

Annual Governance Statement

2023-24

Final



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Leader's introduction



I am pleased to introduce our Annual Governance Statement for 2023/24. This is indeed a good time to set out our approach to Governance because in recent years, the organisation has faced up to some challenges and we have responded positively to those issues and we are in a much better, dare I say happier place.

With our new Corporate Plan, agreed by Full Council in May 2023, we are clearer than we have ever been on our vision and priorities. Our services are focused on delivering our priorities for and with residents, businesses and partners and our refreshed approach to performance reporting reflects this.

In the past year, we have embedded a new, permanent Senior Officer Team, including Chief Executive and Executive Directors. We have also completed the restructure and appointment of the senior managers at tiers 3-4. This gives us the Officer leadership capacity and stability to drive forward with delivering our vision and priorities.

We have significantly strengthened how governance issues are managed and led in the organisation. This has fostered a culture of positive and productive working relationships between Members and

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Officers. We can 'feel' the culture of working Member to Member and Member to Officer has improved. Our re-written Constitution brings greater clarity and regularisation to our decision-making and Council proceedings. We are confident we now have a Constitution which is fit-for-purpose and can underpin delivery of our vision and priorities.

We continue to strengthen our Scrutiny arrangements and I'm pleased with the first full year of 'Policy Conferences' which has fostered wider Member involvement in Council policy-development. The establishment of our 'BEST ways for working' will further strengthen and refine the Council's continuous improvement.

Whilst strengthening organisational leadership and governance, we have also 'looked out'. We have established a countywide partnership committed to developing a shared 'County Mission' focused on reducing inequalities.

The financial outlook for our Council and indeed all local authorities continues to be very challenging. National finances are uncertain due to global events which have resulted in spikes in energy costs, significant inflation, higher interest rates, volatile financial markets and cost of-living pressures. Despite the challenging context, we have outlined proposals which will deliver a balanced budget for 2024-25.

These proposals will sustain good-quality, day-to-day services whilst continuing to invest in new or refurbished schools, leisure centres, regeneration and infrastructure. We have secured record levels of investment from Government for infrastructure and growth, and we are getting on with delivery.

Having this framework of effective corporate governance is essential in ensuring the Council can continue to improve, whilst delivering good-quality services to residents.

Leader's Introduction

I wish to thank all staff and Members for their continued, excellent contribution to this work and I hope you find this year's Annual Governance Statement useful and informative.

Councillor Glen Sanderson

Leader of Northumberland County Council

What is this
document?

What is the Annual Governance Statement?

The Annual Governance Statement (AGS) describes the extent to which the Council has, for the year ended 31 March 2024, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It describes how the effectiveness of the Council's governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2024-25 period.

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

This document outlines four key things:

1. Our approach to preparing the AGS;
2. A summary of significant governance events during the 2023/24 financial year;
3. The key aspects of our Governance Framework; and,
4. A progress update on our AGS action plan for 2023/24 and proposed strategic governance actions for 2024/245.

What is Corporate Governance?

Good Governance in the public sector means: 'achieving intended outcomes while acting in the public interest at all times'.

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

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

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

Why is Governance Important?

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

Our approach to the Annual Governance Statement

How this Statement is prepared

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

- Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Governments framework – 2016 Edition' good practice guidance;
- Ensured the Council's Local Code of Corporate Governance reflects this guidance which includes the seven principles of good governance and the actions and behaviours taken by the Council that demonstrate good governance;
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance, and,
- Considered whether there are any 'post-2023/2024 events'.

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

- Service level review of Governance arrangements;
- Review of the Corporate risk Register;
- Review of the Constitution;
- Review of the opinion of the Head of Internal Audit;
- Review of external Audit Annual ISA 260 Report;
- Review of reports from External Inspectorates;

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

The Council's Governance responsibilities

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

To meet these responsibilities, the Council acknowledges its duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements. This also applies to the Council's wholly owned subsidiary, Advance Northumberland, an arm's length company which is the Council's primary regeneration delivery vehicle.

The Council's Local Code of Corporate Governance, produced in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance of good corporate governance and sets out its commitment to the principles involved.

The Code is available on our website:

www.northumberland.gov.uk

**Northumberland County Council Governance Code
Principles of Corporate Governance**

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risk and performance through robust internal control and strong public financial management;
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Significant governance events 2023/24

Introduction

We highlight here, six significant governance events for the past financial year.

(i) Completion of the Challenge Board's work

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

- (i) Note and receive the Challenge Board report.
- (ii) Receive and note the Challenge Board Recommendations.
- (iii) Approve the Council's responses to each of the Recommendations.
- (iv) Agree the work of the Challenge Board is now complete and that their work with the Council will conclude.
- (v) Thank the Chair and all Challenge Board members for their support, advice and guidance during the past year.

The activities to improve and strengthen the governance have continued following conclusion of the Challenge Board's work and are embedded in ongoing programmes and workstreams, including BEST.

(ii) Appointment of a new, permanent Monitoring Officer

We appointed a new Director of Law and Corporate Governance, an experienced Monitoring Officer (MO) in the sector. Already, our MO has helped establish a culture of positive and productive working relationships between

Members and Officers. Group Leaders have noticed and commented on progress. So too have other Members. Initially our MO came to the Council on a two-year contract. Six months into his tenure, Full Council made this a permanent appointment.

(iii) Divisional boundary review

The Council currently consists of 67 Elected Members. During 2022-23, Northumberland was subject to a review of its Divisional boundaries by the Local Government Boundary Commission for England. This review concluded in 2023/24 and when implemented will see the number of Members rise to 69 at the next local election scheduled for May 2025.

(iv) New reports

We have introduced new reports to be clearer on what Cabinet Members are delivering through their portfolios. These include an Annual Achievements Report to Full Council as well as Annual Portfolio Reports. These aim to enhance scrutiny, debate and accountability.

(v) Corporate Peer Review

Corporate Peer Review (also known as Corporate Peer Challenge) is a peer-led method of improvement, led by the Local Government Association. It provides councils with a robust and effective improvement and assurance tool. It is owned and delivered by the sector, for the sector. Peers remain at the heart of the peer review process and provide a 'practitioner perspective' and 'critical friend' challenge.

The Council requested a Corporate Peer Review which took place in January 2024. The report from the Local Government Association has now been published and outlines how the Council has made improvements “it can be proud of”. The report urges Members and Officers to continue on the improvement journey and highlights areas of performance where the Council can improve on, alongside examples of best practice.

In March 2024, the Council published actions which responded positively to the Peer Review Report’s recommendations. Subsequently NCC agreed with the LGA a Progress Review to update the Peer Review Team. This normally takes place within 10 months of the Corporate Peer Review.

Our Progress Review took place on 2nd October 2024 and involved one day of in-person sessions culminating in a facilitated reflections roundtable. Following this, the CPR Team produced its ‘Feedback’ on the Progress Review.

The Peer Team’s Feedback Report “...commended the breadth of work undertaken by NCC across the CPR recommendations... delivered whilst continuing business-as-usual activities and delivering key successes...” The Feedback Report highlighted areas for NCC to continue to focus on, including for example, continuing to consolidate NCC’s change and improvement activities. The Feedback Report was shared with Full Council at its January 2025 meeting.

NCC will continue to deliver and embed our change and improvement actions, including through BEST. In doing so,

we will consider and incorporate the feedback provided by Corporate Review Team colleagues.

(vi) Report of Director of Law and Governance

In March 2024, the Director of Law and Governance brought a report to Full Council under the Local Government & Housing Act 1989. The Act provides that it is the personal duty of the Monitoring Officer to report formally to the Council on any proposal, decision or omission by the Council which has given rise to, or is likely to, or would, give rise to, the contravention of any enactment, rule of law or statutory code of practice.

The report dealt with historical flaws in pay policies which potentially led to unlawful payments to former staff and confirmed that all steps have been taken and adopted to ensure all identified issues in old pay policies have been addressed. These matters were also referred to the Police by the Director of Law and Governance in December 2023.

Our governance framework

Introduction

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

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

As the Council improves the way it provides services, it is important the governance arrangements remain robust whilst being proportionate and able to adapt to changing circumstances.

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

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

The following paragraphs outline the key features of the Council's Governance Framework.

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

Assurance can come from any sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories, this helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. These are:

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

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

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

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

2nd Line of Defence	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

(ii) Setting Policy Direction - The Corporate Plan

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

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

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

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

In achieving the three Corporate Priorities, we will ensure we pass on a healthy, clean and sustainable environment to future generations. Each of our three Priorities has a part to play in responding to Climate Change. The Council's approach to Climate Change has now been set within the context of the Council's broader environmental ambitions. These are outlined in the Environmental Policy Statement which was agreed by the Council's Cabinet during 2023/24.

(iii) Managing and Evaluating Performance

Alongside the new Corporate Plan, work on the development of a new Planning, Performance and Accountability Framework (PPAF), was completed in March 2024.

Promoted through the Council's Best Value approach, the Planning, Performance and Accountability Framework

enables the organisation to embed continuous improvement and ensures the overall value of everything we do has the best impact it can.

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

It will help us:

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

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

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

At a service level, regulatory inspections of Adult and Children's Services by Ofsted and CQC continue as part of

the programme of inspections by the relevant bodies. Reports are provided to the Audit Committee, informing Members of findings and providing assurance of how the actions resulting from inspections are implemented and monitored.

The Ofsted inspection of Children's Social Care in January 2020 was recognised as 'Good' across all areas.

(iv) Service Planning

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

Progress of actions within the Service Plans will be monitored by Directors with their Executive Directors.

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

(v) Spatial Planning

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

inform Neighbourhood Development Plans across Northumberland.

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The Inspector's role was to determine whether or not the Local Plan was sound and complied with all relevant legal requirements. Following the Examination Hearing Sessions, the Inspector concluded that the Plan could be made 'sound' through modifications. Following consultation on the modifications to the Local Plan, the Inspector issued her final report, and the Local Plan was adopted by the Council on 31st March 2022.

(vi) Managing Risk

The management of risk is key to achieving what is set out in the Corporate Plan and ensuring we meet all our responsibilities. Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact. The Council has a process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The process is reviewed and updated on a regular basis with reference to available good practice and to ensure it reflects the rapidly changing environment in local government.

The risk management process includes a hierarchy of corporate, service 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 Management 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 Management Team and portfolio holders for discussion, challenge and agreement.

The Corporate Risk Register plays a critical role in supporting achievement of priorities as set out in the Corporate Plan. In December 2023, Cabinet agreed the following key risks to be managed at a corporate level:

Corporate Level Risks

1. Financial Sustainability
2. OD / Workforce
3. Civil Contingency & Business Continuity
4. Corporate Compliance
5. High-profile Capital Projects
6. Response to Climate Change

- 7. Wholly owned Companies
- 8. Cyber Security
- 9. Adult Service Domiciliary Care National Shortage
- 10. BEST
- 11. Strategic Community Safety
- 12. Social Housing (Regulations) Act 2023

(vii) Decision Making and Responsibilities

The Council consists of 67 Elected Members, with a Cabinet of Leader, Deputy Leader and Cabinet Members (ten portfolios in total). The decisions of Cabinet are scrutinised and shaped by the Council's Overview and Scrutiny Committees. The Council currently consists of 67 Elected Members. During 2022-23, Northumberland was subject to a review of its Divisional boundaries by the Local Government Boundary Commission for England. This review concluded in 2023/24 and when implemented will see the number of Members rise to 69 at the next local election scheduled for May 2025.

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

The key document supporting the Council's governance arrangements is the Constitution. This sets out how the Council operates, how decisions are made, as well as the rules and procedures that must be followed to ensure that work is efficient and transparent, and the Council is accountable to local people. The Council as a whole is responsible for agreeing the Constitution, and any amendments require the agreement of Full Council.

To ensure the Constitution is up to date and fit for purpose, the Council established a Constitution Working Group. This is a cross-party Member group. The work of the Group is determined by the areas of review proposed by Members; there is an open invitation to all members to add to the Constitution Working Group's work plan. The reports and recommendations of the Constitution Working Group are reported to Full Council for review and agreement.

The Constitution sets out the functions of key governance Officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Director of Law and Governance) and 'Section 151 Officer' (Executive Director Transformation and Resources). It sets out the respective roles of these Officers in ensuring processes are in place for enabling the Council to meet its statutory obligations.

The Council reviewed and redrafted the Council's Constitution in 2022-23. The new Constitution document was agreed by Full Council at its Annual General Meeting in May 2023.

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

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decisions is delegated to Senior Officers, in line with powers set out in the Constitution.

The key roles of those responsible for the Governance Framework in Northumberland are outlined in the table below and opposite.

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

Monitoring Officer (Director of Law and Governance)	To report on contraventions or likely contraventions of any enactment of rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise members on the interpretation of the Code of Conduct for Members and Co-opted Members. Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for employees (Whistleblowing) and, contributes to the effective corporate management and governance of the Council.
Internal Audit	Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers annual programme of risk-based audit activity, including counter fraud and investigation activity. Makes recommendations for improvements in the management of risk.
External Audit	Audit / review and report on the Council's financial statements (including the annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
Managers	Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Contributes to the effective corporate management and governance of the Council.

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

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

(viii) Pay Policy

The 2023/24 Pay Policy Statement was reviewed and agreed at a meeting of the County Council on 22 March 2023 and subsequently published on the Council's website thereby meeting the requirements of the Localism Act 2011. The pay policy sets out the Council's policies on a range of issues relating to the pay of its workforce.

(ix) Equality

We are an accessible and inclusive organisation and welcome and respect the diversity of all people visiting, living and working in the County. As part of our duty under the Equality Act 2010, the Council publishes equality objectives. These set out our equality priorities regarding employment practices and the way we provide services.

Any new Council policy, proposal or service, or any change to these that affect people must be the subject of an Equality Impact Assessment to ensure that the equality issues have been properly considered throughout the decision-making processes.

(x) Financial Management, Procurement and Value for Money

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This ensures proper

stewardship and governance, and the adequacy and effectiveness of these arrangements are reviewed regularly.

For the 2023-24 financial year, the Council set a balanced budget. The Report to Cabinet in July 2024 (Financial Performance 2023-24 – Final Outturn (subject to audit)) noted a net underspend of £0.354 million after the utilisation of the earmarked reserves, which was transferred to the Council's General Fund.

During 2023-24, the Council launched its 'BEST ways for working' to further strengthen and refine the Councils' approach to Value for Money and continuous improvement.

(xi) Using Indicators of Financial Resilience and Stress

CIPFA's published Financial Resilience Index for all English local authorities measures performance across nine financial indicators. The Financial Resilience Index for the Council for the year 2022/23 shows the following levels of risk across the nine primary indicators set out below:

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

- Growth Above Baseline (Medium to Lower risk)

The Executive Director of Transformation and Resources & S151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972. Our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Finance and Contract Rules. These include established budget planning procedures, which are subject to risk assessment, and budget monitoring reports to Cabinet. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

(xii) Managing Data & Information

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

The Council is a registered Data Controller with the Information Commissioner's Office (ICO) and we have a robust Information Governance Framework. Our framework sets out the roles, responsibilities, policies and procedures, along with best practice and standards adopted to manage

our information and data assets. It also describes the approach to assurance and risk management.

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

The Council's website provides details on information governance including the Council's policies covering data protection, freedom of information, environmental information regulations and records management. The Publication Scheme advises the public about how to get the information they seek from the Council and the transparency pages on the website meet the requirements of the Local Government Transparency Code 2015.

(xiii) Audit and Audit Assurances

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 and actions taken since the Audit was completed.

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

The Chief Internal Auditor's 2023/24 'Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control' will be reported to Audit Committee in May 2024. A summary of the Opinion is set out below.

Opinion of the Chief Internal Auditor

The Chief Internal Auditor is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, in accordance with the Public Sector Internal Audit Standards. For 2023/24, an overall 'reasonable' level of assurance is provided.

The Chief Internal Auditor's opinion includes a summary of the audits and assurance sources which support the opinion provided and covers each of the component elements of the framework of governance, risk management and control.

The opinion is informed by the areas reviewed by Internal Audit, and the progress made by the organisation to action Internal Audit recommendations. There are no limitations in the scope of the opinion. Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist. It is recommended that the Chief Internal Auditor's overall opinion on the framework of governance, risk management and control is considered as a source of assurance for the preparation of the Annual Governance Statement for 2023/24, and its subsequent approval by the Audit Committee.

In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management's responsibility to implement agreed recommendations and Internal Audit has worked with colleagues in Information Services to create an audit management solution which has been developed to incorporate the management, follow-up and reporting of Internal Audit recommendations across the organisation. The system will be piloted during 2024.

Governance

A number of unprecedented governance matters occurred within the Council during 2020/21 and 2021/22. These matters were wide ranging in nature and in volume. The Section 151 Officer issued a report under s114 of the Local Government Finance Act 1988 on 23 May 2022. In addition, the Leader of

the Council commissioned an Independent Governance Review, which reported its findings to the County Council meeting on 8 June 2022. A number of governance issues were identified, and it was clear that the Council needed to take swift action in order to address the weaknesses in governance arrangements.

Throughout 2023/24, the Council has continued to implement a wide range of actions. Progress on the implementation of improvement actions has been reported to meetings of the County Council and to Audit Committee. An updated Constitution, including updated Finance and Contract Rules, was agreed by the County Council in May 2023, with further revisions identified during 2023/24 agreed by the County Council in May 2024.

Internal Audit work undertaken during 2023/24 has confirmed the implementation of actions taken, strengthening governance arrangements. In addition, the Council received a Corporate Peer Review during January 2024, undertaken by the Local Government Association. The report was presented to the County Council in March 2024 and commented on progress made by the Council and the “positive impact this is having on organisational culture and governance”.

Risk Management

A ‘significant assurance’ opinion was provided in respect of the Internal Audit review of Risk Management undertaken in 2020/21. Appropriate arrangements were found to be in place across the Council and given the importance of effective risk

management, a ‘significant assurance’ opinion in respect of this aspect of the Council’s arrangements is to be welcomed.

Throughout 2023/24, the Council’s corporate risks have continued to be reviewed. In addition, a review of the corporate risk register was undertaken with Executive Management Team and Cabinet members, reflecting the changing risk profile of the organisation and the agreement of a new Corporate Plan in May 2023. The refreshed corporate risk register was formally agreed by Cabinet in December 2023.

During 2023/24, work has been undertaken to update service strategic risk registers, following the consideration of risks managed at corporate level and the implementation of the new structure across the organisation. This work is currently nearing completion, in addition to an updated Risk Management Policy and Risk Management Framework.

Control

Judgement is informed by the well-established framework of core financial systems which are in place within the Council. This was reinforced by the volume of grant claim certifications undertaken by Internal Audit during the year, whereby grant claims totalling £28.234m were certified and all certifications undertaken were found to be compliant with the grant provider’s requirements. A high proportion (78.95%) of ‘substantial assurance’ and ‘reasonable assurance’ opinions were issued during the year. A small number of ‘limited assurance’ opinions were issued during the year, with areas

for improvement in key controls identified, and no 'no assurance' audit opinions were issued or are planned to be issued. A summary of each review finalised has been reported to Audit Committee throughout the year in regular Key Outcomes reports. A full list of audits performed and opinions issued is included at Annex A [See Chief Internal Auditor's 2023/24 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control].

During 2023/24, work was undertaken with Adult Services, to review Internal Visit Process arrangements. This review focussed on the processes in place within Adult Services for internal monitoring of governance and control measures and received a 'reasonable assurance' opinion level, providing ongoing assurance to Internal Audit over this important aspect of the organisation's control framework.

Conclusion

From Internal Audit's experience and work performed during 2023/24, the Head of Internal Audit and Risk Management has concluded that systems of governance, risk management and control are generally operating effectively across the Council, leading to an overall 'reasonable' level of assurance.

It is clear that effective action has been taken by the Council to address specific governance issues identified in previous years, including a new Corporate Plan, Constitution and Finance and Contract Rules agreed in May 2023.

Changes in the Council's framework of governance, risk management and control, will continue to be reflected in Internal Audit's coverage. The BEST programme will be a focus for the Council during 2024/25 and it will be important that as this work progresses, the impact of changes in systems and processes across the organisation can be fully considered as part of the assessment of the Council's overall framework of governance, risk management and control.

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. During 2023/24, Chair indicated his intention to step down. Subsequently, the Council commenced recruitment for a new independent chair.

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

- To review the Council's corporate governance arrangements against the good governance

framework and consider annual governance reports and assurances.

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

(xiv) Conduct

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

The Monitoring Officer has maintained the Councillors' register of interests, as required under the Localism Act 2011. This is available online for public inspection. The register includes the declaration of gifts and hospitality received by Members in connection with their official duties.

Advice is available 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 2023 to 15th March 2024, the Council received 22 complaints under the Member's Code of Conduct. 21 of these complaints are now closed and 1 remains open. 11 complaints involved the County Councillors and 11 involved Parish Councillors.

(xv) 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. This does not replace internal reporting procedures but is used to provide an alternative for employees who may not wish to use the internal options.

(xvi) Counter Fraud

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

We're committed to a zero-tolerance approach on all aspects of fraud. We have a dedicated Fraud Team, who investigate fraud and irregularity allegations. A dedicated resource is available within the 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.

Our plans for
improving
governance

The process of preparing this Annual Governance Statement helps the organisation to focus on continuous improvement of our governance arrangements. The progress made during 2023-24 on the improvement areas identified in our 2022-23 Annual Governance statement is summarised in the table below.

1	<p>BEST (previously known as the Strategic Change Programme)</p> <p>Embed and progress each of the seven BEST Workstreams across the organisation.</p>	<p>Partially Complete. Activities across the seven workstreams have commenced with savings targets agreed as part of the Council's 2024/25 Budget. The findings of the Corporate Peer Review highlighted the need for more work to embed BEST so that it is better understood across staff at all levels and across all services.</p>
2	<p>Independent Review of Governance</p> <p>Continue to deliver, review and refine the improvement actions from the Independent Review of Governance.</p>	<p>Complete. All actions have been completed in full or are in progress. Naturally, some of these actions are ongoing activities.</p>
3	<p>External Communications (Corporate Performance)</p> <p>Enhance the resident facing reporting elements of Corporate Performance (both publishing reports on the Council website, and strengthening the Corporate Performance system) to improve usability, accessibility, and alignment to enhanced content i.e. operational, finance, workforce, and the Council's Corporate Plan KPIs that link to our three strategic priorities, and BEST programme outcomes.</p>	<p>Partially Complete. We have refreshed our performance reporting arrangements, including quarterly reports to Cabinet and a year-end report to Full Council. These reports are published on the Council's website. A review of the Corporate Plan indicators was started in 2023/24 and is due for completion in 2024/25. A Planning and Performance Accountability Framework document has been developed.</p>

4	<p>Disaster Recovery/Business Continuity/ Cyber Resilience testing.</p> <p>Following several cyber-attacks on local authorities and Northumbria Healthcare Trust, Information Services will run simulation exercises to test the resilience, continuity plans as well as Disaster Recovery arrangements.</p>	<ul style="list-style-type: none"> • Complete. To ensure the Council can recover from a major failure of IT systems, such as after a cyber-attack, a service has been established that allows data to be copied to a secure secondary online site that can be brought into operation should our IT Disaster Recovery Plan be invoked. This site will allow staff to continue to access systems and provide services to residents and business while IT staff rebuild the primary systems. • In January 2024, the DIT team deployed a Security Incident and Event Management System (SIEM) to log and analyse all security related events across all of the authority's IT infrastructure - servers, networks, applications and Internet links. From analysing patterns in the logs, the SIEM generates alerts for IT staff to notify them of potential attacks, allowing them to respond proactively.
5	<p>Governance (Advance Northumberland)</p> <p>Embed the new Shareholder Committee for Advance.</p>	<p>Complete. The Committee has been established and met in July and November 2023.</p>
6	<p>Review of Scrutiny</p> <p>Develop and deliver with Members, the outcomes of the review of the Council's Scrutiny arrangements.</p>	<p>Partially Complete. During 2023-24, the Council's Scrutiny Function was reviewed and refreshed. We will continue to develop and strengthen Scrutiny arrangements with Scrutiny Chairs and Members.</p>
7	<p>Peer Review</p> <p>Undertake a focused peer review during the Municipal Year.</p>	<p>Complete. A Corporate Peer Review was undertaken in January 2024 and reported to Full Council in March 2024.</p>

The table below summarises key, strategic areas of improvement identified during the 2023-24 annual governance review and outlines the planned actions to be completed to enhance the Council's Governance arrangements.

1	Key change initiatives	Using existing networks, processes and approaches to further embed key initiatives such as BEST and the Corporate Plan (e.g. Corporate Briefing, Performance Reporting, Service-Planning).
2	Trust and openness	Continue the programme of Group Leaders meetings. Communicate the positive progress that is being made with Member-Member working as well as Member to Officer working. Develop the new programme of Policy Conferences for 2024/25, listening to and reflecting on Members' feedback and ideas for improving these.
3	Member development	Continue to strengthen the Member Training offer in 2024/25 (listening to Member feedback) as well as improving communication on this.
4	Data and performance	Deliver Data & Business Intelligence Strategy. Refine and clarify the link between improved use of 'data & BI' and corporate performance reporting.
5	Workforce	Develop and rollout NCC's new Workforce Development Plan. Use the rollout of BEST reviews to embed understanding and engagement on BEST across all parts of the organisation.
6	Partners	Refresh and communicate Member and Officer arrangements in relation to the new Combined Authority. As part of this, consider what NCC services and functions could do differently to work even more effectively with the new CA.
7	Value for Money	Deliver Value for Money Statements for each NCC Service as part of the 2024/25 Service Planning Process. Continue to develop and re-profile the Capital Programme.

These areas of improvement will be monitored during 2024-25 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Assurance

Assurance

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

Progress had been made against the governance improvement plan identified during the 2022/23 governance review, and where actions have not yet been fully completed, they will continue to be progressed. In addition, a number of opportunities to further strengthen the Council's governance arrangements were identified during the 2023/24 governance review process.



Signed
Cllr Glen Sanderson
Leader of Council

Dated: 6/2/2025



Signed
Dr Helen Paterson
Chief Executive Officer

Dated: 6/2/2025