence in June 2020.</p>

**The table below summarises the areas of improvement identified during the 2019/20 annual governance review and outlines the planned actions to be completed in order to enhance the Council's governance arrangements.**

<p><b>1. Local Plan</b></p>	<p>Following the submission of the Local Plan for inspection during 2019/20, a number of actions for the Council resulted from the subsequent Hearing Sessions. These actions will be completed during 2020/21. Further hearing sessions will be necessary for Phase 2 of the Local Plan</p>
<p><b>2. Consultation and Stakeholder Engagement</b></p>	<p>Establish an online consultation tool for the Council for use across service areas to support consultation and local decision making, strengthen understanding and shape national and regional policy.</p>
<p><b>3. Adult Social Care Partnership with the NHS</b></p>	<p>Completion of a full review of the partnership arrangement with Northumbria Healthcare NHS Foundation Trust</p>
<p><b>4. Member Representation on Outside Bodies</b></p>	<p>A detailed review of appointments to all outside bodies will be undertaken, and consideration given to the development of a protocol for Members that represent the Council on outside bodies.</p>
<p><b>5. Overview and Scrutiny</b></p>	<p>External training will be provided for all members on Overview and Scrutiny Committees.</p>
<p><b>6. Virtual Meetings</b></p>	<p>Options for holding virtual meetings for bodies with no decision making powers should be explored.</p>
<p><b>7. Planning Service Restructure</b></p>	<p>The Planning service has commenced a Section 188 consultation with the trade unions in regards to a proposed restructure of the service, to support embedding the improvements in the systems of control within the department.</p>
<p><b>8. Planning Decision Investigation</b></p>	<p>A formal Investigation will be carried out into an historic planning decision case, in order to identify any issues of concern regarding probity or quality.</p>

<b>9. Formation of Northumberland Enterprise Holdings Ltd (NEHL)</b>	Establish a robust legal and governance structure in the establishment of the subsidiaries and holding company.
<b>10. Northumberland Fire &amp; Rescue Service</b>	To implement the Northumberland Fire & Rescue Improvement Plan, to address the three 'requires improvement' areas (Effectiveness, Efficiency and People) identified in the HMICFRS report.
<b>11. Audit Committee Review</b>	Consideration will be given to undertaking self-assessment evaluation of the effectiveness review on an annual basis, and to provide an annual report to Cabinet.
<b>12. Group Audit Committee</b>	In order to strengthen the Council's arrangements for audit and oversight of its subsidiaries, consideration will also be given to the County Council Audit Committee taking on a 'Group' audit committee role.
<b>13. Advance Northumberland</b>	Follow-up reviews of fundamental financial systems will be undertaken by Internal Audit during 2020/21 to assess the effectiveness of the new controls put in place by Advance.
<b>14. Contracts Management</b>	Following assessment of contracts with a cumulative spend over 4 years of £50k, the contract managers will be identified and new governance arrangements and training will be introduced to provide further assurance on arrangements for contract management.
<b>15. Post COVID-19 Lessons Learned Review</b>	At the time of publication of the AGS, COVID-19 remains a live, national risk, and therefore the Council is responding to a live ongoing issue which remains significant at this time. The Council will conduct a review of its response to the COVID-19 crisis, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.

**These areas of improvement will be monitored during 2020-21 and reported to the Audit Committee as part of the Council's governance review arrangements.**

# 4. Assurance

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and, that significant risks impacting on the achievement of the Council's objectives have been mitigated.

The outcome of the review of the governance arrangements in place at the Council provided the necessary assurance that these remain fit for purpose, and that the Council has the appropriate systems and processes in place to ensure that good governance is maintained.

Good progress has been made against the governance improvement plan identified during the 2018/19 governance review, and where actions have not yet been fully completed they will continue to be progressed. These are not considered to have materially affected the adequacy of the governance arrangements in place during the last year.

Whilst a number of opportunities to further enhance the Council's governance arrangements were identified during the 2019/20 governance review process, no significant assurance issues were found. Where areas of improvement were identified, actions have been agreed in each service area that will address these issues and further enhance the Council's overall governance arrangements.

As a result of reviewing the evidence the Executive has taken the view that, as a whole, the governance arrangements in operation during 2019/20 within the Council were adequate. The Chief Internal Auditor's Annual Report provides further assurance.

Signed: .....(Chief Executive)

Date: .....(Chief Executive)

Signed: .....(Leader)

Date: .....(Leader)



