

APPENDIX A – DRAFT SUBJECT TO AUDIT

Annual Governance Statement

For year ended 31 March 2021

Foreword

As we recover from the Covid pandemic, our overarching priority is to do all we can to ensure Northumberland is a stronger place both economically and socially. We will invest in and encourage business, attract new job opportunities, care for those who need our support, and build upon those things that were important and valued by many residents during the pandemic.

In the coming months and years we will:

- ***Vigorously encourage and secure more and new investment into the County.***
- ***Care for our residents, supporting the most vulnerable in our society.***
- ***Maintain, protect and enhance the environment, prioritising our commitments on Climate Change.***
- ***Ensure the best education standards for our children and young people.***
- ***Pull our weight regionally and nationally, working with our partners to secure maximum benefit for residents and businesses***
- ***In everything we do, we will listen to and communicate with residents, business and partners and, ensure value for money in our services.***

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

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

Our corporate governance arrangements have been effective in supporting the Council to achieve its objectives in recent years and we will ensure this continues to be the case in 2021-22 and into the future.

Of course, we have highlighted opportunities for improvement, identified through our monitoring and review arrangements. We will ensure the necessary action is taken to address these.

What is Corporate Governance?

Good Governance in the public sector means:

'achieving intended outcomes while acting in the public interest at all times'

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

The Council's Corporate Governance arrangements aim to ensure that it:

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

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2021, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2021-22 period.

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

How this Statement is prepared

In preparing the Annual Governance Statement the Council has:

- Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local 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; and,
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance.

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

- Service level review of Governance arrangements;
- Review of the Corporate risk Register;
- Review of the Constitution;
- Review of the opinion of the Head of Internal Audit;
- Review of external Audit Annual ISA 260 Report;
- Review of reports from External Inspectorates;
- Review of the 2019-20 Improvement Plan;
- Review of Governance arrangements of subsidiary companies.

1 The Council's Governance responsibilities

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

To meet these responsibilities, the Council acknowledges 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 as well as Northumberland Enterprise Holdings Ltd.

The Council's Local Code of Corporate Governance, produced in accordance with the new 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.

2 The Governance Framework

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

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

As the Council improves the way it provides services, it is important 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 next pages.

It's simply 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 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, Boards;
- **Third Line** - functions that provide independent assurance on the management of risks, e.g. OFSTED, Internal/External Audit).

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

**Annual Governance Statement (AGS)
Audit Committee**

Leader, Cabinet Members, Chief Executive, Chief Financial Officer, Monitoring Officer, Executive Team

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

2nd Line of Defence	1st Line of Defence	3rd Line of Defence
Oversight and Support	Business & Operational Management	Independent Assurance
Strategy / Policy / Direction setting, decision-making, assurance oversight	Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance.	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

The Council Plan

The Council's Corporate Plan (2018-21) was adopted in February 2018 and covers the period up to 2021 alongside the Medium-Term Financial Plan for 2018-22. Following the local elections in May 2021, the Corporate Plan is currently being refreshed. The current Plan identifies the following priority areas:

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

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

- Residents first
- Excellence and quality
- Respect
- Keeping our communities safe and well

Each service prepares a Service plan annually setting out its priorities in delivering the Council's Corporate Plan together with a Corporate Performance framework identifying key measures of performance, current performance levels and targeted performance levels.

Measures of Corporate Performance are reviewed quarterly and at the end of the year and are presented in the Council's performance management reporting which is regularly updated with current performance so that the information is readily accessible to members, managers, staff, the public, partners and other stakeholders.

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

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The Inspector's role is to determine whether or not the Local Plan is sound and complies 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 will issue her final report on the Local Plan, and it is anticipated that the Local Plan will be adopted by the Council later in 2021.

Evaluating 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. Publicly available reports map the information to services, Corporate Plan priorities, Cabinet member portfolios and Scrutiny committees.

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

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

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

At a service level, 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.

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

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

The final report by HMICFRS was received in June 2019 and was rated as 'Requires Improvement' in all three areas. In response, an improvement plan was developed, with progress monitored by the Fire and Rescue Leadership Team and reported on a monthly basis to the Chief Executive and portfolio member.

The Fire & Rescue Service is currently (summer 2021) being inspected by HMICFRS and a report and rating is expected later in 2021/22. This will be reported to the relevant Council Committees alongside any associated plan for improvement.

Managing Risk

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

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

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

Substantive improvements to risk management process were implemented in 2018-19 and, following interim review, further enhancements have been made in 2019-20 and 2020-21.

The Executive Management Team has oversight of the risk management process. Corporate risks are formally reviewed and updated twice yearly to inform financial planning and service planning processes.

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

The process includes a hierarchy of corporate, service strategic and operational risk registers and allows for 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.

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

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

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

Corporate Level Risks 2020-21

- 1. Financial Assumptions**
- 2. Engagement of Communities**
- 3. Economic Inclusion**
- 4. OD/Workforce**
- 5. Civil Contingency and Business Continuity**
- 6. Corporate Compliance**
- 7. Information Governance**
- 8. Multiple and concurrent high-profile and large-scale capital projects**
- 9. Contract Management**
- 10. Response to Climate Change**
- 11. Northumberland Enterprise Holdings Limited**
- 12. Regeneration**
- 13. Local Covid-19 Outbreak Prevention and Control Plan**
- 14. Covid-19 Recovery**
- 15. Exceptional Governance Matters**
- 16. Advance Northumberland**

Covid-19

The Covid pandemic has had profound impacts on individuals, families, communities and businesses in every part of Northumberland. At the time of writing, almost of all restrictions on normal, daily life in England have been lifted. The vaccination programme in the UK appears to have broken the link between increasing cases and high numbers of hospital admissions. However, the pandemic is not over. Cases have increased following the lifting of restrictions. National and local government as well as other agencies continue to encourage people to take safe and sensible measure to limit the rate of infection and new cases.

The Council's arrangements which were stood up to respond to the pandemic (including 'Gold Command'), continue to operate as we move into Autumn and Winter 2021.

Our priority continues to be to work with Government, residents, partners and businesses to ensure we follow national guidance and maintain low Covid-infection rates, deliver an effective vaccination programme and lead social & economic recovery.

Throughout the pandemic, our governance arrangements have enabled the Council to maintain the services residents need every day, supporting and protecting the people who need help and, doing all we can to help businesses survive, recover and thrive once again. Indeed, in many cases frontline services have maintained their normal levels of service, albeit with changes to delivery.

The Council's Covid Route-Map, agreed in January 2021 set out our plan for how the County will recover socially and economically in the coming months. The route-map:

- Provided key facts, regularly updated, about rates of infection as well as groups and parts of the County most impacted;
- Informed residents and businesses on the impact on businesses and jobs;
- Made clear what services and support were available as we moved through Government's Roadmap to ease lockdown restrictions; and,
- Outlined a five-point package of public health measures to tackle Covid infection and, a five-point plan for economic recovery.

As we move into this new phase, we propose to incorporate the Covid Route-Map into a refreshed version of the Corporate Plan.

Withdrawal from the EU

The UK formally left the EU on 31 January 2020. Following this, there was a transition period which ended on 31st December 2020, during which time future relationship, including trade arrangements were agreed.

Whilst the new trade relationship is having varying impacts on different sectors of Northumberland's economy, there has not been widespread, significant disruption. Understanding the precise impacts of Brexit has, in many ways, been complicated by the impact of Covid.

The Council has kept track of the negotiations and assessed implications arising from the end of the Transition Period and the commencement of the new trade arrangements. This has been largely through its Business Interruption Management Team arrangements.

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.

The Council has also established five Local Area Councils which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower 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 has established a Constitution Working Group. This is a cross-party Member working group. The work of the Group is determined by the areas of review proposed by Members; there is an open invitation to all members to add to the Constitution Working Group's work plan. The reports and recommendations of the Constitution Working Group are reported to Full Council for review and agreement.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' and 'Section 151 Officer' (Executive Director of Finance). 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.

During 2021/21, as part of the County Council's management of the extraordinary governance matters referenced below, it became apparent the Council's Constitution had not been updated to reflect amendments made in 2015 to the Local Authorities (Standing Orders) (England) Regulations 2001 which require adoption of the standing orders in Schedule 3 to the 2001 Regulations, or like provisions, in respect of disciplinary action against a statutory officer.

In addition, the Constitution, in its Officer Employment Rules, contravened Section 9D of the Local Government Act 2000, and specific Regulations made under the Act

and the Local Government Act 1972, which provide that the power to suspend an officer cannot be exercised by the Council's Executive (Cabinet/Leader).

At the meeting of full Council on 4 November 2020 the Constitution was amended to ensure that these issues were corrected. Experienced external support was engaged to review this and other aspects of the Constitution and as a result, the Constitution was significantly strengthened during 2020/21. Going forward, the intention is that the Constitution will be reviewed and updated annually.

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 diagram below.

The Council	Approves the Council Strategy. Approves the Constitution (including Standing Orders and Financial Regulations). Approves key policies and budgetary framework.
Cabinet	The main decision-making body of the Council. Comprises eight Cabinet Members (including the Leader) and three deputy Cabinet Members 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 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)	<p>Accountability for developing and maintaining the Council's governance, risk and control framework.</p> <p>Contributes to the effective corporate management and Governance of the Council.</p>
Monitoring Officer	<p>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.</p> <p>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.</p> <p>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.</p>
Internal Audit	<p>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</p> <p>Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity.</p> <p>Makes recommendations for improvements in the management of risk.</p>
External Audit	<p>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).</p>
Managers	<p>Responsible for developing, maintaining and implementing the Council's governance, risk and control framework.</p> <p>Contribute to the effective corporate management and governance of the Council.</p>

Open Policy and Decision-making

Meetings are normally held, and decisions agreed in public, although, where appropriate, 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 Work Programme is published on the website and contains information about all matters that are likely to be the subject of a decision taken by the Council during the forthcoming four-month period.

Equality

We 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 affects 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.

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.

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

For the 2020-21 financial year, the Council set a balanced budget and after accounting for transfers to earmarked reserves and provisions has delivered an outturn underspend of £7.01 million.

The Council established an Innovation and Improvement Team during 2019/20, to support continuous review and improvement. The work of the Improvement and Innovation Team supports the council to deliver efficient, sustainable and value for money services for its residents. At the outset of COVID-19, the work of the team was re-focused on the emergency response initially through support for the Business Interruption Management Team and Future Services Group. Subsequently the team

established and supported the Recovery Board which developed, coordinated and managed recovery and transformation activities across the Council and this has recently evolved into a more 'business as usual' focused Operations and Strategy Group. As the focus returns to more 'business as usual' transformation and improvement activity, the service is directing its work to providing cross-council support in three main areas:

- Service reviews
- Project management/Business Development
- Leadership and Support for corporate and cross-directorate activities.

The Procurement function is provides an important contribution to the development of new service delivery models, controls costs, achieving savings and delivering value for money solutions.

The Procurement Shared Service arrangement between Northumberland County Council and Northumbria Healthcare NHS Foundation Trust ended on 31st August 2021 following mutual agreement to enable each organisation to focus on their individual procurement requirements.

The main team affected by this decision was the Shared Contracting Team, which had been hosted by the Council. This team has now split and the TUPE transfers of staff have been completed.

With the end of the Shared Service, the immediate priority is to maintain service continuity to both organisations post transfer. In parallel, a new Procurement Strategy is being developed together with a review of the Contracting team to ensure the Service continues to fully support the Council's corporate objectives.

Indicators of Financial Stress

In 2021, CIPFA published its latest Financial Resilience Index for all English local authorities, measuring performance across nine financial ratios. The Financial Resilience Index for the Council for the year 2019/20 shows lower levels of risk for seven of the nine primary indicators (below).

- Reserves Sustainability Measure (Lower risk)
- Level of Reserves (Lower risk)
- Change in Reserves (Lower 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 (Lower risk)

The Executive Director of Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. 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.

Managing Information

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

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

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

The Council's website provides details on information governance including the council's policies covering data protections, 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 Council were notified of a number of data breaches within the financial year 2020/21. These were all registered within the Council as personal data breaches and comprehensively investigated by Senior Council officers. Security measures have been increased to restrict further opportunities of these occurring and the Information Commissioners Office (ICO) and Police were also notified.

Audit and Audit Assurances

The Council's Internal Audit Service plays a key role in the assessment of the County Council's framework of governance, risk management and control, making recommendations for improvement where necessary.

The Council currently has a shared arrangement with North Tyneside Council for Internal Audit and Risk Management Services. This has been in place since 2010/11 with North Tyneside Council as the host, and these arrangements have been kept under review by the two partner authorities during 2020/21 and beyond. This is discussed in more detail later in the AGS (see 'Post 2020/21 Events', below). The Shared Service Management arrangements are led by the Chief Executives of Northumberland County Council and North Tyneside Council.

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

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control for 2020-21 was that:

"The opinion of the Chief Internal Auditor on the organisation's internal systems of governance, risk management and control, was found to be satisfactory overall.

However, the Chief Internal Auditor would draw attention to specific aspects of governance within the County Council's framework of governance, risk management and control, where weaknesses exhibited during 2020/21 require strengthening. These matters should continue to be a specific focus of the County Council's attention in improving governance and control.

*Subject to this observation, the opinion of the Chief Internal Auditor (known as the 'chief audit executive' under the Public Sector Internal Audit Standards) is, at the time of preparing this report, that Northumberland County Council's internal control systems are **satisfactory** overall.*

In determining the overall 'satisfactory' opinion, the Chief Internal Auditor has had regard to the established framework of core financial systems in place within the Authority, which when audited during 2020/21 were found to bear appropriate internal controls and to be operating satisfactorily.

Attention is drawn to those audits undertaken regarding the County Council's Information Technology arrangements, which received a 'limited assurance' audit opinion during 2020/21. As the public services, including Northumberland County Council, continue to embrace channel shift which is likely to see an increasing reliance on computerised systems and 'self-service'

by stakeholders, it is essential that all ICT systems are fit for purpose. This will need to be a continued area of focus within the Authority.

Advance Northumberland Group of Companies, as companies wholly owned by the County Council, will have an impact (favourable or adverse) on the overall framework of governance, risk management and control within the County Council. It will be necessary for governance arrangements in the Advance Group to fully embed in order for those responsible for governance to have sufficient confidence in the control environment in operation and this will continue to be an area of Internal Audit's focus as systems become embedded.

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.

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.

The Audit Committee's responsibilities with regards to Governance, Risk and Control are:

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

- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

Conduct

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

The Monitoring Officer has maintained the Councillors' register of interests, established following the elections in May 2017, as required under the Localism Act 2011. 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. As at the end of March 2020, nine member code of conduct complaints had been received under the arrangements adopted by the Council under the 2011 Act. The number of complaints received represented a decrease of over 57% on the number of complaints received in the previous year. In the calendar year of 2020 there were 27 code of conduct complaints and in the calendar year of 2021 up to the end of March 2021 there were 9 code of conduct complaints, marking a significant increase from previous years.

Whistleblowing

People who work for, or with the Council are often the first to realise that there may be something wrong within the 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 alongside them to provide an alternative for employees who may not wish to use the internal options.

Currently, work is ongoing to review and update the Council's whistleblowing policy. This is likely to be completed in 2021/22.

Several extraordinary governance matters occurred in 2020/21 after the date of preparation of the 2019/20 AGS relating to specific staffing, whistleblowing and elected member Code of Conduct issues. These issues have been managed and

continue to be managed under the appropriate Council policies and relevant laws, and a specific Governance Accountability Framework which was established in-year and reported to Audit Committee in September 2020. These extraordinary governance matters have again been added to the Corporate Risk Register with suitable exception reporting made to the County Council's Audit Committee as required.

Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption 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.

3 Improving Governance

The progress made during 2020-21 on the improvement areas identified in our 2019-20 Annual Governance statement is shown below:

1	Local Plan Following the submission of the Local Plan for inspection during 2019/20, a number of actions for the Council resulted from the subsequent Hearing Sessions. These actions will be completed during 2020/21. Further hearing sessions will be necessary for Phase 2 of the Local Plan	Partially Complete - The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The Inspector's role is to determine whether or not the Local Plan is sound and complies with all relevant legal requirements. Following the Examination Hearing Sessions, the Inspector concluded the Plan could be made sound through modifications. Following consultation on the modifications to the Local Plan, the Inspector will issue her final report on the Local Plan, and it is anticipated that the Local Plan will be adopted by the Council later in 2021.
2	Consultation and Stakeholder Engagement Establish an online consultation tool for the Council for use across service areas to support consultation and local decision making, strengthen understanding and shape national and regional policy	Complete – Following procurement of an online engagement tool, Council launched its budget consultation in December 2020. This was open to anyone wishing to participate. The consultation was promoted through a variety of media channels. The results provided a valuable sense of views across a range of stakeholders, including: <ul style="list-style-type: none">• Residents (88.14% of the responses);• Local businesses;• Charities;• Community Groups;• NCC staff who are residents;• NCC Staff who are non-residents;• Councillors;• Public Sector;• Other.

		<p>In total, we were very pleased to receive 371 responses to the consultation. Detailed results were reported to County Council in February 2021 as part of the agreement of the Council's Budget.</p> <p>The engagement tool has been used in a number of other engagements and we plan to use this for future consultations.</p>
3	<p>Adult Social Care Partnership with the NHS</p> <p>Completion of a full review of the partnership arrangement with Northumbria Healthcare NHS Foundation Trust</p>	<p>Partially complete - For almost two decades, most of the Council's operational statutory adult social care functions have been delivered under partnership arrangements by NHS bodies – Northumberland Care Trust from 2002 to 2011 and Northumbria Healthcare NHS Foundation Trust from 2011 to the present. This will now come to an end from September 2021, following a decision by Northumbria Healthcare that it no longer wishes to have delegated responsibility for statutory adult social care functions. Adult social care staff will transfer employment to the County Council from 1 October.</p> <p>The Council's partnership with Northumbria also includes some public health services. A consultation is taking place about a new partnership with a different NHS Trust, under which that Trust will deliver health visiting and school nursing services, aiming to integrate them closely with other "early help" services for children and young people, many of which are coordinated or delivered by the Council. The Trust in question already operates these services on behalf of other local authorities in the North-East. It is recommended that Integrated Wellbeing Services should in future be directly provided by the Council.</p>
4	<p>Member Representation on Outside Bodies</p> <p>A detailed review of appointments to all outside bodies will be undertaken, and consideration given to the development of a protocol for Members that represent the Council on outside bodies</p>	<p>Partially complete – following the County Council elections in May 2021, the Council (Annual Meeting) and other relevant committees have made appointments to all relevant outside bodies. Consideration is being given to a review and the development of a protocol for Members that represent the Council on outside bodies.</p>

5	Overview and Scrutiny External training will be provided for all members on Overview and Scrutiny Committees	Partially complete – following the County Council elections in May 2021, training has been offered to all new councillors. Consideration will be given to bespoke training for Scrutiny Members.
6	Virtual Meetings Options for holding virtual meetings for bodies with no decision-making powers should be explored	Complete – A small number of working group meetings are held virtually where it makes sense to do so. These have been non-decision making and where the public do not have a right to access. The Council's decision-making meetings have returned to in-person meetings following expiry of the legislation allowing these meetings to be held virtually.
7	Planning Service Restructure The Planning service has commenced a Section 188 consultation with the trade unions in regard to a proposed restructure of the service, to support embedding the improvements in the systems of control within the department	Complete – the S188 Consultation and associated restructure have been successfully completed.
8	Planning Decision Investigation A formal Investigation will be carried out into an historic planning decision case, in order to identify any issues of concern regarding probity or quality	Ongoing – this remains subject to a live planning application due to be determined later this year.
9	Formation of Northumberland Enterprise Holdings Ltd (NEHL) Establish a robust legal and governance structure in the establishment of the subsidiaries and holding company	Complete - Following Cabinet approval to the establishment of Northumberland Enterprise Holdings Ltd on 11th February 2020, Northumberland Enterprise Holdings Ltd ("NEHL") was incorporated on 20th September 2020. Following Cabinet approval on 23rd February 2021 the first subsidiary Northumbria Integrated Consultancy Ltd was incorporated. Together, NEHL and NIC comprise the "NEHL Group".

10	<p>Northumberland Fire & Rescue Service</p> <p>To implement the Northumberland Fire & Rescue Improvement Plan, to address the three 'requires improvement' areas (Effectiveness, Efficiency and People) identified in the HMICFRS report.</p>	<p>Partially complete - Following a second round of inspections undertaken by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the service is now developing a Continuous Improvement Plan. This new plan, validated by NCC Internal Audit Team, will capture long-term actions from the first round of inspections alongside new actions identified during the second and more recent inspection.</p>
11	<p>Audit Committee Review</p> <p>Consideration will be given to undertaking a self-assessment evaluation of the effectiveness review on an annual basis, and to provide an annual report to Cabinet.</p>	<p>Ongoing - This will be progressed during 2021/22, in conjunction with the new independent Chair of Audit Committee.</p>
12	<p>Group Audit Committee</p> <p>In order to strengthen the Council's arrangements for audit and oversight of its subsidiaries, consideration will also be given to the County Council Audit Committee taking on a 'Group' audit committee role.</p>	<p>Complete - Proposed changes to the County Council's Constitution and Terms of Reference for the Audit Committee were agreed at the meeting of Council on 4 November 2020. The County Council's Audit Committee now fulfils the 'Group' Audit Committee role.</p>
13	<p>Advance Northumberland</p> <p>Follow-up reviews of fundamental financial systems will be undertaken by Internal Audit during 2020/21 to assess the effectiveness of the new controls put in place by Advance.</p>	<p>Partially complete - In 2020-21, specific governance risks were identified in relation to group entities within the County Council's accounting group boundary, specifically the Advance Northumberland Group. These risks were reported to Cabinet and to Audit Committee and added to the Corporate Risk Register during the 2020/21 year. The issues are being actively managed by the County Council's Executive Management Team in association with the Cabinet.</p>

14	<p>Contracts Management</p> <p>Following assessment of contracts with a cumulative spend over 4 years of £50k, the contract managers will be identified and new governance arrangements and training will be introduced to provide further assurance on arrangements for contract management.</p>	<p>Complete - An overarching contract management framework has been implemented to enable the Council to oversee and manage its major contracts ensuring suppliers are delivering as expected, that performance is high and value for money is achieved. An internal audit review is currently underway to evaluate the implementation of controls to provide an independent evidence-based report for the Executive team on assurance and recommendations for improvement where appropriate.</p>
15	<p>Post COVID-19 Lessons Learned Review</p> <p>At the time of publication of the AGS, COVID- 19 remains a live, national risk, and therefore the Council is responding to a live ongoing issue which remains significant at this time. The Council will conduct a review of its response to the COVID-19 crisis, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.</p>	<p>Partially complete - At the time of publication of the AGS, COVID-19 remains a live, national risk, and therefore the Council continues to respond to this. Regular updates to Members have been provided throughout 2020/21 through reports to Cabinet and updates to Full Council as well as regular all-Member briefings. Lessons have been learned from these throughout and actions taken. The Council will conduct a fuller review of its response to the COVID-19 crisis at the appropriate time, to identify any lessons learned and any areas of improvement required in its contingency planning and governance arrangements.</p>

The table below summarises the areas of improvement identified during the 2020/21 annual governance review and outlines the planned actions to be completed in order to enhance the Council's Governance arrangements

1	Digital programme	Continue to improve the Council's online provision enabling customers to self-serve.
2	Strengthen Business Continuity Plans	Work with Civil Contingencies Team to lead a programme of training and development of Business Continuity Planning
3	Council's Constitution	To further review and update the Council's Constitution and in particular finance and contract procedure rules and schemes of delegation arrangements following the recent changes to the Council's management structure
4	Members Registers of Interests	To effectively maintain established register of interests following May 2021 elections
5	Adult Social Care Partnership with the NHS	Ensure effective programme management for the complex changes required by the ending of the Adult Social Care Partnership with the NHS. This includes staff transfers, migration of IT systems, financial and estates issues, and changes to management and governance arrangements.
6	Disaster Recovery/Business Continuity/ Cyber Resilience testing.	Following several cyber-attacks on local authorities and Northumbria Healthcare Trust, the service proposes to continue to run simulation exercises to test the resilience and continuity plans.
7	Pipeline of Service Reviews	Develop a clear calendar of proposed service reviews based on set prioritisation criteria
8	Housing Review	Review to examine whether Council is meeting its statutory responsibilities as a "local housing authority", strategic priorities and objectives
9	Financial Management	Financial Management review to ensure that arrangements are fit for purpose and support compliance with the updated CIPFA Financial Management Code.

10	Review of operating agreement and financial structure (Advance)	Ensure operating agreement is up to date and that the financial structure of the company reflects the needs of the business and the interests of NCC as shareholder.
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These areas of improvement will be monitored during 2021-22 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Post 2020/21 Events

Since the end of the 2020/21 year covered by the AGS the County Council has continued to monitor and manage risk in accordance with the agreed risk hierarchy.

Conclusion of Internal Audit and Risk Management Shared Service

As referenced earlier under 'Audit and Audit Assurances', the County Council has since 2010/11 operated a Shared Internal Audit and Risk Management service jointly with North Tyneside Council, which has acted as host authority. A decade into the shared arrangement it has been timely to consider whether this service delivery vehicle still meets the needs of each partner authority.

Over the period since 2010/11 there has been significant change within the wider local government sector and the environment within which local government operates has also altered significantly. Shared service models of delivery are now implemented much more seldomly than a decade ago. Accordingly, following discussion between the Chief Executives of the two authorities in 2020/21 and subsequently, it has been jointly decided to bring the shared service to an end. Plans are in place to return Internal Audit and Risk Management to the direct management of each respective authority by 31 March 2022.

The Chief Executives of both Northumberland County Council and North Tyneside Council have recognised the significant contribution which this shared service has delivered over the 10 years since its inception, and the excellent work done by the shared team for each authority. Focus during 2021/22 will be on delivering business as usual and ensuring an orderly transition to the new directly delivered operating model for these services.

4. Assurance

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

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

Good progress has been made against the governance improvement plan identified during the 2019/20 governance review, and where actions have not yet been fully completed, they will continue to be progressed. These are not considered to have materially affected the adequacy of the governance arrangements in place during the last year.

Whilst a number of opportunities to further enhance the Council's governance arrangements were identified during the 2020/21 governance review process, no significant assurance issues were found. Where areas of improvement were identified, actions have been agreed in each service area that will address these issues and further enhance the Council's overall governance arrangements.

As a result of reviewing the evidence the Executive has taken the view that, as a whole, the governance arrangements in operation during 2020/21 within the Council were adequate. The Chief Internal Auditor's Annual Report provides further assurance.

Signed
Chief Executive

Dated:

Signed
Leader

Dated:

Contact information

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