

Annual Governance Statement

2022-23

Draft - Subject to Audit



Contents

Leader's Introduction	Page 3
What is this document?	Page 5
Our approach to the Annual Governance Statement	Page 7
Significant governance events 2022/23	Page 10
Our governance framework	Page 16
Our plans for improving governance	Page 31
Post 2022/23 events	Page 36
Assurance	Page 40

Leader's introduction

Leader's Introduction



Introduction to the Annual Governance Statement by the Leader of Northumberland County Council, Councillor Glen Sanderson

This past year has seen significant change and challenge nationally and globally, which has impacted on residents, businesses and the wider local authority sector.

Globally, the War in Ukraine has resulted in a humanitarian disaster. The Council and communities across the County have played their part in responding to this crisis. Supported by the Council's Housing Team, we have also helped some 460 refugees, of whom 177 are children, to find sanctuary in Northumberland. People across our County have opened their doors to refugees and welcomed them into their homes.

The Ukraine War - coupled with the ongoing recovery from the Covid Pandemic - have impacted households and businesses through spiralling cost increases. Again, the Council has acted to support those most in need and will continue to do that within the limits of the Council's powers and resources.

Despite the national and global challenges which have impacted locally, the Council has maintained focus on delivering high-quality, day-to-day services in communities as well as investing in Northumberland's future.

Having a framework of effective corporate governance is essential in ensuring the Council can continue to meet these challenges. In that regard, I am especially pleased the Council has delivered its actions and initiatives in our Improvement Action Plan. This has included a redrafted constitution, refreshed Codes of Conduct, a new Corporate Plan, Member Development Plans and a review aimed at strengthening and boosting the Council's Scrutiny arrangements.

Also, the introduction of 'Policy Conferences' in the past year has helped foster wider Member involvement in Council policy-development. The establishment of our 'BEST ways for working' will further strengthen and refine the Councils' continuous improvement.

Alongside these improvements to Governance, we welcomed our new Chief Executive Officer, Dr Helen Paterson and the appointment of a new top team of Executive Directors to deliver on the Council's priorities. This now gives the Council the experience, governance and stability needed to take the organisation forward.

I extend a warm thank you to staff and all Members for their excellent contribution to this work.

I hope you find this year's Annual Governance Statement useful and informative.

Councillor Glen Sanderson
Leader of Northumberland County Council

What is this
document?

What is the Annual Governance Statement?

The Annual Governance Statement (AGS) describes the extent to which the Council has, for the year ended 31 March 2023, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It describes how the effectiveness of the Council's governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2023-24 period.

This 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).

This document outlines four key things:

1. Our approach to preparing the AGS;
2. A summary of significant governance events during the 2022/23 financial year;
3. The key aspects of our Governance Framework; and,
4. A progress update on our AGS action plan for 2022/23 and proposed strategic governance actions for 2023/24.

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.

Why is Governance Important?

All 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.

Our approach to the Annual Governance Statement

How this Statement is prepared

In preparing the Annual Governance Statement (AGS) the Council has:

- Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Governments framework – 2016 Edition' good practice guidance;
- Ensured the Council's Local Code of Corporate Governance reflects this guidance which includes the seven principles of good governance and the actions and behaviours taken by the Council that demonstrate good governance;
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance, and,
- Taken account of several, significant post-2022/2023 events. These are set out in the relevant sections of the AGS as well as at the end of the document in the section entitled 'Post 2022/23 Events'

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 2021-22 Improvement Plan;
- Review of Governance arrangements of subsidiary companies.

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 its 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 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, produced in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance of good corporate governance and sets out its commitment to the principles involved.

The Code is available on our website:
www.northumberland.gov.uk

**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.

Significant governance events 2022/23

Introduction

We highlight here, five, significant governance events for the past financial year. Given the nature of some of these events, these are interrelated and led to follow-up actions and activities which will flow into 2023/24, and so will also be referenced in post 2022/23 events.

(i) Issue of Section 114 Notice

On 23 May 2022 the Interim Executive Director of Finance and Section 151 Officer issued a Section 114 Notice in relation to the following matters as she believed that unlawful expenditure had been incurred by the Council:

- The expenditure incurred by the Council's International Team established in 2017. The International Team had been trading as part of the Council and without appropriate approvals, and any commercial trading needs to go through a proper approval process and must be done through a Council company and,
- The payment of an annual International Allowance of £40,000 (plus oncosts) to the Council's Chief Executive and Head of Paid Service which has been paid since 2017. This allowance in the opinion of the Interim Executive Director of Finance and Section 151 Officer had never been properly authorised and, was contrary to the Council's pay policy statement.

The Interim Executive Director of Finance and Section 151 Officer received independent legal advice which deemed that both of these matters constituted unlawful expenditure. The report was discussed on 8 June 2022 at an extraordinary meeting of the Full Council.

The International Team had also entered into contracts to provide services to non-public organisations without seeking appropriate approvals. As this was a "new" and unknown activity for the Council and the proper approval channels were not followed, this area was not covered in the Council's Constitution. To make this clear for the future working of the Council, it was intended that this be picked up in the redraft of the Finance and Contract Rules, and Council Constitution.

The report of the S114 Notice to all Members of Council (May) set out the following:

- [6.1.] Given that the Council does not appear to have suffered any financial loss and may have been a net beneficiary of international consultancy activities and the position has now been regularised by the establishment of NICL, I do not consider that it would be in the Council's interests to seek to unwind the previous contractual arrangements. Nevertheless, the following actions are proposed to ensure that lessons are learned, controls strengthened so that the Council does not find itself in a similar situation in future and that the current position is regularised.

In relation to trading for a commercial purpose, the Cabinet is invited to agree the contents of this report and:

- [6.1.1.] Agree that Audit Committee be requested to commission a full, independent investigation into the circumstances that gave rise to the unlawful trading activities.
- [6.1.2.] Note that the Chief Finance Officer will revise finance and contract procedure rules to strengthen control

and oversight of commercial trading activities and issue updated guidance on the requirements relating to trading accounts for such activities.

- [6.1.3.] Note that the Chief Finance Officer in consultation with the Monitoring Officer will undertake a review of the Council's commercial activities to ensure that they are taking place on a lawful basis and issue further formal guidance as appropriate.
- [6.1.4.] Note that the Chief Finance Officer will commission further advice and consult the external auditor with regard to any disclosures and/or adjustments that may be required to the Council's statement of accounts for 2020/21 and prior years, in respect of income and expenditure relating to international consultancy contracts between 2018 and 2021, or as between the Council and the NHCT.
- [6.1.5.] Note that the Chief Finance Officer will consider whether, and if so what, disclosures should be made to HMRC in relation to corporation tax or other liabilities.
- [6.2.] With regard to the payment of the international allowance to the Chief Executive (and previously to the Deputy Chief Executive) from 2017, Council is invited to agree the contents of this report; and,
 - [6.2.1.] Note that payment of the international allowance has been stopped from the date of this report as a result of the prohibition period provisions in the Local Government Finance Act.
 - [6.2.2.] Agree that payment of the International Allowance will remain suspended pending consideration of further legal advice with regard to potential recovery of unlawful

payments and any related issues by the Staff and Appointments Committee and any recommendations arising being reported to County Council for consideration.

- [6.2.3.] Note that legal and (if necessary) actuarial advice will be taken regarding any potential adjustment of pension contributions made to the Local Government Pension Scheme in relation to the International Allowance.
- [6.2.4.] Note that the Chief Finance Officer will undertake further investigation to establish whether any other unlawful payments have been made to any officers or former officers, including severance payments, which may require further reports under S114 of the Local Government Finance Act 1988.
- [6.2.5.] Instruct the Director of HR in consultation with the Chief Finance Officer and Monitoring Officer to review the Council's pay policy statement to ensure that it is up to date and complies with the requirements of s38 of the Localism Act 2011 and report any required changes to the County Council.

(ii) Independent Review of Governance

During the latter part of 2020 and early 2021 it became apparent that there were weaknesses in the Council's corporate governance arrangements. Accordingly, an independent governance review was requested by the Leader of Council and subsequently commissioned in February 2022 ("the Caller Review"). This was undertaken on a basis akin to a Best Value governance inspection. Mr Caller's report, which was received by Council on 8 June 2022, highlighted areas of concern and made recommendations for addressing these issues.

Annual Governance Statement 2022/23

During June and July 2022, the Council moved swiftly to respond to the recommendations in the 'Caller Review' report. A cross-party Member Task & Finish Group was established to develop an action plan to implement the Caller Report recommendations in full. This action plan was reported to and agreed by Council in July 2022. Delivery of the action plan commenced from July 2022 with detailed work packages for each action, outlining milestones and resources for delivery.

An external Challenge Board was established. This was made up of external experienced, senior local government officers, Local Government Association and Members (retired and current). The Challenge Board acted as a 'critical friend' for the Council as it delivered on its improvement plan throughout 2022-23, providing external support and assurance.

A Members' Oversight Group (formerly the 'Task & Finish Group' that developed the action plan) provided cross-party oversight of the work needed to ensure the Governance Review recommendations were met. Full Council received three reports from the Leader of Council and the Challenge Board.

Key highlights from this work include:

- Agreement and appointment to a new senior structure, including a new Chief Executive Officer, Executive Directors, and Director of Law and Governance.
- A redrafted Constitution, adopted by Council in May 2023.
- Codes of Conduct have been updated to reflect best practice.

- A new Corporate Plan 2023-26, approved by Council in May 2023
- Reviews of the Council's Scrutiny Function as well as the Local Area Committees to strengthen engagement and enhance decision-making.
- Establishment of 'Policy Conferences' to give all Members the chance to participate in policy development in an informal setting.

(iii) Resolution of employment issues with the Former Chief Executive

On 27th July 2022, Full Council received and considered a report from the Staff and Appointments Committee (StAC) in respect of a settlement of the Employment Tribunal claim presented by the Chief Executive in June 2021. Council noted the Heads of Terms negotiated with the Chief Executive and her representatives to terminate her employment on 31st July 2022 and to settle all outstanding disputes as between the County Council, its Members and Officers and the Chief Executive, including the withdrawal of any and all complaints that any of the parties have against each other; and (b) Council agreed the terms of the settlement as set out in the Heads of Terms at Appendix 1 to the report, as recommended by the Staff and Appointments Committee. The appointment of an Interim Head of Paid Service and Chief Executive was agreed at the same meeting of Council on 27th July. Subsequently, a new Chief Executive Officer, Dr Helen Paterson, was recruited in Autumn 2022 and took up her post in February 2023.

(iv) Development of the BEST Programme

Annual Governance Statement 2022/23

Alongside the Council's improvement actions to respond to the 'Caller Report', Cabinet agreed the 'BEST ways for working' programme (January 2023) and this was subsequently launched to staff in April 2023. 'BEST' will further strengthen and refine the Councils' continuous improvement and represents the Council's new way of working.

It enables us to give our residents the best experiences through our services, provides opportunities and broadens experience our staff, whilst enabling the organisations to be more effective, efficient and financially sustainable.

BEST will enable staff to feed into BEST areas of work through their own teams, bringing forward ideas to workstreams and opening up conversations to ensure we are all working together. The programme will develop through our seven workstreams which are:

- **Best Services to Customers** - by redesigning our customer access model, we will change the way we deliver service to customers, make better use of the data we gather, deliver more proactive services and make the best use of digital services.
- **Best Value for Money** - by introducing a new approach to planning and performance, and designing more services with a 'Communities First' ethos, we will achieve better outcomes for customers while reducing need for higher-cost interventions.
- **Best in Class Commissioning** - a new approach to commissioning, procurement and contract management will improve the quality of public services in Northumberland, involving more people in how they are

designed and delivered, and better managing our spend with suppliers.

- **Best Use of Resources** - by reorganising our structures, reducing bureaucracy and better managing our internal demand, we can create clearer career pathways for our staff and deliver a better employee experience.
- **Best use of Assets** - by better managing our assets through a 'corporate landlord' approach we will reduce the size of our property estate to deliver capital receipts and reduce how much we spend on maintaining buildings.
- **Best Use of Technology** - by investing in our ability to design and build our own technology solutions, we will reduce the number and complexity of our ICT systems.
- **Best Talent and Opportunities** - By transforming our workforce to reflect the needs of a modern local authority, we will be best placed to deliver the Council's strategic priorities. We will create opportunities that attract the best talent to Northumberland and give people great reasons to stay.

(v) Completion of the Challenge Board's work

At its meeting in June 2023, Full Council received a third and final update report from the Challenge Board and a report from the Leader of Council outlining progress against the Council's improvement actions. At that meeting, Full Council agreed the following:

- (i) Note and receive the Challenge Board report as attached at Appendix 1.
- (ii) Receive and note the Challenge Board Recommendations.

Annual Governance Statement 2022/23

- (iii) Approve the Council's responses to each of the Recommendations (as set out in paragraph 5.10 of this report).
- (iv) Agree the work of the Challenge Board is now complete and that their work with the Council will conclude.
- (v) Thank the Chair and all Challenge Board members for their support, advice and guidance during the past year.

This report is referenced under the post 2022/23 events section of this document.

The activities to improve and strengthen the governance of the Council are ongoing, and it makes sense that much of this activity moves under BEST, aligned under the appropriate workstreams. This will ensure that this work can be tracked and monitored, and that actions and outcomes continue to be refined and developed. For some areas of activity – e.g. the Council's Constitution, other committees / forums are appropriate (for example, Constitution Working Group).

Our governance framework

Introduction

The Council's 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 the governance arrangements remain robust whilst being proportionate and able to adapt to changing circumstances.

To review the effectiveness of the governance framework, assurances are provided, and challenged by the Audit Committee, Scrutiny Committees, Cabinet or Council as appropriate. Key elements of the Governance Framework are highlighted on the following pages.

It is not possible for any governance framework, by itself, to eliminate all risk of failure to meet targets in our policies, aims and objectives. Instead, it provides **reasonable** and not **absolute** assurance of effectiveness.

The following paragraphs outline the key features of the Council's Governance Framework, highlighting updates to these during 2022/23.

(i) The Three Lines of Defence in effective Risk Management and Control

Assurance can come from any 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, this helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. These are

- **First Line** - functions that own and manage risks, e.g. management and supervisory controls;
- **Second Line** - functions that oversee risks, e.g. governance structures and processes such as Audit Committee, Scrutiny and other boards;
- **Third Line** - functions that provide independent assurance on the management of risks, e.g. OFSTED, Internal / External Audit).

The table on the next page summarises the Council's Governance Assurance Framework, which is based on the Three Lines of Defence model:

Leader, Portfolio Holders, Chief Executive, Chief Financial Officer, Monitoring Officer, Executive Management Team

(Provide oversight of the Three Lines of Defence assurance framework)

2nd Line of Defence Oversight and Support Strategy / Policy / Direction setting, decision-making, assurance oversight	1st Line of Defence Business & Operational Management Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance.	3rd Line of Defence Independent Assurance Independent challenge and audit, reporting assurance, audit opinion assurance levels
Committee and Scrutiny Functions	Operational Management and Staff	Internal Audit
Senior Management Functions	Managing Performance and Data Quality	External Audit
Quality Control Checks	Programme and Project Management	External Inspections
Risk Management	Delivery of Service Plans	Review Agencies
Functional compliance (Information Management, HR, Legal, Procurement and Financial Management)		Regulators

(ii) Setting Policy Direction - The Corporate Plan

Following the Independent Review of Governance, The Council's Corporate Plan was redrafted during 2022-23 and approved by Full Council in May 2023. The Council's vision in the new Corporate Plan is:

Northumberland: Land of Great Opportunities. With world-class facilities to stunning landscapes, spectacular castles, picturesque coastal and market towns, we believe there's no better place to live and work. Our economy boasts a growing, internationally-recognised offshore and renewable energy hub delivering clean and green growth. And, we have a strong manufacturing base, including in pharmaceuticals and life sciences. We are the largest and least densely populated local authority area in England. That makes for lots of communities with distinctive characteristics, heritage, functions and needs. We aim to build on all these strengths to ensure the county continues to be a land of great opportunities for current and future generations. To achieve this, Members and Council staff are focused on working together to deliver our three Corporate Priorities:

- **Achieving Value for Money** – recognising we are funded by residents and businesses and are accountable to them for our spending decisions and the quality of services we deliver. We must ensure we are delivering Best Value through efficient, effective and accessible services that respond to and meet the needs and expectations of our residents. And, as one of the largest employers in the county, we can become a leading example for residents, communities and businesses on carbon neutral approaches.

- **Tackling Inequalities** – ensuring people have fair access to the building blocks for a good life such as a decent income, a good quality job, safe, affordable and warm housing as well as good quality education and training opportunities. By tackling inequalities, we want to reduce the gap in experiences our residents have across health, education, employment and social outcomes.
- **Driving economic growth** - so that everyone can benefit from a strong and sustainable economy. There are significant opportunities for growth right across our diverse and rich county and harnessing these opportunities will support our communities to thrive. We want Northumberland to be a great place to live with opportunities for all of our residents, whether they live in our vast rural countryside or within one of our busy towns.

In achieving the three Corporate Priorities, we will ensure we pass on a healthy, clean and sustainable environment to future generations. Each of our three Priorities has a part to play in responding to the Climate Change context. Climate Change threatens to disproportionately affect our poorest areas, and climate policies which are too burdensome for the poorest in society could have an unwelcome effect on inequality. 'Net Zero' is the growth opportunity of the 21st Century. Northumberland can get a huge boost from the low carbon economy, and we are already creating the foundations as we work to become carbon neutral.

(iii) Managing and Evaluating Performance

Annual Governance Statement 2022/23

Alongside the new Corporate Plan, work commenced in 2022-23 on the development of a new Planning, Performance and Accountability Framework (PPAF).

This responds to the Independent Review of Governance recommendations on how the Council must review and strengthen its processes for managing data and information as well as performance reporting.

Promoted through the Council's Best Value approach, the Planning, Performance and Accountability Framework will enable Northumberland to embed continuous improvement and ensure that the overall value of everything we do has the best impact it can. It will provide us with a clear mechanism to ensure we are doing the right things well, achieving the best impact from our decisions, and demonstrating the value we are delivering for our residents.

Performance management is about using data to inform actions that will improve outcomes for residents. It supports our Members and Officers to take necessary actions based on data about how we are performing.

It will help us:

- Clearly identify our priorities and desired outcomes;
- Embed continuous improvement;
- Ensure we are doing things correctly;
- Achieve the best impact from our decisions;
- Demonstrate value we are delivering for our residents;
- Define, coordinate and frame processes to plan and prioritise our work.

The graphic below illustrates a simple but effective cycle for how Northumberland will effectively plan and manage performance.



The Council's Performance Management framework is published on the website and performance information is updated regularly. Performance is reported quarterly, and Key Performance Indicators are reviewed annually. In addition to operational service delivery indicators, workforce data is included in quarterly and annual Corporate Performance reports.

Finance officers meet regularly with budget holders across the Council and prepare a monthly financial monitoring statement. Cabinet receives quarterly finance and performance updates.

Annual Governance Statement 2022/23

There are also quarterly reports to Cabinet on financial performance of Council-owned companies.

At a service level, regular, regulatory inspections of Adult and Children's Services by Ofsted and CQC continue as part of the programme of inspections by the relevant bodies. Reports are provided to the Audit Committee, informing Members of findings and providing 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.

(iv) Service Planning

Service plans based on the above will be provided annually by each Head of Service who are responsible for their production and delivery, setting out clear accountability. Plans also aim to provide assurance to the organisation that the Corporate Priorities of achieving value for money, tackling inequalities, and driving economic growth are being delivered. They also outline how each service are will deliver on key functions including national regulatory and benchmarking requirements.

Progress of actions within the Service Plans will be monitored by Heads of Service / Service Directors with their Executive Directors. The Executive Team will receive quarterly updates at a Directorate level on the progress against Service Plans.

Service Plans help the development of team and operational plans so that teams and individuals understand how they contribute to and are responsible for achieving the corporate priorities.

(v) Spatial Planning

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 was to determine whether or not the Local Plan was sound and complied with all relevant legal requirements. Following the Examination Hearing Sessions, the Inspector concluded that the Plan could be made 'sound' through modifications. Following consultation on the modifications to the Local Plan, the Inspector issued her final report, and the Local Plan was adopted by the Council on 31st March 2022.

(vi) Managing Risk

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

Annual Governance Statement 2022/23

it reflects the rapidly changing environment in local government. A review of the Risk Management Policy and Risk Management Framework commenced during 2022/23 and is due to be completed and approved during 2023/24, following consultation with Officers and Members.

The risk management process includes a hierarchy of corporate, service strategic and operational risk registers and allows for dynamic escalation and de-escalation of risks, so that risks are managed at the appropriate level of the organisation. Project risks may impact and be owned and managed at any level.

Audit Committee is responsible for monitoring the effective development and operation of risk management in the Council. Corporate risks are 'owned' by the nominated Executive Team Officer and the designated Cabinet Member with relevant portfolio responsibility. Corporate risks are subject to review twice per year and are presented to Executive Team and Cabinet portfolio holders for discussion, challenge and agreement.

As well as these risk arrangements, there also exists cross-cutting arrangements to address specific areas of risk on a time-limited basis (e.g. the COVID-19 response) or through corporate groups (e.g. health and safety and information governance).

The Corporate Risk Register plays a critical role in supporting achievement of priorities as set out in the Corporate Plan. Key risks identified and managed being management at a corporate level during 2022/23 are highlighted below:

Corporate Level Risks 2022-23

1. Financial Assumptions
2. Engagement of Communities
3. Organisational Development/Workforce
4. Civil Contingency and Business Continuity
5. Corporate Compliance
6. Information Governance
7. Multiple and Concurrent High-profile Large-scale Capital Projects
8. Contract Management
9. Response to Climate Change
10. Northumberland Enterprise Holdings Limited
11. Regeneration
12. Exceptional Governance Matters
13. Advance Northumberland
14. Cyber Security
15. Ukraine Crisis
16. Inequalities

(vii) Decision Making and Responsibilities

The Council consists of 67 Elected Members, with a Cabinet of Leader, Deputy Leader and Portfolio members. The decisions of Cabinet are scrutinised and shaped by the Council's Scrutiny Committees. During 2022-23 Northumberland was subject to a review of its Divisional boundaries by the Local Government Boundary Commission for England. This review is ongoing and due to conclude during 2023/24. The outcome of the review may increase the total number of Elected Members and is likely to change Divisional boundaries.

The Council established five Local Area Councils (LACs renamed as Local Area Committees) which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower residents, strengthen communities and improve services.

The key document supporting the Council's governance arrangements is the Constitution. This sets out how the Council operates, how decisions are made, as well as the rules and procedures that must be followed to ensure that work is efficient and transparent, and 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 Full Council.

To ensure the Constitution is up to date and fit for purpose, the Council established a Constitution Working Group. This is a cross-party Member 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). It sets out the respective roles of these officers in ensuring 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 governance issues.

Following the recommendation of the Independent Review of Governance (Caller), the Council reviewed and redrafted the Council's Constitution. Throughout the review, Officers and Members took advice from external advisors to ensure the redrafted Constitution represented best practice. The new Constitution document was agreed by Full Council at its Annual General Meeting in May 2023 (referenced under the post 2022-23 section of this document).

Decisions are made by 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 table below and opposite.

Annual Governance Statement 2022/23

The Council	Approves the Council Budget and Policy Framework. Approves the Constitution (including Standing Orders and Financial Regulations).
Cabinet	The executive decision-making body of the Council. Comprises ten Cabinet Members (including the Leader) who have responsibility for their respective portfolios.
Audit Committee	Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Promotes high standards of member conduct. Approves the Annual Statement of Accounts and Annual Governance Statement.
Scrutiny Committees	There are four overview and scrutiny committees which support the work of the Cabinet and the Council as a whole. These allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. They hold Cabinet and Officers to account and scrutinise performance.
Executive Management Team	Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and Council on the development of future policy and budgetary issues. Oversees the implementation of Council Policy.
Chief Financial Officer (s151)	Accountability for developing and maintaining the Council's governance, risk and control framework. Contributes to the effective corporate management and Governance of the Council.
Monitoring Officer (Director of Law and Governance)	To report on contraventions or likely contraventions of any enactment of 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. 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.

Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers annual programme of risk-based audit activity, including counter fraud and investigation activity. Makes recommendations for improvements in the management of risk.
External Audit	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).
Managers	Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Contributes to the effective corporate management and governance of the Council.

Meetings are normally held, and decisions agreed in public, although, a small number of decisions are considered in private where commercially sensitive, confidential or otherwise exempt matters are being discussed. All reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website. Reports follow a standard template, ensuring corporate implications are considered and highlighted.

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

(viii) Pay Policy

The 2023/24 Pay policy was reviewed and agreed at a meeting of the county council on 22 March 2023 and subsequently published on the Council's website thereby meeting the requirements of the Localism Act 2011. The pay

policy articulates the Council's policies on a range of issues relating to the pay of its workforce.

(ix) Equality

We are an accessible and inclusive organisation and 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 affect people must be the subject of an Equality Impact Assessment to ensure that the equality issues have been properly considered throughout the decision-making processes.

(x) 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. This ensures proper stewardship and governance, and the adequacy and effectiveness of these arrangements are reviewed regularly.

For the 2022-23 financial year, the Council set a balanced budget and after accounting for transfers to earmarked reserves and provisions has delivered an outturn underspend of £5.916m against the General Fund revenue budget (subject to external audit).

During 2022-23, the Council developed its 'BEST ways for working' which will further strengthen and refine the Councils' approach to Value for Money and continuous improvement.

(xi) Using Indicators of Financial Resilience and Stress

CIPFA's published Financial Resilience Index for all English local authorities measures performance across nine financial indicators. The Financial Resilience Index for the Council for the year 2021/22 shows the following levels of risk across the nine primary indicators set out below:

- Reserves Sustainability Measure (Medium risk)
- Level of Reserves (Lower risk)
- Change in Reserves (Higher risk)
- Interest Payable / Net Revenue Expenditure (Higher risk)
- Gross External Debt (Higher risk)
- Social Care ratio (Lower risk)
- Fees & Charges to Service Expenditure Ratio (Lower risk)
- Council Tax Requirement / Net Revenue Expenditure (Lower risk)
- Growth Above Baseline (Medium to Lower risk)

The Executive Director of Transformation and Resources & S151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972. 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.

(xii) Managing Data & 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.

The Independent Review of Governance ('Caller Review') which reported to an extraordinary meeting of Full Council in June 2022, set out the following recommendation on how the Council should review and strengthen its processes for managing data and information as well as performance reporting:

"[rec 10.2.3] Use the data it holds, collects, or needs to collect to define priorities and monitor and improve performance in a systematic way and publish the outcomes."

In response, during 2022-23, Officers undertook the following:

- Completed a review of our approach to use of data and business intelligence, using external advisors. This included engagement with staff.
- Connected the Enhanced Corporate Performance Framework to Caller action work, and translated this into the Planning, Performance and Accountability Framework (PPAF) as part of the Best Value workstream.
- Connected PPAF with Corporate Plan, specifically new and existing indicators (KPIs).
- Identified key leaders group for Best Value which will include Corporate Performance Framework development (as part of the BEST Performance Accountability Framework workstream).
- Instigated connected activity that links to the Data and Business Intelligence Strategy; establishing the Data Leaders and Data Practice groups that will support activity.

(xiii) Audit and Audit Assurances

Annual Governance Statement 2022/23

The Council's Internal Audit and Risk Management Service operates in accordance with the Accounts and Audit 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 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 coverage proposed by the Chief Internal Auditor, who is autonomous in determining how Internal Audit resources will be deployed and who is bound by legislation and professional standards in delivering an effective Internal Audit. There are reports 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.

Internal Audit also provides assurance to Audit Committee that audit recommendations have been implemented. Internal Audit has responsibility for investigating possible irregularities. The aim is to give assurance to Officers and Members that key processes operate in an efficient and effective manner and ensure the integrity of transactions.

The Chief Internal Auditor's 2022/23 'Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control' contains the following statement (under conclusions):

Internal Audit's experience and work performed during 2022/23, and the concerns raised by the Independence

Governance Review and by, and following, the Section 151 Officer's s114 report, the Head of Internal Audit and Risk Management has concluded that whilst many internal control systems are operating effectively across the Council, the areas of weakness identified lead to an overall 'limited' level of assurance.

It is clear that following the concerns identified in early 2022/23, swift action has been taken by the Council to address the issues and improve the framework of governance, risk management and control. This has continued into 2023/24 with the agreement of a new Corporate Plan, Constitution and Finance and Contract Rules in May 2023. These matters will continue to be a focus of the Council's attention in improving governance, risk and control systems further during 2023/24.

Changes in the Council's framework of governance, risk management and control, will continue to be reflected in Internal Audit's coverage. Internal Audit's plan of work for 2023/24 includes a number of assignments aimed at providing assurance over the implementation and embeddedness of improvements and actions taken to address governance and control issues.

Audit Committee is a key component of the 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 the Audit Committee is to provide independent assurance to those charged with governance on the adequacy of the risk management framework and the internal control environment.

Annual Governance Statement 2022/23

It provides independent review of the 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. An independent Chair of Audit Committee was appointed in July 2021. This followed the new Administration's proposal that there should be an independent Chair, rather than an Elected Member, which had previously been the case.

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.

(xiv) Conduct

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

The Monitoring Officer has maintained the Councillors' register of interests, as required under the Localism Act 2011. This 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 on the need to make appropriate declarations of interests under both the 2011 Act and the Local Members' Code of Conduct. For the period 1st April 2022 to 31st March 2023 the Council received 36 complaints (County Council 12, Parish Councils 24) under the member's code of conduct.

Annual Governance Statement 2022/23

The Independent Review of Governance ('Caller Review'), contained the following recommendation in relation to Code of Conduct issues:

"[Rec10.2.5] Review and redraft the codes of conduct which regulate Member and officer behaviours and working relationships with each other, to make it clear what the expectations of each party should be and how robust challenge can be handled, to ensure proper accountability can be achieved. This needs to recognise the legitimate rights of Councillors for information to enable them to do their role and for Councillors to recognise that policy is the preserve of the Council unless delegated and saying no is a legitimate outcome."

In response the Officers and Members have undertaken the following during 2022-23:

- Refreshed the Council's Code of Conduct;
- Revised the Declaration of Interests (DoI) form and modernised processes to enable online changes to take immediate effect;
- Provided guidance for Members completing 'DoI' forms;
- Communicated clear messages that the MO's office is supportive and will work collaboratively with Members to uphold ethical framework and promote good governance;
- Developed new approaches to working with Members to ensure the Code of Conduct is used appropriately;
- Local Government Association Social Media protocol shared with Members and adopted;
- Code of Conduct training took place in January 2023, including further guidance on DoI's and Third Party

(related) transactions. The session was recorded and added to Learning Portal for Members (over 90% attendance / completion);

- Reconvened Member Services Working Group (MSWG) to give guidance on Member training and take ownership on behalf of members. On 22nd March 2023, the group agreed to appoint lead Members for training.
- Delivered a well-received Member induction morning in November 2022 to address the requests of Members for an induction day. This event will be re-run every year.
- MSWG agreed Member Learning and Development Strategy and annual training programme in November 2022.
- Increased engagement with training programme. Increase of average attendance to 40%+ over six training events. The Code of Conduct training was delivered to 90%+ of members;
- Refreshed and rolled out of Member Personal Development Plans. These were created in consultation with MSWG and Group Leaders. PDPs agreed by Group Leaders in March 2023 and shared with all Members;
- Increased awareness of the E-learning system;
- Continued the increase in engagement by using the PDPs to help develop the annual learning plan that reflects the needs of Members. The PDPs will be further refreshed in line with the approved values and behaviours.

(xv) Whistleblowing

People who work for, or with the Council are often the first to realise that there may be something wrong within the

Annual Governance Statement 2022/23

organisation. 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 provides an independent, confidential 'Safecall' service where employees can report any concerns. The hotline does not replace internal reporting procedures but is used to provide an alternative for employees who may not wish to use the internal options.

Work has been ongoing to review and update the Council's whistleblowing policy. A new policy entitled 'Raising Concerns at Work Policy' was completed and agreed by JCC in April 2022.

(xvi) Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption can also adversely impact service provision and morale, undermining confidence in the Council.

We're committed to a zero-tolerance approach on all aspects of fraud. 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, including pro-active work, and developing an anti-fraud culture. The Audit Committee receives regular updates on all fraud investigations.

Our website informs people how they can report suspected fraud against the Council.

Our plans for
improving
governance

Annual Governance Statement 2022/23

The process of preparing this Annual Governance Statement helps the organisation to focus on continuous improvement of our governance arrangements. The progress made during 2022-23 on the improvement areas identified in our 2021-22 Annual Governance statement is summarised in the table below.

1	<p>Independent Review of Governance ('Caller')</p> <p>To consider the recommendations of the Report of the Independent Review of Governance and develop and deliver an improvement plan based on these.</p>	<p>Partially Complete. The past year has seen an intensive period of improvement activity. This activity, and resultant progress is reflected in all three of the Challenge Board's reports to Full Council. In their final report to Full Council, the Challenge Board were also clear that the actions delivered will take time and ongoing focus to be embedded in the organisation and to make long-term, positive change in culture and ways of working. This would be the case in any local authority undergoing such change. This AGS sets out how these ongoing actions will be governed through the seven workstreams within BEST as well as other committees and forums.</p>
2	<p>Development of "place" function within the ICS</p> <p>Work with Northumberland CCG and the emerging regional Integrated Care System leadership to ensure that the benefits of current formal and informal partnerships between the Council and the CCG are carried forward into new "place" arrangements for the planning and commissioning of health and social care services in Northumberland.</p>	<p>Partially Complete. Relationships between the Council and the "Place" team in the ICB have continued the close joint working arrangements that were established with the former CCG. Decision-making arrangements within the ICB, (which covers a much wider geographical area than CCGs), requiring it to work with 14 upper-tier local authorities, are continuing to develop, and it is not yet fully clear what the balance will be between Place-level and ICB-level decisions.</p>
3	<p>External Audit Internal Control recommendations from 2020-21 audit of accounts.</p>	<p>Not complete. This action is pending the final audit of the 20-21 accounts.</p>

	Implement recommendations once the External Audit has been completed and reported.	
4	<p>Cyber threat</p> <p>Review of the critical systems in finance to clarify: what back up provisions we have in place; what is the process to recover; how long would recovery take; and, what contingency processes are needed to develop Business Continuity Plan?</p>	<p>Partially complete. Finance senior managers attended a workshop facilitated by IT and an external cyber security agency. The workshop helped inform an action plan for finance to make procedural adjustments to provide greater resilience. This included moving files into 'cloud-based' storage. The workshop also helped verify to IT, which systems required robust backup plans.</p>
5	<p>Deliver service improvements as outlined in the Fire & Rescue Service Continuous Improvement Plan (CIP)</p> <p>The service has a comprehensive Continuous Improvement Plan (CIP) detailing a suite of actions against HMICFRS Areas for Improvement, CRMP priorities, and Priority programmes and projects. The Strategic Performance Board will monitor progress as part of the Service's Performance and Assurance Framework.</p>	<p>Partially Complete. Northumberland Fire and Rescue Service Continuous Improvement Plan actions continue to be a priority as set out in the Community Risk Management Plan 2022-26. Progress is monitored as a Performance and Assurance Framework (PAF) core measure, with performance for the year 2022-23 sitting at 88.89 percent against a target of 90 percent. The Strategic Performance Board continues to monitor progress, with additional scrutiny provided quarterly by an Assurance and Challenge Panel. Membership of the panel includes the Fire Authority Chair, Deputy Chair, Shadow Chair and Chief Executive of the Council.</p>
6	Reporting progress on Capital Schemes	<p>Complete. Cabinet receive monthly update reports from the Officer Capital Strategy Group. These reports outline proposed project allocations and amendments to the approved Capital programme 2023-24.</p>

Annual Governance Statement 2022/23

	Improve systems for reporting progress and updating Members on Local Transport Plan and Members Local Improvement Scheme capital projects.	
7	<p>Review and update Finance and Contract Procedure Rules to ensure these are up-to-date and fit-for-purpose.</p> <p>Engage with Finance Directorate and Monitoring Officer so that proposed revisions are aligned with planned review of Scheme of Delegation.</p>	<p>Not complete. The review was paused, pending changes to the Council's Constitution. This will now be taken forward in 2023-4 following agreement of the Council's redrafted Constitution in May 2023.</p>
8	<p>Update Pay Policy Statement</p> <p>Review the Council's pay policy statement to ensure that it is up to date and complies with the requirements of s38 of the Localism Act 2011 and report any required changes to the County Council.</p>	<p>Complete. The 2023/24 Pay policy was reviewed and agreed at a meeting of the county council in March 2023 and subsequently published on the Council's website thereby meeting the requirements of the Localism Act 2011. The pay policy articulates the Council's policies on a range of issues relating to the pay of its workforce.</p>

The table below summarises key, strategic areas of improvement identified during the 2022-23 annual governance review and outlines the planned actions to be completed to enhance the Council's Governance arrangements

Annual Governance Statement 2022/23

1	BEST (previously known as the Strategic Change Programme)	Embed and progress each of the seven BEST Workstreams across the organisation.
2	Independent Review of Governance ('Caller Review')	Continue to deliver, review and refine the improvement actions from the Independent Review of Governance. Most of these actions will be embedded within the seven BEST Workstreams, with other actions being governed through other forums and committees (e.g. Constitution Working Group).
3	External Communications (Corporate Performance)	Enhance the resident facing reporting elements of Corporate Performance (both publishing reports on the Council website, and strengthening the Corporate Performance system) to improve usability, accessibility, and alignment to enhanced content i.e. operational, finance, workforce, and the Council's Corporate Plan KPIs that link to our three strategic priorities, and BEST programme outcomes.
4	Disaster Recovery/Business Continuity/ Cyber Resilience testing.	Following several cyber-attacks on local authorities and Northumbria Healthcare Trust, Information Services will run simulation exercises to test the resilience, continuity plans as well as Disaster Recovery arrangements.
5	Governance (Advance Northumberland)	Embed the new Shareholder Committee for Advance.
6	Review of Scrutiny	Develop and deliver with Members, the outcomes of the review of the Council's Scrutiny arrangements.
7	Peer Review	Undertake a focused peer review during the Municipal Year.

These areas of improvement will be monitored during 2023-24 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Post 2022/23
events

Post 2023/24 Events

Since the end of the 2022/23 year covered by the AGS, the Council has continued to monitor and manage risk in accordance with the agreed risk hierarchy.

Conclusion of the Challenge Board's work

At its meeting in June 2023, Full Council received a third and final update report from the Challenge Board and a report from the Leader of Council outlining progress against the Council's improvement actions. At that meeting, Full Council agreed the following:

- Note and receive the Challenge Board report as attached at Appendix 1.
- Receive and note the Challenge Board Recommendations.
- Approve the Council's responses to each of the Recommendations as set out in paragraph 5.10 of this report.
- Agree the work of the Challenge Board is now complete and that their work with the Council will conclude.
- Thank the Chair and all Challenge Board members for their support, advice and guidance during the past year.

Together with Members, the Chief Executive and Executive Team are now taking forward the Council's 'BEST ways of working' which will refine and strengthen the actions already undertaken to respond to the 'Caller Recommendations'. The Challenge Board's report made eight recommendations, which are largely about embedding, reviewing and developing

actions further. These are listed below with the Council's proposed responses to these:

Challenge Board Recommendation:

- 1. Develop a clearly articulated transformation/improvement plan to drive and support the council's improvement journey. This should have clear accountabilities and receive both cross-party and independent oversight.**

Proposed Response:

- This will be taken forward through our BEST way of working which was formally launched in April this year and will include, amongst other initiatives, a Best Value baseline assessment for the Council. Economic Growth and Corporate Services Overview and Scrutiny Committee will provide cross-party oversight of improvement actions and Audit Committee of governance matters as part of their review and approval of the Annual Governance Statement (AGS). The AGS will also be subject to independent review as part of the external audit process.

Challenge Board Recommendation:

- 2. Ensure that all Corporate Plan actions have clear success measures/targets to enable accountability to be monitored [and] that the Corporate Plan drives the Council and develops into a linked plan for the whole county.**

Proposed Response:

- This work is planned for Summer 2023 and will build on the engagement in the Corporate Plan by Members and Officers.

Challenge Board Recommendation:

- 3. Keep the post of interim MO under regular review with the aim of a permanent appointment at the earliest opportunity.**

Proposed Response:

- We will, of course, do this as a matter of good practice and sensible succession planning.

Challenge Board Recommendation:

- 4. Develop a leadership development programme for the senior team to enable the team to be fit for purpose to meet the challenges ahead, including the need to speak truth to power and to support the whole Council with good member and officer engagement.**

Proposed Response:

- Development and coaching activity started in May 2023 and will continue to develop in the coming months.

Challenge Board Recommendation:

- 5. Ensure that the whole Council are supported to be a part of the improvement journey.**

Proposed Response:

- This is happening already and will continue. All Groups have access to the Chief Executive and Senior Team. Members have also embraced the new 'Policy Conferences' which have been established as a further

way for all Members to put their ideas into policy development through open, informal and cross-party discussion.

Challenge Board Recommendation:

- 6. Maintain focus on a clearly articulated member development programme to address the required improvements in member behaviour, as well as enabling members to be more effective in their roles, including through stronger and influential scrutiny.**

Proposed Response:

- This work has been underway since March. Prior to that, Member development took place through extensive engagement in the Council's improvement actions (Corporate Plan, Constitution, Code of Conduct). The whole organisation, including Members and Officers, will continue to build on and strengthen our approaches to Member development. Of course, we recognise this will take time to embed, though there is demonstrable evidence that the building blocks are now in place for us to do that.

Challenge Board Recommendation:

- 7. Ask Local Partnerships to continue to provide you with advice on the robustness of the governance changes around Advance and to undertake a regular review to protect the council's interests.**

Proposed Response:

- We have taken advice from Local Partnerships and, in future, will continue to seek expertise from a range of advisors as appropriate. We will consider inviting Local

Partnerships (or another provider) to review of how the new company governance arrangements are working in a year's time.

Challenge Board Recommendation:

- 8. Receive an LGA-managed, focused, Corporate Peer Challenge before the end of the municipal year and ensure that the recommendations of this report are considered as part of that.**

Proposed Response:

- We are committed to this and will start to plan for this in the coming months.

Review of Local Area Councils

The Council has five Local Area Councils (LACs **renamed as Local Area Committees**) which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower residents, strengthen communities and improve services. During 2022-23 a review of LAC working was undertaken and reported to Council in May 2023. The report contained a wide range of recommendations designed to strengthen local engagement and decision-making and these will be taken forward during 2023-24.

New Council Constitution

Following the recommendation of the Independent Review of Governance (Caller), the Council reviewed and redrafted the Council's Constitution. Throughout the review, Officers and

Members took advice from external advisors to ensure the redrafted Constitution represented best practice. The new Constitution document was agreed by Full Council at its Annual General Meeting in May 2023.

New Corporate Plan

Following the Independent Review of Governance, The Council's Corporate Plan was redrafted during 2022-23 and adopted by Full Council in May 2023.

Reports to Audit Committee on: International activity (lessons learned) and, Exit Payments.

In July 2023, the Executive Director of Transformation and Resources & S151 Officer brought the following reports to meeting of Audit Committee (26th July):

- An independent report setting out lessons learned from previous International Team's trading activity; and,
- A report setting out findings from an investigation to establish whether unlawful payments had been made to any officers or former officers, including severance payments.

Both reports follow the issuance of S114 Notice by the S151 Officer in May 2022. It is the opinion of the S151 Officer that, whilst exit payments were unlawful, a further S114 notice will not be issued.

Assurance

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.

Progress had been made against the governance improvement plan identified during the 2021/22 governance review, and where actions have not yet been fully completed, they will continue to be progressed. In addition, a number of opportunities to further strengthen the Council's governance arrangements were identified during the 2022/23 governance review process.

However, as highlighted in this document, two significant events confirmed weaknesses in the Council's governance arrangements. Specifically, these events were: the S114 Notice issued by the Interim Director of Finance and S151 Officer in May 2022; and the findings of the Independent Review of Governance ('Caller Review') which was undertaken in early 2022 and reported to Full Council in June 2022.

The Council has taken swift actions (set out in this document) to address these weaknesses and to ensure adequate governance arrangements moving forward. The Council has delivered the actions identified in the recommendations of both the S114 Notice and Caller Report and will continue to take these forward, refining, monitoring outcomes and further developing these where appropriate.

Signed
Leader of Council

Dated:

Signed
Chief Executive Officer

Dated: