

North Lanarkshire Council Report

Audit and Scrutiny Panel

approval noting

Ref

Date 23/09/20

PoW - PO75.1 (3) Strategic Governance Framework and draft Annual Governance Statement

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Executive Summary

North Lanarkshire Council is committed to governance excellence and complies with the Local Authority Accounts (Scotland) Regulations by preparing an Annual Governance Statement for inclusion in the Annual Accounts.

To further strengthen the council's governance arrangements, a Strategic Governance Framework was approved by Audit and Scrutiny Panel in February 2020. Although the framework was seemingly comprehensive, the Panel also approved plans to ensure each element of the framework is up-to-date, on a timetable for review and subsequently reported to the relevant committee.

This report provides Members with a copy of the draft Annual Governance Statement and with a progress report on work to assess the robustness of the Strategic Governance Framework.

Recommendations

Audit and Scrutiny Panel is requested to:

1. note the draft Annual Governance Statement;
2. approve the next steps in developing the Strategic Governance Framework as outlined in paragraphs 2.13 to 2.15.

The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

1. Background

- 1.1 North Lanarkshire Council recognises the need for sound corporate governance and, as such, prepares an Annual Governance Statement in compliance with the Local Authority Accounts (Scotland) Regulations.
- 1.2 To bolster this statement to ensure excellence in governance, accountability and transparency, and in line with our ambitions in the Plan for North Lanarkshire, a Strategic Governance Framework was developed.

2. Report

- 2.1 Members will recall The Plan for North Lanarkshire articulates a vision that focusses on inclusive growth and prosperity for all and that North Lanarkshire is the place to Live, Learn, Work, Invest and Visit.
- 2.2 To help realise that shared ambition, the plan is supported by four frameworks.
 - Strategic Policy Framework
 - Strategic Performance Framework
 - Strategic Self-Evaluation Framework
 - Strategic Governance Framework
- 2.3 The Strategic Policy Framework was approved in September 2018, the Strategic Performance Framework and Strategic Self-Evaluation Framework were approved in February 2019 and the Strategic Governance Framework in February 2020.

Governance

- 2.4 The council prepares an Annual Governance Statement for inclusion in the Annual Accounts. The draft statement for 2019-2020 is attached as Appendix 1.
- 2.5 The statement records how the council complies with CIPFA/SOLACE '*Delivering Good Governance 2016*'. It sets out the framework within which the council operates and describes the means by which the council is directed and controlled.
- 2.6 Included in the statement is the Audit and Risk Manager's review of effectiveness which, for 2019/2020 states "there is sufficient evidence to provide reasonable assurance on the adequacy and effectiveness of the council's system of corporate governance and internal controls in the year to 31 March 2020."
- 2.7 The Audit and Risk Manager also commented that from mid-March, COVID-19 has impacted significantly on normal business operations and risk assessments. The assurance and declaration therefore relate to arrangements that were in place throughout most of 2019-20 and exclude those introduced in response to the pandemic.

Strategic Governance Framework

- 2.8 CIPFA (Chartered Institute of Public, Finance and Accountancy) recommends councils review and account for their own unique approach to delivering good governance. A Strategic Governance Framework was therefore developed to record the strategies, policies, plans, codes, registers and procedures (hereafter referred to as 'elements') that are employed to direct and control the operations of the council.

- 2.9 The framework was approved by Audit and Scrutiny Panel in February 2020. Members will recall Business Solutions undertook to investigate further to ensure each element is up-to-date and on a timetable for review. The Plan for North Lanarkshire, Programme of Work 75.1(3) reflects this undertaking. 'Update on the review programme to ensure each element in the Strategic Governance Framework is up to date, on a timetable for review at an appropriate interval, and subsequently reported to the relevant committee.'
- 2.10 The onset of Covid-19, however, impacted on service delivery across the council as some services were suspended and staff redeployed to support new ways of delivering services, standing up new solutions to support the most vulnerable and influencing national decision making. Central to this was the involvement of Business Solutions in the development of the Helping Hands helpline, to meet Scottish Government requirements.
- 2.11 Work on the Strategic Governance Framework was therefore necessarily delayed, although progress has since been made. Of the 102 elements in the framework, approximately a quarter have been assessed as inappropriate for 'review', this is where the element proving compliance is the existence of a council committee or IT system - for example, MARS and Audit and Scrutiny Panel itself. These elements demonstrate how we comply with CIPFA's core and sub principles of Good Governance but do not need to be reviewed for this purpose.
- 2.12 Approximately half of the elements are up to date, under review, or a review is planned; for example, the Risk Management Strategy was reviewed in March 2020 and the Registers of Gifts and Hospitality are due to be reviewed in October 2020. The remaining quarter are yet to be investigated.

Next Steps

- 2.13 Work to investigate the remaining elements to ensure the framework is up to date will continue until the necessary details are obtained.
- 2.14 Business Solutions - in conjunction with services - will thereafter carry out a self-assessment scoring exercise against the core and sub principles in CIPFA's '*Delivering Good Governance 2016*', resulting in improvement actions.
- 2.15 As a consequence of Covid 19, the Recovery Implementation Plan for Business Solutions has assessed the Strategic Governance Framework as Level 3. This means that the implementation timescale for recovery is the end of March 2021. Progress will therefore be reported to a subsequent meeting of the Audit and Scrutiny Panel.

ALEOs

- 2.16 Members are aware that the council uses ALEOs as alternative service delivery vehicles. As such delivery involves the use of council budgets, the council has a statutory duty to ensure the proper accountability and transparency of money spent through these bodies. These responsibilities are satisfied by applying assurance monitoring arrangements which are reflective of Audit Scotland's 2011 guidance, '*Arm's Length Bodies: Are you getting it right?*' and The Code of Guidance on '*Following the Public Pound*'.

- 2.17 Governance is applied via a triangle of monitoring arrangements as illustrated in this diagram.



3. Equality and Diversity

3.1 Fairer Scotland Duty

There is no requirement to carry out a Fairer Scotland Duty assessment for this report. Services will, however, need to consider this when reviewing and reporting on individual elements of the framework.

3.2 Equality Impact Assessment

There is no requirement to carry out an Equality Impact Assessment for this report. Services will, however, need to consider specific assessments when reviewing and reporting on individual elements of the framework.

4. Implications

4.1 Financial Impact

There is no financial impact arising from this report. Each element reviewed by services will, however, need to identify any financial impact.

4.2 HR/Policy/Legislative Impact

There is no HR, policy, legislative impact arising from this report. Each element reviewed by services will, however, need to identify any inherent impact.

4.3 Environmental Impact

There is no environmental impact arising from this report. Each element reviewed by services will, however, need to consider any impact.

4.4 Risk Impact

Among other issues, good corporate governance comes from a culture of openness and accountability, while focussing on managing risks effectively. Failure to have an effective Strategic Governance Framework is a risk which could severely affect the operation of the council.

5. Measures of success

- 5.1 An effective Strategic Governance Framework will assist the council in achieving its shared ambition for North Lanarkshire. It will result in a positive annual assurance statement by the Audit and Risk Manager and positive comments from external

auditors and other review agencies and inspectorates. Feedback from Elected Members in their scrutiny role and customer and stakeholder feedback will also be positive.

6. Supporting documents

6.1 Appendix 1 – Annual Governance Statement 2019-2020

A handwritten signature in black ink that reads "Katrina M Hassell". The signature is written in a cursive style with a large initial 'K'.

Katrina Hassell
Head of Business Solutions

Draft GOVERNANCE STATEMENT 2019-2020

1. Scope of Responsibility

- 1.1 North Lanarkshire Council is committed to ensuring that business is conducted in accordance with the law and that public money is safeguarded, properly accounted for and used efficiently and effectively. The council also has a duty under the Local Government in Scotland Act, 2003 to demonstrate Best Value by showing continuous improvement in the delivery of services. Evidence to show the pace and depth of the improvement along with the management of risk is critical to ensure the delivery of the ambitious vision for North Lanarkshire.
- 1.2 To deliver this responsibility, the council has adopted the principles and requirements of the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executive's (CIPFA/SOLACE) Framework 'Delivering Good Governance in Local Government Framework' (2016).
- 1.3 In discharging these duties elected members and senior officers are responsible for implementing sound governance arrangements and for ensuring, at least on an annual basis, that these arrangements are evaluated for compliance and effectiveness in line with the council's priorities.
- 1.4 The council has put in place appropriate management and reporting arrangements through the Corporate Management Team (CMT) to satisfy itself that the approach to corporate governance is both adequate and effective. Robust risk management arrangements are in place.
- 1.5 The council's Audit and Risk Manager has been given independent responsibility to review and report to the Audit and Scrutiny Panel annually to provide assurance on the adequacy and effectiveness of the corporate governance arrangements and the extent to which it complies with the guidance outlined in 1.2 above.
- 1.6 While these arrangements are designed to enable the council to perform well, to manage risk effectively and to minimise any potential impacts on service delivery and the achievement of the Plan for North Lanarkshire, it should be noted that corporate governance arrangements cannot eliminate all risk of failure to implement policies and achieve objectives and that any system of internal control provides reasonable, but not absolute, assurance.
- 1.7 This statement also covers the organisations consolidated in the council's Group Accounts.

2. The Governance Framework

- 2.1 In February 2020, Audit and Scrutiny Panel approved a Strategic Governance Framework. This further strengthens the council's governance arrangements and brings together legislative requirements, governance principles and management processes. Together with the other three frameworks which support the Plan for North Lanarkshire, the Strategic Governance Framework will promote good practice and monitor progress with priorities to help achieve the ambitions in the plan.

- 2.2 The council recognises that good corporate governance comes from a culture of openness, respect and integrity, accountability and inclusiveness, whilst focussing on performance, managing risks effectively and being committed to assisting and improving the communities of North Lanarkshire.
- 2.3 The arrangements for corporate governance and internal control for North Lanarkshire Council are based on the following:
- The Plan for North Lanarkshire and supporting frameworks - Policy, Performance, Self-Evaluation and Governance
 - Codes of Conduct for Elected Members, Chief Officers and Employees
 - Standing Orders
 - Schemes of Administration and Delegation clearly setting out remits, functions and powers of committees and sub-committees and allocating delegated powers to officers
 - Financial Regulations and procedures that specify relevant procedures and controls over budgeting, income, expenditure and financial performance
 - Capital Expenditure guidelines
 - Appropriate Legal and Finance input into policy development and decision-making
 - A range of HR and other policies which promote and/or support ethical behaviour and standards of conduct by staff
 - Risk Management arrangements that reflect the council's strategic ambition
 - Anti-Fraud Policy and Fraud Response Plan
 - Whistleblowing arrangements and complaints procedures
 - A suitably qualified and experienced Monitoring Officer to ensure compliance with laws and regulations
 - An Audit and Scrutiny Panel whose activities and core functions comply with relevant CIPFA standards
- 2.4 The Audit and Risk Management service provides the internal audit function for North Lanarkshire Council and operates within the local authority Public Sector Internal Audit Standards and the council's Internal Audit Charter. The service undertakes an annual programme of work approved by the Audit and Scrutiny Panel which is based on the Internal Audit Annual Plan. This plan is risk based and is periodically updated to reflect evolving issues and changes.
- 2.5 The internal audit function was the subject of an independent External Quality Assurance Review (EQAR) in 2019, and was assessed as fully conforming to the relevant national standards.

3. Effectiveness of Governance Arrangements

- 3.1 When reviewing the effectiveness of the governance framework and internal control systems and processes the following are taken into account.
- The work of the extended Corporate Management Team who have responsibility for the development and maintenance of governance arrangements through their annual assurance statements
 - The annual assurance statement provided by the Audit and Risk Manager
 - Comments made by the external auditors and other review agencies and inspectorates
 - Feedback from elected members and committees in their scrutiny role

- Self-evaluation work undertaken by the council as part of its governance and performance management arrangements
- Issues considered by the Audit and Scrutiny Panel
- The review of customer and stakeholder feedback

4. Continuous Improvement and Performance Measurement

- 4.1 In February 2019, Elected Members approved The Plan for North Lanarkshire. This place based strategy outlines a future of inclusive growth and prosperity for all, and to make North Lanarkshire the place to Live, Learn, Work, Invest, and Visit www.northlanarkshire.gov.uk/theplan. The plan comprises five priorities supported by 25 ambition statements. The statements focus on activities and resources and are supported by a high-level Programme of Work.
- 4.2 The Programme of Work brings together 75 elements to support all strategic planning, development, and enterprise activities. This One Place approach to investment - integrating planning, aligning infrastructure, and targeting entire communities - aims to address the complex economic, social, and health issues, and achieve change that is sustainable in the longer-term.
- 4.3 A Strategic Performance Framework, comprising a wide range of performance indicators and targets, is aligned to the ambition statements. This allows regular reporting on progress with the Programme of Work to be reported to service committees and the Audit and Scrutiny Panel to enable Elected Members to monitor, assess, scrutinise and inform decision making.
- 4.4 In March 2020, the next phase of the *Programme of Work for 2020 and beyond* was approved.
- 4.5 Towards the end of 2019/20, the emergence of COVID-19 began to have a significant impact on the council's delivery of planned day to day activities and achievement of strategic priorities, which is expected will be reflected in subsequent levels of performance.
- 4.6 As the council moves through the recovery and renewal phase, and new service operating models are developed, the four Frameworks are being kept under review and will be updated, where required, in line with the work of the Recovery Group and ensuing amendments to the *Programme of Work for 2020 and beyond*.
- 4.7 In May 2019, the Accounts Commission's Best Value Assurance Report for North Lanarkshire Council was published by Audit Scotland (<https://www.audit-scotland.gov.uk/report/best-value-assurance-report-north-lanarkshire-council>).
- 4.8 Eight recommendations for improvement were identified and work commenced to align these with the Programme of Work or one of the four frameworks that support the Plan for North Lanarkshire.
- 4.9 Updates on work undertaken to implement these were reported to Policy and Strategy Committee in September 2019 and again in March 2020.

5 Prior Year Issues (2018/19)

The table below outlines issues identified during the Internal Audit programme of work for 2018-19 and provides details of the actions taken to address each issue.

Issue Raised	Action Taken
<p>Business Continuity Arrangements</p> <p>A review of the council's business continuity and disaster recovery arrangements highlighted a number of actions including:</p> <ul style="list-style-type: none"> • The need for corporate guidance regarding the content and detail required • Reviewing and updating the ICT disaster recovery documentation • Ensuring all relevant operational staff are aware of respective plans and their individual responsibilities. 	<p>Significant management attention has been focused on delivering improvements in the council's business continuity and disaster recovery arrangements. An annual report is now prepared and submitted to elected members providing an overview of the council's arrangements and current and planned actions.</p>
<p>HR Systems – Recruitment Practice</p> <p>Weaknesses in key controls for recruitment within the Education Service were identified.</p>	<p>Further investigation ensured that the issues highlighted were confined to the Education service and a number of significant actions to address the audit recommendations have been implemented.</p>
<p>Performance Management</p> <p>The 2018-19 annual audit opinion was qualified in respect of one issue, the transitional nature of the Council's performance management arrangements.</p>	<p>The SPF comprises a suite of measures of success across three levels to reflect the strategic and operational requirements of the council and to enable it to demonstrate the impact of its programmes and activities on the people and communities of North Lanarkshire. A suite of strategically focused performance information has also been identified to enable the council's Audit and Scrutiny Panel to effectively discharge its' scrutiny role in respect of council performance. Detail in relation to the SPF was presented to the Policy and Strategy Committee for consideration and approval in September 2019.</p>

6 Current Year Issues (2019/20)

The table below outlines progress on significant governance issues highlighted as part of the 2019-20 audit programme.

	Issue Raised	Planned Action
1	<p>Performance Management</p> <p>Development of reporting arrangements in line with business and legislative requirements were expected to follow but have not yet been fully integrated into the council's</p>	<p>Following approval of the detail within the Strategic Performance Framework, which included a wide range of performance indicators and targets aligned to each of the 25 Ambition Statements, a range of performance information was reported through service committees and the Audit and Scrutiny Panel in cycle 4 of 2019 and</p>

	governance arrangements. Progress to date in this area has been slower than expected.	cycle 1 of 2020. This allowed for performance in terms of day to day activities, and progress towards achieving the shared ambition articulated in The Plan for North Lanarkshire, to be regularly monitored, reported, assessed and scrutinised.
2	<p>Impact of the COVID-19 pandemic</p> <p>The national public health emergency has and will continue to create significant governance and operational challenges and pressures for the council.</p>	<p>Management will, as part of its standard resilience arrangements, undertake a review in due course of its response to the pandemic with a view to assessing performance, and identifying any lessons to be learned and/or areas for improvement. This review will be undertaken when the immediate health emergency has decreased. Work is also ongoing to ensure that the council's corporate risk register is updated to reflect the number of significant new and changed risks which the current public health emergency has created.</p>

7. Review of Effectiveness

- 7.1 There were no other weaknesses, material frauds or irregularities resulting in financial loss to the council identified in 2019-20.
- 7.2 The council's Audit and Risk Manager has reviewed the effectiveness of the council's governance arrangements and reported the results to Audit and Scrutiny Panel. The most recent assurance statement contained in the 2019-20 Internal Audit Annual Report concluded there is sufficient evidence to provide reasonable assurance on the adequacy and effectiveness of the council's system of corporate governance and internal controls in the year to 31 March 2020.
- 7.3 The Audit and Risk Manager also commented that the COVID-19 pandemic has, from mid-March 2020 onwards, impacted significantly on normal business operations and risk assessments. As a result of changes to the governance and service delivery arrangements arising from the council's response to the pandemic, many of the normal expected systems and controls have been subject to change and not all these revised arrangements have been reviewed by Internal Audit in the limited time available. The assurance and declaration expressed therefore relate to the council's established arrangements that were in place throughout most of 2019-20 and exclude those arrangements introduced in response to the pandemic from mid to late March 2020 onwards.
- 7.4 On 19 March 2020, council approved temporary emergency delegated authority to the Chief Executive and, in his absence, Executive Directors and the Chief Officer, Health and Social Care to make decisions which would otherwise require council or committee approval, in the event of a requirement to suspend decision making processes due to COVID-19.
- 7.5 On 23 March 2020, committee meetings were suspended and a process to ensure Elected Members continued to have a role in decision making established. Six days before the original committee date, reports were published and members invited to provide comments to Chief Officers. On the original committee date, the Chief

Executive held a video conference where information on members' comments, together with any further narrative by officers in respect of the comments, were considered. The Chief Executive determined each report in turn, his decisions recorded and thereafter published on the council's website.

- 7.6 Council Committee Meetings recommenced on 13 August when, among other business, members received a summary of all decisions taken during this period.
- 7.7 Following the council's decision in 2018/19 to merge North Lanarkshire Leisure Ltd and CultureNL Ltd, with Culture NL Ltd as the retained entity, some governance challenges developed within the new CLNL arms-length body. When considering these alongside the requirement for CLNL strategy to more fully align with The Plan for North Lanarkshire, the council determined a re-examination of its previous options appraisal outcomes was essential. Following due consideration of all factors and emerging challenges, the council thereafter agreed, in January 2020, that an in-sourced model would achieve greater alignment between the council's ambitions and provision of cultural, sports and leisure services; increase the pace of transformational change required; and, support longer term cost effectiveness and sustainability.
- 7.8 Management recognises that the unprecedented events associated with the national response to the COVID-19 pandemic have created huge challenges for the council and that these will continue beyond the period covered by this statement. A formal review of the effectiveness of the council's response to identify lessons learned and any areas for improvement will be undertaken in due course when the scale of the current emergency is reduced. However, management's initial assessment is that within the constraints and pressures placed on the council by the public health emergency, the council's compliance with expected standards of governance remained high.

8. Certification

- 8.1 In compliance with the 'Delivering Good Governance in Local Government Framework' (2016) the council has systems in place to review and improve the governance and internal control environment throughout the year. Issues for action have been identified and implementation will be monitored and reported as part of the next annual review.
- 8.2 It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of North Lanarkshire Council and its Group systems of governance. The annual review process has demonstrated sufficient evidence that the council's corporate governance arrangements have operated effectively and the council and its group companies comply with the relevant corporate governance principles in all significant respects.

Des Murray
Chief Executive

Councillor James Logue

