

ANNUAL GOVERNANCE STATEMENT 2017-18
CUMBRIA COUNTY COUNCIL

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1. THE COUNCIL'S RESPONSIBILITIES

Cumbria County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.

The Council is required to review its corporate governance arrangements annually against its Local Code of Governance which should align to the CIPFA / SOLACE Delivering Good Governance Framework. A revised Framework was issued in 2016 whilst the Council's Local Code of Governance 2014 – 2017 had been developed against the earlier 2007 Framework. This review of the Council's governance arrangements is therefore undertaken against the requirements of the 2016 Framework taking elements of the Council's Local Code where these remain relevant.

The Council has now agreed a new Local Code of Governance 2018-22 and this is effective from April 2018. The Code can be found at:

<http://www.cumbria.gov.uk/eLibrary/Content/Internet/543/854/43292153218.pdf>

The Council's annual review of the effectiveness of its corporate governance for 2017/2018 provides assurance on the governance arrangements in place and the progress made against the previous significant governance issues.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Council's Governance Framework comprises all the systems, processes values and culture by which the Council directs and controls its activities and through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives, manage risk and address issues that have a significant impact on the Council's finances, reputation or the achievement of its objectives.

The governance framework, described in Section 3 below, has been in place at Cumbria County Council for the year ended 31 March 2018 and up to the date of approval of the Council's Annual Report and Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the structures and processes that comprise an authority's governance arrangements are summarised in the Delivering Good Governance Framework. The Council's arrangements for governance are set out under the headings identified within the Framework:

Defining standards of behaviour for members and staff, and developing and communicating policies dealing with whistleblowing and conflicts of interest.

Standards of behaviour are set out within the Constitution in the following Codes and Procedures:

- Members' Code of Conduct and Guidance
- Officers' Code of Conduct
- Member / Officer Protocol
- Code of Good Practice for Members and Officers involved in the Planning process

In addition, the Council has an agreed set of Behaviours that all officers and Members are expected to adhere to. These are presented to all ICT users when logging on to a Council computer. They are also embedded in the Council's appraisal process.

Also within the Constitution is the Council's Whistleblowing policy which has been subject to regular review. The policy has been reviewed during 2017/18 and will be re-launched in 2018/19 alongside a 'Speak Up' document aimed at further enhancing the Council's arrangements and culture for raising and dealing with concerns.

All relevant policies are held on the Council's Intranet site – InTouch. The arrangements could be strengthened by communication of the policies and inclusion of these within the current programme of Governance training.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

All reports to Members are subject to review by the Council's Legal Services and Finance teams to ensure that decisions are taken within the law and that expenditure is lawful.

Arrangements are in place to ensure compliance with internal policies such as Information Governance and a process for reporting Data Breaches has been agreed by the Corporate Governance Group.

Documenting a commitment to openness and acting in the public interest.

The Council has an agreed constitution which sets out how the Council works, how decisions are made and the procedures that are followed to ensure efficiency, transparency and accountability to the people of Cumbria.

Codes of Conduct are in place which incorporate the Nolan Principles for Standards in Public Life, which all staff and elected Members are expected to adhere to.

All Council business is conducted in public unless legislation deems it appropriate for matters to be considered in private.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The Council recognises the contribution to strong corporate governance of effective community engagement and uses a variety of ways to engage with the public and all stakeholders. Publication of a Forward Plan and of all minutes and agendas of Council, Cabinet and Committees ensures that people know what decisions the Council is planning to take, and the decisions taken. Cumbria Health Scrutiny Committee, which is made up of 7 County Councillors and a representative from each of the 6 district Councils, is active in scrutinising health services in Cumbria, gathering evidence from a range of sources to assure the committee and challenge performance and delivery. The Council continues to provide support to the Police and Crime Panel, which meets quarterly to scrutinise and support the work of the Police and Crime Commissioner. The Council recognises the positive impact of a positively engaged workforce on delivering quality services and has in place strengthened arrangements for consultation with employees.

Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

The Council's vision was set out in its Council Plan (2016-2019), adopted by full Council in February 2016. This plan was in place during 2017/18 and set out objectives focused on outcomes for the community. The Council has in place arrangements to ensure delivery of its aims and objectives and that services are delivered economically efficiently and effectively through the Council Plan Delivery Plan which is agreed annually by Cabinet, and through Service Plans. The Council has established effective arrangements to manage performance and the corporate risks facing the Council which are overseen by the Audit and Assurance Committee.

Translating the vision into courses of action for the authority, its partnerships and collaborations.

The Council does not deliver its services in isolation and relies on third parties and partnerships to deliver outcomes for the people of Cumbria. Closer collaboration and partnership is likely to increase as a way to meet the challenges facing public bodies. Cumbria County Council is embracing these new ways of working. In particular, it is working closely with Health partners to look at aligning and integrating services to ensure the best possible services are delivered to residents whilst managing demand and costs. Partnerships relative to Health and Social Care integration are currently being developed and governance will be considered as these move forward.

The Council has also set up different models of delivery for services, such as through Cumbria Holdings.

The Constitution sets out the key requirements when the Council is considering entering into partnerships. In addition, the Local Code of Governance 2018-2022 agreed in March 2018 sets out principles and expectations relevant to the Council's work with others.

Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

The Constitution sets out the limits of responsibilities delegated to the Chief Executive who is the Head of Paid Service, and to all Corporate Directors (although now known as Executive Directors), both collectively and individually. These officers are then permitted to make further delegations as appropriate. It should be noted that a current review of schemes of delegations is underway and is expected to be concluded in the next few months.

The Council has affirmed its commitment to ensuring effective Data Quality through a Data Quality Policy, last revised in January 2016. The policy sets out the characteristics of good quality data, the roles and responsibilities for ensuring data quality and includes a self-assurance framework for managers.

Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

A performance and risk management framework is in place to ensure that the Council continuously monitors the delivery of its services and manages its risks effectively. The arrangements include; reports to the Council's Corporate Management Team and Cabinet, monthly performance reporting and meetings, programme board reports and meetings, reports to service and directorate management team meetings and scrutiny reports and meetings. The performance and risk management frameworks are being reviewed and will be re-launched during 2018/19.

Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

Roles and responsibilities of members and officers are set out clearly within the constitution. In particular, there is a Member / Officer Protocol to ensure appropriate conduct and clarity of roles and responsibilities.

Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

The Council is statutorily required to appoint a Chief Financial Officer. The Director of Finance (previously known as Assistant Director, Finance) is the appointed Chief Financial Officer (Section 151 Officer) with responsibility for the proper administration of the Council's finances. Each year, the Council carries out a review of its financial arrangements against the CIPFA Statement on the Role of the Chief Financial Officer to confirm that it complies with the requirements.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.

The Council's Monitoring Officer is responsible for ensuring the lawfulness of decision making. The responsibilities of this post are codified within the constitution.

The Monitoring Officer ensures that the Council acts within legal and statutory requirements. This is achieved through the provision of frontline legal advice to Council services on a daily basis, the active participation of the Monitoring Officer within the Corporate Management Team and the active participation of Legal Services in the preparation and consideration of legal implications arising from reports for decisions.

Lawyers who advise on reports for decision making are trained in public law.

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is the Council's Head of Paid Service.

Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

All new officers and members are required to complete an induction which includes reference to the appropriate codes of conduct and corporate behaviours required by local government employees and councillors.

Induction arrangements were in place for newly elected members following the election in May 2017.

Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

There is a performance and risk framework in place to ensure that the Council continuously monitors the delivery of its services and manages its risks effectively. The arrangements include; reports to the Council's Corporate Management Team and Cabinet, monthly performance reporting and meetings, programme board reports and meetings, reports to service and directorate management team meetings and scrutiny reports and meetings.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

There is an approved Counter-Fraud, Bribery and Corruption Policy in place within the constitution. Where allegations of wrongdoing have been received, these have been investigated under the policy with investigations led by service management and input from Human Resources and Internal Audit colleagues as appropriate.

Work is taking place during early 2018/19 to further strengthen the Council's Counter-fraud arrangements.

Ensuring an effective scrutiny function is in place.

Decisions are subject to scrutiny through both the call-in mechanism and via planned reviews identified within annual workplans. A scrutiny toolkit has been produced and circulated to all non-executive councillors. Scrutiny has a standing item to monitor performance at all of the Board meetings.

Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

The Council has a Group Audit Manager who is the Head of Internal Audit. The Council reviews its Internal Audit arrangements against the CIPFA Statement annually to ensure continued compliance with the requirements.

The annual report and opinion of the Head of Internal Audit (Group Audit Manager) is a key contributor to the Annual Governance Statement. The annual audit opinion for 2017/18 was finalised during May / June 2018 and has been taken into account when preparing the final Annual Governance Statement to be published with the Council's accounts by 31st July 2018.

Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

The Council has an Audit & Assurance Committee and its Terms of Reference were updated during 2014/15 to align with the CIPFA Guidance. An annual review of the Effectiveness of the Audit & Assurance Committee is undertaken and the outcomes reported to Council within the minutes of the Audit & Assurance Committee.

Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The Council has an effective working relationship with its External Auditor and is regularly commended on the speed and quality of its responses to requests for information during the annual audit of the financial statements.

The Audit Findings for Cumbria County Council for the year ending 31 March 2017 gave a qualified 'except for' Value for Money conclusion based on the "inadequate" rating for Children's Services at its Ofsted inspection and the significant contractual dispute with Amey. Both of these issues were included as 'significant governance issues' in the Council's Annual Governance Statement for 2016-2017. An action plan accompanied the Annual Governance Statement and all actions have now been delivered. Further detail is set out below.

Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

The Council works with a number of public, private and third sector organisations to deliver services. To help those officers involved with partnership working, a Partnership Toolkit is available together with a self-assessment for officers supporting Council involvement in partnerships.

A review of the arrangements for ensuring good partnership governance is currently underway and a revised toolkit is expected to be available during 2018/19.

4. THE ANNUAL REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within governance framework, the Group Audit Manager (Head of Internal Audit)'s report and also by comments made by the external auditors and other review agencies and inspectorates. The review of governance for 2016/17 gathered evidence of the arrangements in place and their effectiveness against the 2016 Delivering Good Governance Framework.

The effectiveness of the governance framework has been evaluated as follows:

- A review of corporate arrangements and their effectiveness carried out by relevant managers in early 2018. Evidence was gathered using a template which set out the required standards. The assessment of arrangements has been reviewed to capture any emerging significant governance issues.
- A review of internal control comprising an assessment by each Assistant Director of their service areas against the required standards, carried out in early 2018. Evidence was gathered using a template sent to each Assistant Director. A summary of governance issues in each directorate, drawn from the individual service reviews has been signed off by each Executive Director (previously known as Corporate Director).
- A review of the overall opinion of the Group Audit Manager as set out in the annual internal audit report. Based on the work undertaken by the Audit Team in 2017/18, the Group Audit Manager is able to provide reasonable assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control. However, that the Group Audit Manager noted that they were satisfied that sufficient audit work had been carried out across the organisation to enable them to give this opinion "except for" Health, Care and Communities Directorate where only one audit had been completed. The Council is of the opinion that the review of other information gathered in preparing this Annual Governance Statement gives sufficient assurance in respect of Health, Care and Communities Directorate that no significant governance issue has arisen.
- An assessment of the Audit and Assurance Committee arrangements against the core functions of Audit Committees set out within the 2013 CIPFA Guidance for Audit Committees in Local Authorities and the Police. The review confirms that the committee fulfils the core purpose of an audit committee as set out in the Guidance.
- A review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. The review confirms that the Council's arrangements conform to the CIPFA Statements on the Role of the Chief Financial Officer and Head of Audit.

- A review of the 2017/18 Annual Governance Statement Action Plan to assess progress. Further information is set out below, however, in essence the review confirmed that the actions set out in the plan had been completed. The significant governance issues have been addressed and the Council now needs to move into appropriate management actions rather than there being any ongoing need for a specific action plan.
- Consideration of reports from external inspections.
 - During 2017/18, the Council was subject to inspections by Ofsted and the Care Quality Commission. The Ofsted report identified that there had been significant improvement in Children's Services with an improved judgment of Requires Improvement.
 - In February 2018, the Cumbrian Health and Social Care system was the subject of the Care Quality Commission Local System Review considering system performance along a number of 'pressure points' on a typical pathway of care with a particular focus on older people aged over 65. The review focused on the interface between social care, primary care as well as acute and community health services. The assessment highlighted some positives and noted that the system was in the early stages of development. An Action Plan has been prepared to deal with the issues that were noted as requiring further work.
 - Zurich Municipal was contracted by the Council to conduct a review of the framework supporting commissioning, procurement and contract management processes within the Council to establish their effectiveness in enabling good risk management disciplines. Zurich Municipal concluded that it was evident through the document reviews and interviews that the Council has a desire to create and sustain a best practice approach to the management of contractors, and a thoughtful approach to the management of risk and noted a number of areas of strength in how the Council manages risks. There were also a number of areas that required improvement. The report noted the ongoing work to strengthen the Council's arrangements in this area. The review and discussion with relevant managers has provided assurance that there is a suitable continuing focus on improvements around commissioning, procurement and contract management.
- Review by the Pensions Committee of the Cumbria Local Government Pension Scheme Fund Policy Statements, which are kept under review and updated when required throughout the year (e.g. following changes in regulations) and reviewed annually. In addition, the effectiveness of the Cumbria LGPS arrangements is reported in the Cumbria LGPS Annual Report to provide assurance to members when approving the Accounts. No significant governance issues have been identified in 2017/18.
- The Council's arrangements with its controlled company, Cumbria County Holdings Limited, and its subsidiaries, are kept under review by the Council.

Review of Actions Taken in Respect of 2016/17 Significant Governance Issues

The 2016/17 Annual Governance Statement included two significant governance issues:

- **Children's Services Ofsted Inspection Outcomes**
- **Amey vs Cumbria County Council litigation**

In November 2017, Children's Services was re-inspected by Ofsted and the Judgment revised from Inadequate to Requires Improvement. This judgment has resulted in the removal of the Directions Notice, and whilst there is still work to do to deliver the improvements required, this is no longer considered to be a significant governance issue.

In September 2017, Audit & Assurance Committee received a detailed Lessons Learned report following the Amey vs Cumbria County Council litigation. Alongside the report was an action plan to deliver the improvements identified in the Lessons Learned review. All actions were due for completion by 31 March 2018.

All actions were completed by that date with the exception of the implementation of revised Whistleblowing and Speak Up arrangements. In respect of these arrangements, documents were approved by the Audit & Assurance Committee on 27 June 2018. Rollout of the new arrangements will take place during 2018/19 and it is noted that a whistleblowing policy has been in place throughout 2017/18 with referrals received and appropriately managed.

The work that has been completed includes amendments to the Contract Procedure Rules which form part of the Constitution. These amendments specifically capture the enhanced systems and procedures for managing contracts and therefore aim to ensure that these are embedded in the organisation.

Given that the work in respect of the Lessons Learned review has been completed, this is not considered a Significant Governance Issue for the 2017/18 Annual Governance Statement.

5. SIGNIFICANT GOVERNANCE ISSUES

A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk.

Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

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

The above definition and criteria were adopted by the Corporate Governance Group in March 2015. These criteria have been applied to help the Council assess its governance issues in 2017/18.

The Council has undertaken a thorough review of its governance arrangements and there are considered to be no significant governance issues under the above criteria.

The Action Plan attached to the Governance Statement for 2016/17 has been completed and the review carried out in preparing this statement provides assurance that new systems of working are showing signs of being embedded in the organisation. The Council recognises the need for continued management focus on the areas of concern. The review of governance has not highlighted any other matters that would be considered significant governance issues.

6. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the Council's corporate governance by the Audit and Assurance Committee and are satisfied that the Council's corporate governance arrangements in place during 2017/18 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2016.

We are pleased to note that no significant governance arrangements have been highlighted by the review and are committed to maintaining an effective governance framework for the Council going forward.

Signed by the Leader of the Council and the Chief Executive

Stewart Young, Leader of the Council

Katherine Fairclough, Chief Executive