

APPENDIX A

Annual Governance Statement

For year ended 31 March 2022

Foreword

The past two years have been profoundly challenging for communities across Northumberland, largely due to the social, health and economic pressures resulting from the Covid Pandemic. The Council, working with partners, responded well to Covid, ensuring a successful Public Health response as well as supporting residents and businesses to deal with the restrictions and economic pressures. As we continue to recover from Covid and are faced with new challenges the Council will continue to deliver the high-quality services our residents need, supporting and protecting the people who need help and, doing all we can to help communities and businesses to thrive.

Our Corporate Plan sets out the Council's priorities for delivering for all our communities in the coming years, building on what we have achieved so far.

All of our services and functions as well as our partnership working will be harnessed to deliver on the Corporate Plan priorities. Our Budget and Medium-Term Financial Plan sets out how our spending plans will contribute to achieving our priorities.

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.

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

Following this, during June and July 2022, the Council moved swiftly to respond to the recommendations in the 'Caller Review' report. A cross-party Member Task & Finish Group was established to develop an action plan that will implement the Caller Report recommendations in full. This action plan was reported to and agreed by Council in July 2022. Delivery of the action plan commenced from July 2022 with detailed work packages for each action (outlining milestones and resources for delivery) have been developed. The following oversight and support arrangements continue to shape, advise and oversee the delivery of the action plan:

- An external Challenge Board has been established. This is made up of external experienced, senior local government officers, Local Government Association and Members (retired and current). The Challenge Board acts as a 'critical friend' for the Council as it delivers on its improvement plan, providing external support and assurance.
- A Members' Oversight Group (formerly the 'Task & Finish Group' that developed the action plan) provides cross-party oversight of the work needed to ensure the Governance Review recommendations are met and provide updates to Full Council.
- A Programme Group has been established and is responsible, on behalf of the interim Chief Executive Officer and Executive Team, for delivering the activities needed to meet the recommendations of the Governance Review. This group reports to the Members' Oversight Group as well as supporting the work of the external Challenge Board.
- Full Council receives regular update reports to its scheduled meetings.

Prior to the 'Caller Review', we had highlighted opportunities for improvement, identified through our monitoring and review arrangements. We will continue to ensure the necessary actions are taken to address these. In some instances, this improvement work has been re-profiled and integrated to the work of the Caller Action Plan (set out above) to ensure the Caller Review recommendations are delivered in a joined-up way.

Alongside the Independent Review of Governance ('Caller' Report), on 23 May 2022 the Interim Executive Director of Finance and Section 151 Officer issued a Section 114 Notice in relation to the following matters as she believed that unlawful expenditure had been incurred by the Council:

- The expenditure incurred by the Council's International business established in 2017. The International business had been trading commercially as part of the Council and without appropriate approvals, or via a Council company; and,
- The payment of an annual International Allowance of £40,000 (plus oncosts) to the Council's Chief Executive and Head of Paid Service which had been paid since 2017. This allowance in the opinion of the Interim Executive Director of Finance and Section 151 Officer had never been properly authorised and was contrary to the Council's pay policy statement.

These matters are referenced in the post 2021/22 events section of this Appendix.

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 2022, 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 2022-23 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;
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance, and,
- Taken account of a number of significant post 2021/2022 events. These are set out in the relevant sections in this document as well as at the end of the document in the section entitled 'Post 2021/22 Events'

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

- Service level review of Governance arrangements;
- Review of the Corporate risk Register;
- Review of the Constitution;
- Review of the opinion of the Head of Internal Audit;
- Review of external Audit Annual ISA 260 Report;
- Review of reports from External Inspectorates;
- Review of the 2020-21 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 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 (2021-24) was refreshed and was adopted in February 2022 and covers the period up to 2024 alongside the Budget and Medium-Term Financial Plan. The current Plan identifies the following priority areas:

- **Thriving** - We will vigorously secure more and new investment and good quality jobs into the County;
- **Living** - We will care for our residents, support the most vulnerable in our society and help people to live healthy lives;
- **Learning** - We will ensure the best education standards for our children and young people;
- **Enjoying** - We will maintain, protect and enhance the environment, prioritising our commitments on Climate Change;
- **Connecting** - We will deliver high-quality services in all our communities and secure investment in housing and transport across the County;
- **How** - In everything we do, we will listen to and communicate with residents, businesses and partners and, ensure value for money in our services. We will pull our weight regionally and nationally, working with our partners to secure maximum benefit for residents and businesses.

In June 2022, the 'Caller Report' made specific recommendations on how the Council's Corporate Plan could be strengthened alongside improvements to service planning, performance management as well use of data and intelligence. This is dealt with in the Post 2021/22 Events section of this Statement. Following this, the Council is currently reviewing and re-writing its Corporate Plan which will embed three key priorities:

- Tackling inequalities;
- Ensuring growth and jobs; and,
- Delivering value for money services.

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 and targeted performance levels.

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

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The Inspector's role was to determine whether or not the Local Plan 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 issued her final report on the Local Plan, and the Local Plan was adopted by the Council on 31st March 2022.

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.

Finance officers meet regularly with budget holders across the Council and prepare a monthly financial monitoring statement. Cabinet receives quarterly finance and performance updates. There are also quarterly reports to Cabinet on financial performance of Council-owned companies.

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.

His Majesty's Inspectorate of Constabulary and Fire and Rescue Service (HMICFRS) conducted an assessment of Northumberland Fire and Rescue Service during 2021/22. As a benchmark had been determined during inspections undertaken in 2018/19, the same methodology was applied. The Service was assessed against the following three pillars:

Effectiveness - including prevention, protection, resilience, and response;

Efficiency - How well it provides value for money, allocates resources to match risk, and collaborates with the Police and Ambulance services; and

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.

Despite Northumberland Fire and Rescue Service being judged as 'requires improvement' across all three pillars, inspectors saw significant progress. HMI of Fire and Rescue Services stated 'The Service has made significant improvements since our last inspection in 2019. It has made progress against most of the areas for improvement we found two years ago.'

The Service received 25 areas for improvement and the Service has appointed a Continuous Improvement and Inspection Manager, who oversees a Continuous Improvement Plan. Using the plan, senior officers monitor progress against all areas for improvement monthly, as part of the Service's Performance and Assurance Framework. The Continuous Improvement Plan has been approved by Northumberland County Council Internal Audit Team.

In addition, the Service received a Cause of Concern regarding the management of dual contracts. These are for firefighters who have both a wholetime and on-call contract. The Service was asked to address the Cause of Concern and was revisited in March 2022 by inspectors. The re-visit team found that 'The robust plans that the service now has in place in response to this cause of concern reflect its determination and commitment to make the improvements that are needed'. They found the cause of concern complete.

HMICFRS are expected to deliver their third full inspection on Northumberland Fire and Rescue Service during the summer of 2023.

The Independent Review of Governance ('Caller Review') which reported to an extraordinary meeting of Full Council in June 2022, set out recommendations on how the Council must review and strengthen its processes for managing data & information as well as performance reporting. These are dealt with in the Post 2021/22 Events section of this Statement.

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 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.

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

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

As well as these risk arrangements, there also exists cross-cutting arrangements to address specific areas of risk on a time-limited basis (e.g. the COVID-19 response) or through corporate 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 identified and being management at a corporate level are highlighted below:

Corporate Level Risks 2021-22

1. Financial Assumptions
2. Engagement of Communities
3. Economic Inclusion
4. Organisational Development/Workforce
5. Civil Contingency and Business Continuity
6. Corporate Compliance
7. Information Governance
8. Multiple and Concurrent High-profile Large-scale Capital Projects
9. Contract Management
10. Response to Climate Change
11. Northumberland Enterprise Holdings Limited
12. Regeneration
13. Covid-19 Outbreak Prevention and Control Plan
14. Covid-19 Recovery
15. Exceptional Governance Matters

16. Advance Northumberland

Covid-19

The Covid pandemic had profound impacts on individuals, families, communities and businesses in every part of Northumberland. At the time of writing, 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. 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.

Throughout the pandemic, our governance arrangements 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 maintained their normal levels of service, albeit with changes to delivery.

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.

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	<p>Approves the Council Strategy.</p> <p>Approves the Constitution (including Standing Orders and Financial Regulations).</p> <p>Approves key policies and budgetary framework.</p>
Cabinet	<p>The main decision-making body of the Council.</p> <p>Comprises eight Cabinet Members (including the Leader) and three deputy Cabinet Members who have responsibility for their respective portfolios.</p>
Audit Committee	<p>Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</p> <p>Promotes high standards of member conduct.</p> <p>Approves the Annual Statement of Accounts and Annual Governance Statement.</p>
Scrutiny Committees	<p>There are four overview and scrutiny committees which support the work of the Cabinet and the Council as a whole.</p> <p>These allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern.</p> <p>They hold Cabinet and Officers to account and scrutinise performance.</p>
Executive Team	<p>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.</p> <p>Oversees the implementation of Council Policy.</p>
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</p>

	<p>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>

In June 2022, the report of the Independent Governance Review (The 'Caller Report') recommended that the Council "*review and redraft the Constitution to ensure that decisions that should be taken at Member level, by Cabinet, Committee, Individual Member or Full Council are clearly identified and that the recording and scrutiny of officer decisions, both individually and in aggregate, is unambiguous*". This review and redraft of the Constitution is underway as part of the Council's Improvement Plan. This is dealt with in the Post 2021/22 Events section of this Statement.

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.

Pay Policy

The Interim Monitoring Officer brought to the Council's attention in January 2022 that the existing Pay Policy Statement 2021 was at variance with the Terms of Reference of the Staffing and Appointments Committee and the Employment (Appeals) Committee in relation to the exercise of certain employment functions and, also was not compliant with the Local Government Standing Order Regulations 2001.

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.

For the 2021-22 financial year, the Council set a balanced budget and after accounting for transfers to earmarked reserves and provisions has delivered an outturn overspend of £97,000, in the context of overall net expenditure of £401.18m.

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. A number of service reviews have already taken place on high priority areas identified by members and executives. During 2022 the

Council made the decision to embark on a Strategic Change Programme and service reviews going forward will be aligned to focus and support this work over the next three years. The first phase of the Strategic Change Programme was an assessment resulting in a draft strategic business case outlining seven proposed workstreams for the Council to prioritise which will deliver the biggest impact over the next three years.

The Procurement function 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.

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 was 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 2022, 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 2020/21 shows the following levels of risk across the nine primary indicators set out below:

- Reserves Sustainability Measure (Medium risk)
- Level of Reserves (Lower risk)
- Change in Reserves (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 (Medium to 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 2021/22. These were all registered within the Council as personal data breaches and comprehensively investigated. Security measures were reviewed and enhanced to protect information and assets across the Council's IT infrastructure to minimise risks.

The Independent Review of Governance ('Caller Review') which reported to an extraordinary meeting of Full Council in June 2022, set out recommendations on how the Council must review and strengthen its processes for managing data & information as well as performance reporting. These are dealt with in the Post 2022/22 Events section of this Statement.

Audit and Audit Assurances

The County Council had 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 was timely to consider whether this service delivery vehicle still met the needs of each partner authority.

Over the period since 2010/11 there was significant change within the wider local government sector and the environment within which local government operates has also altered. 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 was jointly decided to bring the shared service to an end. This ended formally on 31 March 2022. Plans were put in place to return Internal Audit and Risk Management to the direct management of each respective authority.

The Council's Internal Audit and Risk Management Service operates in accordance with the Accounts and Audit Regulations 2015, the Public Sector Internal Audit Standards (revised April 2017) and the related Local Government Application Note published jointly by the Chartered Institute of Public Finance and Accountancy and Institute of Internal Auditors (revised February 2019).

Following consultation with stakeholders and assessment of risk, a Strategic Audit Plan is presented annually to the Audit Committee to consider and review the planned work and coverage proposed by the Chief Internal Auditor, who is autonomous in determining how Internal Audit resources will be deployed and who is bound by legislation and professional standards in delivering an effective Internal Audit. There are reports to the Audit Committee on the key outcomes of Internal Audits completed on a bi-annual basis with a summary of audits undertaken, opinion levels, good practice identified, issues identified and actions taken since the audit was completed.

Internal Audit also 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 overall opinion on the organisation's internal systems of governance, risk management and control was reported to Audit Committee in May 2022 (before the publication of the 'Caller Report') and contains the following statement:

"Internal Audit's work performed during 2021/22 found that the County Council's internal systems of control and risk management are satisfactory overall. This judgement is informed by the outcomes of Internal Audit work during 2021/22 and recognises the 'significant assurance' or 'full assurance' audit opinions issued in relation to the County Council's key financial systems during the year. No 'critical priority' recommendations were made by Internal Audit during the year, and no 'no assurance' audit opinions have been issued or are pending.

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 2021/22 require strengthening. These matters should continue to be a specific focus of the County Council's attention in improving governance and control. The Chief Internal Auditor is also aware that the County Council has commissioned an independent external governance review, which has not yet been concluded."

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. For the period 1st April 2021 to 31st March 2022 the Council received 32 complaints under the member's code of conduct, which maintains the relatively high volume of complaints in comparison to previous years prior to 2020.

Within this year work has been ongoing with regards to updating the Council's Code of Conduct for Elected Members and in particular, whether it should be aligned with the new LGA model code of conduct. The 'Caller' Report highlighted an "...excessive use of allegations of bullying, code of conduct breaches and misuse of SARs and FOIs by Members to other Members and also by officers." The Report also noted some thirty conduct complaints, with only two from the public with the majority between officers and Members and also Member to Member. The Report stated this is not the prime purpose of the standards process, originally designed for the public to use.

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.

The Independent Review of Governance ('Caller Review') which reported to an extraordinary meeting of Full Council in June 2022, contained significant findings and recommendations in relation to Code of Conduct issues. These are dealt with in the Post 2021/22 Events section of this Statement.

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 proactive 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 2021-22 on the improvement areas identified in our 2020-21 Annual Governance statement is shown below:

1	Digital programme Continue to improve the Council's online provision enabling customers to self-serve.	Partially complete - We have implemented Amazon Connect to modernise our contact centres, and we're currently implementing PlaceCube, which will provide more streamlined digital services for our residents allowing our residents to interact with more of our services digitally. We have also secured funding via the Strategic Change Programme to procure and implement FixMyStreet, which will allow our residents to report and view public realm issues in a much more dynamic way; residents will be kept informed of issues reported, reducing the volume of chase-up calls we receive.
2	Strengthen Business Continuity Plans Work with Civil Contingencies Team to lead a programme of training and development of Business Continuity Planning	Complete – The Civil Contingencies Team led a programme of training and development on Business Continuity Planning across the Council. Following this, the work was evaluated by Internal Audit and recommendations were made to strengthen this further.
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	Partially complete – Commencement of this work was delayed due to a number of extraordinary matters and challenges that were being managed by Legal Services colleagues. This work has now commenced as part of the 'Caller' Report recommendations July 2022.
4	Members Registers of Interests To effectively maintain established register of interests following May 2021 elections	Complete: 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.

5	<p>Adult Social Care Partnership with the NHS</p> <p>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.</p>	<p>Complete - The transfer was completed successfully and the staff who were agreed should TUPE to the Council moved over on 1st October 2021. The programme was effectively managed between the service, corporate HR and corporate finance with further assistance on some specific technical issues (e.g. Legal and Property). There were some residual issues in relation to setting up new governance arrangements and structures within Adult Services that carried on after 1st November but they were in place by 31st March 2022.</p>
6	<p>Disaster Recovery/Business Continuity/ Cyber Resilience testing.</p> <p>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.</p>	<p>Partially complete - We have implemented offsite (Cloud-based) backup systems to reduce the risk of contamination from any ransomware attack and allowing the organisation to recover critical systems and data responsively. We have run small-scale simulations in the IT department, and are planning on working with Business Continuity and Resilience team to run an organisation-wide simulation in Q1, to further test business continuity and cyber resilience.</p>
7	<p>Pipeline of Service Reviews</p> <p>Develop a clear calendar of proposed service reviews based on set prioritisation criteria</p>	<p>Partially complete - A number of service reviews have taken place on high priority areas identified by members and executives. During 2022 the Council made the decision to embark on a Strategic Change Programme and service reviews going forward will be aligned to focus and support this work over the next three years. The first phase of the Strategic Change Programme was an assessment resulting in a draft strategic business case outlining seven proposed workstreams for the Council to prioritise which will deliver the biggest impact over the next three years. The draft SBC will be considered by Cabinet for approval in January 2023.</p>
8	<p>Housing Review</p> <p>Review to examine whether Council is meeting its statutory responsibilities as a "local housing authority", strategic priorities and objectives</p>	<p>Complete – the Review has been concluded and in agreement with the project sponsor, we have now agreed that the discrete housing actions set out within the action plan have also been completed. There are a number of outstanding issues, which it has been agreed form part of other programmes, such as strategic change.</p>

9	Financial Management Financial Management review to ensure that arrangements are fit for purpose and support compliance with the updated CIPFA Financial Management Code.	Complete – assessment against the CIPFA FM Code completed and an action plan has been developed.
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.	<p>Partially complete - The current Operating Agreement was signed on 6th March 2020.</p> <p>In February 2021, a new set of Articles of Association were drafted by a lawyer seconded to NCC, approved by Cabinet on 23rd February 2021 and adopted by the Company on 23rd April 2021. These "2021 Articles" meant that the Operating Agreement was out of step with the current Articles.</p> <p>Work on the review of the Operating Agreement was commenced in August 2021 but there was a clear need to have agreement on the purpose of Advance Northumberland, so that the company governance and structure could reflect such purpose accordingly.</p> <p>A Review of Advance Northumberland's business was commenced in late 2021.</p> <p>At that time, an updated set of Articles and Financial Delegations were drafted to better reflect the working arrangements between Shareholder and Company, since the Operating Agreement had essentially become out of date and did not reflect the reality of interactions between the Company and Shareholder. These were drafted in November 2021 and approved by both Cabinet and the Company in July 2022 (the "2022 Articles").</p> <p>The initial proposals from the Review were presented to the Company Board and Cabinet in November 2022, and both have agreed the "direction of travel" for the Company as proposed by the Review.</p>

		<p>Work is planned for early 2023 to finalise the recommended operational purpose of Advance Northumberland, at the same time as a review of the financial structure is carried out by specialist advisors. These advisors have now been commissioned to undertake a review of Advance Northumberland financial and funding model.</p> <p>Once the purpose and structure are agreed, new Articles and a new Operating Agreement will be drafted and agreed by Cabinet and the Company Board to reflect the future governance and operational - including financial - needs of the two parties.</p>
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The table below summarises key areas of improvement identified during the 2021/22 annual governance review and outlines the planned actions to be completed to enhance the Council's Governance arrangements

1	Independent Review of Governance ('Caller')	To consider the recommendations of the Report of the Independent Review of Governance and develop and deliver an improvement plan based on these. For list of 'Caller' Recommendations see post-2021/22 events section of this Appendix.
2	Development of "place" function within the ICS	Work with Northumberland CCG and the emerging regional Integrated Care System leadership to ensure that the benefits of current formal and informal partnerships between the Council and the CCG are carried forward into new "place" arrangements for the planning and commissioning of health and social care services in Northumberland.

3	External Audit Internal Control recommendations from 2020-21 audit of accounts	Implement recommendations once the External Audit has been completed and reported.
4	Cyber threat	Review of the critical systems in finance, what back up provisions we have in place, what is the process to recover, how long would recovery take, what contingency processes are needed to develop Business Continuity Plan.
5	Deliver service improvements as outlined in the Fire & Rescue Service Continuous Improvement Plan (CIP)	The service has a comprehensive Continuous Improvement Plan (CIP) detailing a suite of actions against HMICFRS Areas for Improvement, CRMP priorities, and Priority programmes and projects. The Strategic Performance Board will monitor progress as part of the Service's Performance and Assurance Framework.
6	Reporting progress on Capital Schemes	Improve systems for reporting progress and updating Members on Local Transport Plan and Members Local Improvement Scheme capital projects.
7	Review and update Finance and Contract Procedure Rules to ensure up to date and fit for purpose.	Engage with Finance Directorate and Monitoring Officer so that proposed revisions are aligned with planned review of Scheme of Delegation.
8	Update Pay Policy Statement	Review the Council's pay policy statement to ensure that it is up to date and complies with the requirements of s38 of the Localism Act 2011 and report any required changes to the County Council.

These areas of improvement will be monitored during 2022-23 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Post 2021/22 Events

Since the end of the 2021/22 year covered by the AGS the County Council has continued to monitor and manage risk in accordance with the agreed risk hierarchy.

Issue of Section 114 Notice

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

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

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

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

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

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

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

- 6.1.1. Agree that Audit Committee be requested to commission a full, independent investigation into the circumstances that gave rise to the unlawful trading activities.
- 6.1.2. Note that the Chief Finance Officer will revise finance and contract procedure rules to strengthen control and oversight of commercial trading activities and issue updated guidance on the requirements relating to trading accounts for such activities.
- 6.1.3. Note that the Chief Finance Officer in consultation with the Monitoring Officer will undertake a review of the Council's commercial activities to ensure that they are taking place on a lawful basis and issue further formal guidance as appropriate.
- 6.1.4. Note that the Chief Finance Officer will commission further advice and consult the external auditor with regard to any disclosures and/or adjustments that may be required to the Council's statement of accounts for 2020/21 and prior years, in respect of income and expenditure relating to international consultancy contracts between 2018 and 2021, or as between the Council and the NHCT.
- 6.1.5. Note that the Chief Finance Officer will consider whether, and if so what, disclosures should be made to HMRC in relation to corporation tax or other liabilities.

6.2. With regard to the payment of the international allowance to the Chief Executive (and previously to the Deputy Chief Executive) from 2017, Council is invited to agree the contents of this report and:

- 6.2.1. Note that payment of the international allowance has been stopped from the date of this report as a result of the prohibition period provisions in the Local Government Finance Act.
- 6.2.2. Agree that payment of the International Allowance will remain suspended pending consideration of further legal advice with regard to potential recovery of unlawful payments and any related issues by the Staff and Appointments Committee and any recommendations arising being reported to County Council for consideration.
- 6.2.3. Note that legal and (if necessary) actuarial advice will be taken regarding any potential adjustment of pension contributions made to the Local Government Pension Scheme in relation to the International Allowance.
- 6.2.4. Note that the Chief Finance Officer will undertake further investigation to establish whether any other unlawful payments have been made to any officers or former officers, including severance payments, which may require further reports under S114 of the Local Government Finance Act 1988.
- 6.2.5. Instruct the Director of HR in consultation with the Chief Finance Officer and Monitoring Officer to review the Council's pay policy statement to ensure that it is up to date and complies with the requirements of s38 of the Localism Act 2011 and report any required changes to the County Council.
- The Executive Director of Transformation and Resources reported the outcome of the further investigation referenced at recommendation 6.2.4 to Audit Committee on 26 July 2023 and advised the Committee that based on the legal advice available to her at the time, she was of the view that six of the eight exit payments to former officers identified were unlawful on the basis that the approvals required in the Council's Constitution were not observed and that the payments failed to take account of prevailing policy frameworks, statute and/or statutory guidance. Having consulted informally with both the Head of Paid Service and the current and former Monitoring Officers and external legal advisers, she advised the Committee that she was satisfied that all the relevant facts had been put in the public domain and that the measures put in place following the issue of her S114 report had minimised the risk of any repeat occurrence. Therefore, on balance, she was not persuaded that there was a compelling public interest in making a statutory report concerning these matters, and it was not her intention to do so at that time. In the interests of full transparency, however, it was her intention to bring a full report on these matters to Staff and Appointments Committee at the earliest opportunity. Counsel's opinion was subsequently commissioned to inform that report and further consideration of whether the statutory reporting duty of the Council's S151 Officer and/or Monitoring Officer had been engaged.
- Following this, in March 2024, the Director of Law and Governance and Monitoring Officer brought a report to County Council under his duties contained in Section 5 of the Local Government & Housing Act 1989.

- The purpose of the report was to assure Council that all appropriate steps had been taken such that future decisions would be in full compliance with the law and guidance. The Director reminded members that he had written to them all prior to the Council meeting. The report was to draw a line under the shortfalls in process highlighted in various reports to the Audit Committee about exit payments to some staff. The report detailed that once these were discovered, steps had been taken immediately to regularise the situation and put in place an amended procedure to ensure there could be no repeat. He stressed that democratic oversight of the process had been restored and in fact enhanced.
- At that meeting, County Council 'resolved' that the report of the Director of Law and Corporate Governance reporting as the Monitoring Officer under Section 5 of the Local Government & Housing Act 1989 be noted and adopted.

Independent Review of Governance (Caller Review)

In the summer of 2021, the Council Leader requested that the Council commission a Best Value-style corporate governance review of the Council. This review commenced in February 2022 and reported to a meeting of the Full Council on 8th June 2022.

Key findings from the Independent Governance Review [Report](#) (known as the Caller Report) included:

- NCC needs to undergo a fundamental reset of its philosophy, processes, and relationships, starting with a clear understanding of what the council is about, the respective roles of members and officers, how decisions are formulated, taken, recorded, and challenged in a robust and appropriate way.
- NCC has delivered real wins for the area in the recent past and has a lot to be proud of, but some of this has been achieved through conflict rather than co-operation. It has many great hard-working staff committed to the area who need support but are constrained by the tensions at the top of the organisation.
- Any dismissal or exit involving the three statutory officer roles should be reported to full council. In most Local Authorities, it is usual for the CEx to at least consult with the Leader and then cabinet and sometimes even more widely if a Monitoring Officer or a S151 officer (Finance Director) is due to leave the council, particularly if exit arrangements involve payments and contractual conditions. Furthermore, any remuneration over £100K should be transparent and reported to full council. These regular Local Government procedures and practices have not been universally followed at NCC.

- The 'turn over' of statutory officers, particularly, MO's and the S151 officers at NCC, can be viewed as indicative of a culture where constructive advice and challenge has not been welcomed by senior officers of the council.
- Many staff who had left, described in harrowing terms how they had been treated extremely poorly by senior officers at NCC.
- The operation of the council is described by many Members and officers as being dysfunctional. One Member described how the council and senior officers spend too much time 'fighting with each other,' rather than doing business for residents.
- There is little substantive trust in the most senior officer levels of the council and there exists a climate of fear and intimidation as reflected in many of the interviews conducted by the review team.
- Middle leaders and senior councillors describe senior executive officers as being dismissive of Member views and that this has developed into contempt for the current cabinet. Many senior executive officers have had a career background in the NHS and had relatively little experience of working within a political environment. This has resulted in misunderstanding the concept of Member primacy, or of a 'Member led' organisation. This approach, at times dismissive to cabinet Members, whether deliberate or due to lack of experience, has led to the current situation.
- There are many hard-working staff in Northumberland CC providing good services for residents, but they look to the dysfunctionality in the senior levels of the council with despair and embarrassment.
- What is required now is a fundamental reset to establish an appropriate operating model and clear working rules for both Members and officers. This cannot be commenced until there is some seasoned local government professional input to help NCC scope and start this process. Bringing this episode to a speedy conclusion is essential.
- Before the review had reported, the Interim Executive Director of Resources issued a s114 report determining that the council has committed unlawful expenditure in relation to the international business. This relates to undertaking trading activity outside of a company structure and the payment of an allowance in addition to salary to the CEx.
- The processes to ensure effective senior Member and senior officer communication, planning and agreement have broken down in part, for example on corporate issues. Service Executives do maintain regular engagement with lead Members responsible for their service area, and this has strengthened recently.
- In relation to the oversight of Council-owned companies, many Members acknowledged that they did not fully understand the different roles required, and some of those who do hold directly relevant roles also conceded that they did not fully understand their role. There is an absence of appropriate training and support for councillors in this regard.

- The Constitution requires a comprehensive review. It needs to start from establishing the principles of what is properly delegated, whether it be from Cabinet to individual Members, from Council to officers and how each and every decision can be documented and reported, individually or collectively, for scrutiny or as part of performance measurement and improvement.
- It is common ground between the Chief Executive herself and Leaders of the political parties that this improvement journey is not something she can lead on.

The Caller Report made the following recommendations:

- Northumberland County Council needs to establish what it means to be a Best Value Unitary Local Authority in its geographic area delivering appropriate services and community leadership to every resident and entity in its area. To do this, it needs new seasoned local government professional leadership at the top of the organisation now to help it do this.

Once this has been done, it needs to:

- Redraft its Corporate Plan in terms of the Administration's Goals and Objectives, moderated by the capacity of the organisation and the legislative framework.
- Ensure the values by which it seeks to operate are lived within the organisation.
- Use the data it holds, collects, or needs to collect to define priorities and monitor and improve performance in a systematic way and publish the outcomes.
- Review and redraft the Constitution to ensure that decisions that should be taken at Member level, by Cabinet, Committee, Individual Member or Full Council are clearly identified and that the recording and scrutiny of officer decisions, both individually and in aggregate, is unambiguous.
- Review and redraft the codes of conduct which regulate Member and officer behaviours and working relationships with each other, to make it clear what the expectations of each party should be and how robust challenge can be handled, to ensure proper accountability can be achieved. This needs to recognise the legitimate rights of Councillors for information to enable them to do their role and for Councillors to recognise that policy is the preserve of the Council unless delegated and saying no is a legitimate outcome.
- Establish a rationale for the establishment or continuation of any company established under the provisions of the Localism Act 2011.

- Establish a specific governance framework by which, for those companies wholly or partly owned by NCC, their Directors are appointed, report on performance are presented to a Cabinet Sub-Committee, conflicts of interest are dealt with and risk and how shareholder agreements are ratified, by both the company and NCC.
- Establish an officer structure which is designed to deliver against earlier recommendations and seek to appoint permanent employees to fulfil those objectives.
- Establish a scheme of performance appraisal, starting with the Chief Executive at Member level, in line with the JNC provisions, which cascades throughout the organisation so that every employee is clear about their targets and how they fit into plan delivery. As the Chief Executive is accountable to the Council as a whole for their performance, publish the targets and how they have been achieved as an annual statement to Council.
- With the help of the Local Government Association, establish a challenge board with appropriate experience at both top officer and elected Member level in unitary authorities to work with NCC, on a cross-party basis, as it addresses these recommendations.

The Governance Review report, setting out eleven recommendations, was welcomed by the Leader of the Council at the Council meeting on 8 June 2022. Following publication of the report, the Council moved quickly to establish a cross-party Task and Finish Group which has agreed a plan of action to implement each of the Caller Report Recommendations. This was agreed by full Council at its meeting of 21 June 2022. Delivery of the action plan will take place from July 2022 onwards and detailed work packages for each action (outlining milestones and resources for delivery) have been developed. The following governance arrangements will shape, advise on and oversee the delivery of the action plan:

- An external Challenge Board has been established. This is made up of external experienced, senior local government officers, Local Government Association expertise and Members (retired and current). The Challenge Board will act as a 'critical friend' for the Council as it delivers on its improvement plan, providing external support and assurance.
- A Members' Oversight Group (formerly the 'Task & Finish Group' that developed the action plan) will provide cross-party oversight of the work needed to ensure the Governance Review recommendations are met and provide updates to Full Council meetings.
- A Programme Group has been established and will be responsible, on behalf of the interim CEO and Executive team, for delivering the activities needed to meet the recommendations of the Governance Review. This group will report to the Members' Oversight Group and the external Challenge Board.

- Finally, Full Council will receive regular update reports to its scheduled meetings.

Resolution of employment issues with the Chief Executive

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

Code of Conduct and Whistleblowing

Since April 2022, the Code of Conduct has now been revised and adopted by Council along with the Members form to disclose Disclosable Pecuniary Interests and other interests. Revised internal processes have also been introduced which has helped process efficiently the relatively high number of complaints.

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

4. Assurance

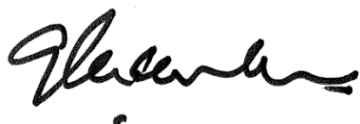
Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and, that significant risks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

Progress had been made against the governance improvement plan identified during the 2020/21 governance review, and where actions have not yet been fully completed, they will continue to be progressed. In addition, a number of opportunities to strengthen the Council's governance arrangements were identified during the 2021/22 governance review process. Where areas of improvement were identified, actions were agreed in each service area to address these issues.

However, as highlighted in this document, two significant post-2021/22 events confirmed weaknesses in the Council's governance arrangements. Specifically, these events were: the S114 Notice issued by the Interim Director of Finance and S151 Officer in May 2022; and the findings of the Independent Review of Governance ('Caller Review') which was undertaken in early 2022 and reported to Full Council in June 2022. Considering these post-2021/22 events, it is clear the Council must take swift actions to address the weaknesses identified and to ensure adequate governance arrangements moving forward. The Council has commenced delivery of the actions identified in the recommendations of both the S114 Notice and Caller Report with a clear aim to complete delivery of these by May 2023.

Signed* 
Chief Executive

Dated:28/08/2024.....



Signed*
Leader

28/08/2024
Dated:

*It should be noted that these statements relate mainly to periods before the current signatories were in office. They are signed off on the basis of appropriate professional assurances that they reflect the correct historical position as at the date of the statements. We are satisfied that since the date of those statements all the necessary steps have been taken to address those historical shortcomings identified and governance has been enhanced to ensure no recurrence. The arrangements and steps taken and implemented to effect those improvements will be detailed in subsequent reviews of effectiveness as part of our next annual review.