

AUDIT AND GOVERNANCE COMMITTEE

DATE	20 January 2022
REPORT OF	Executive Director, Environment, Economy and Resources
SUBJECT	Annual Governance Statement 2020/21 Update
STATUS	Open

CONTRIBUTION TO OUR AIMS

Effective corporate governance arrangements provide a framework to support the delivery of the Council's strategic aims.

EXECUTIVE SUMMARY

This report provides the Audit and Governance Committee with an update on the Annual Governance Statement 2020/21 which was previously reviewed by the Committee in July and November 2021, particularly the addendum to the AGS which was required to take account of the subsequent outcome of the external audit.

RECOMMENDATIONS

In its role as the group charged with governance the Committee is asked to:

- note the addendum to the AGS to take account of the outcome of the external audit and the impact on the audit opinion following the issue of the OFSTED inspection report relating to Children and Family Services in November 2021; and
- note the action which has to be taken to respond to the issues raised in the 2020/21 AGS.

REASONS FOR DECISION

The Committee's responsibilities include monitoring the effectiveness of the Council's governance arrangements and related control environment. As part of discharging its responsibilities it receives updates on progress in implementing the actions relating to the previous year's Annual Governance Statement.

1. BACKGROUND AND ISSUES

1.1 In July 2021 the Audit & Governance Committee approved the draft AGS, subject to any issues arising from the completion of the external audit scheduled for completion by 30 September 2021. This identified the following areas for further focus during 2021/22:

- Children and Family Services, particularly the delivery of the transformation plan resulting from previous OFSTED visits;

- COVID-19 Recovery;
- Programme Management;
- Organisational Capacity; and
- Impact of reform to the Health and Social Care System.

1.2 Subject to any matter arising from the completion of the external audit of the statement of accounts and value for money arrangements the AGS was signed by the Leader of the Council and the Chief Executive on 30 September 2021 . Subsequently on 4 October 2021 OFSTED announced that it would be carrying out a full inspection of Children and Family Services (ILACs), and though the signed AGS accompanied the audited accounts taken to the Audit Committee on 11 November 2021, there was an acknowledgement that the OFSTED report could potentially impact on external audit's value for money opinion, and therefore subsequently impact on the AGS.

1.3 On 26 November 2021 OFSTED issued its report and assessed the Council's arrangements as "inadequate". Subsequently in its Audit Completion Letter issued on 2 December 2021 external audit reported in relation to its VFM opinion that " we have concluded the report does result in a significant weakness against the VFM criteria set out by the NAO".

1.4 As a consequence it was agreed that an addendum to the AGS was required and this was issued on 15 December 2021 (see Appendix 1). This summarises the outcome of the inspection and how the Council will be responding to it. The Council has been issued with a Statutory Direction Notice and a Commissioner has been appointed to work with the Council starting in January 2022. The Commissioner will report his findings and recommendations to the DfE In April 2022. An Improvement plan is now in place which responds to the areas identified within the Ofsted Inspection Report.

1.5 In relation to the other items identified for focus in the AGS the position as of 23 December 2021 as reported by the relevant officers are as follows:

- **COVID-19 Recovery**

On 11 November 2021 the Communities Scrutiny Committee received an update relation to the Council's Covid-19 Recovery plan, which has subsequently been superseded by the Council Plan . The latest Finance and Commissioning Plan, along with a refreshed Council Plan is being developed and references the impact of COVID-19 and on-going recovery. The uncertainties surrounding the on-going impact of the pandemic remain, in particular the on-going long -term impacts on the local & national economy, and the social care system.

- **Programme Management**

The Council currently has a large number of key projects in place designed to support the Council's, the Place's aspirations and to capitalise on the Levelling Up Fund opportunities coming through government. The Council recognises that these projects will need to be tightly managed within its

capacity constraints and, therefore, since March 2021, has had in place a Major Projects Group made up of senior officers to regularly review the progress of these key projects. The Group produces a regular update report for Leadership Team and, where the delivery of a project appears to be slipping, ensures actions are put in place by the relevant project sponsor and manager. In addition, progress on these projects will be regularly reported to Informal Cabinet and where appropriate Cabinet through the quarterly capital outturn report.

Since its establishment, the Major Projects group has met on a monthly basis and produced quarterly reports which have been escalated through the Leadership team and onto Informal Cabinet.

- **Capacity**

The People Strategy recognises the Council's ambitious agenda to improve the place, continue to implement the Children's Improvement Plan and manage the response and recovery from the pandemic. The Council acknowledges that capacity to deliver on our outcomes will be challenging, the People Strategy aims to address these concerns through the introduction of a robust workforce planning process, which will encompass our succession planning framework, widening our reach to trainees through well a planned and ambitious approach. We will aim to become an employer of choice by ensuring that our policies are fit for purpose and reflect the ever-changing nature of the public sector workforce through hybrid working arrangements, improvements to our terms and conditions and by ensuring that we maintain the health, safety and wellbeing of our people.

- **Impact of reform to the Health and Social Care System.**

In February 2021, the Government issued a white paper on the future of Health and Social Care. This will have significant impacts on the Health and Social Care system from 2022/23 onwards including the delivery of Public Health and the Union with the CCG. The Council is already working with its NHS partners to review its partnership governance arrangements to take account of the likely changes.

2. RISKS AND OPPORTUNITIES

Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Responding to the issues raised in the 2021/21 AGS and its subsequent addendum is a means of mitigating such potential risks. In addition the issues raised in the AGS are included in the Council's strategic risk register.

3. OTHER OPTIONS CONSIDERED

Not applicable – the Audit and Governance Committee is required to be informed of any update to the Annual Governance Statement, and to be updated regularly on progress in addressing issues identified in the previous Annual Governance Statement.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

Ineffective governance arrangements could lead to failures in internal control which in turn could lead to reputational, financial and service impacts.

Each of the issues identified in the 2020/21 Annual Governance Statement could have a potential reputational impact if not addressed.

5. FINANCIAL CONSIDERATIONS

The Code of Corporate Governance which is a key element of the AGS production, refers to key financial documents such as financial regulations, contract procedures rules and the Medium-Term Financial Strategy.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None directly arising from the recommendations in this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no specific legal implications raised in this report which are not considered within the text of the report. References are made within the report to best practice guidelines and principles aimed at enabling the Council to discharge its functions within an appropriate governance framework.

9. HUMAN RESOURCES IMPLICATIONS

Whilst there are no direct HR implications arising from the contents of this report, the ongoing governance of the framework and principles may lead to matters being dealt with through appropriate HR procedures if required.

10. WARD IMPLICATIONS

Applicable to all wards.

11. BACKGROUND PAPERS

2020/21 Annual Governance Statement (September 2021)

12. CONTACT OFFICER(S)

Peter Hanmer (Head of Audit and Assurance)
Telephone: 01472 323799

Caroline Wilson, Strategic Lead (Risk and Governance)
Telephone: 01724 296050

Sharon Wroot
Executive Director, Environment, Economy and Resources

North East Lincolnshire Council

**Annual
Governance
Statement
(Addendum)**

(December 2021)

Addendum

Preamble:

The Annual Governance Statement for the Council was signed by the Leader and Chief Executive/Head of Paid Service on 30th September 2021.

On 11 November 2021 the Annual Governance Statement was accepted by the Audit & Governance Committee.

In the meantime the Council has undergone an inspection by Office for Standards in Education, Children's Services and Skills (OFSTED), the result of which will impact on the value for money assessment conducted by the Council's independent external auditors, Mazars.

It is in this context and with the support of Mazars that the addendum is made.

Page 9 Section 5 External Audit

The following paragraph is deemed deleted:

“External Audit – There were no significant issues arising from the external audit of the Council's 2020/2021 financial statements. The Council's external auditors, Mazars, have proposed an unqualified opinion on the financial statements. In relation to the VFM Conclusion, auditors have not identified any significant risks as part of their work to date.”

In its place the following is inserted:

“External Audit – Until the OFSTED inspection conducted in October 2021 and the report being published on 26th November 2021, there were no significant issues arising from the external audit of the Council's 2020/2021 financial statements. The Council's external auditors, Mazars, have proposed an unqualified opinion on the financial statements. In relation to the VFM Conclusion, auditors had not identified any significant risks as part of their work to date.

However, as a result of the OFSTED report and rating, Chief Officers of the Council engaged with Mazars who advised that the VFM conclusion would have to be revisited given the reported risk of significant weakness.”

Page 9 Section 5 Annual Governance Statement

The Office for Standards in Education, Children's Services and Skills (Ofsted)

The above section sets out a chronological account of recent Ofsted activity.

After the paragraph:

“In addition during 2020/21 the Council appointed a new Director of Children’s Services reporting to the Deputy Chief Executive, whilst subsequent appointments have been made to all senior manager posts within Children’s Services.”

The following is deemed inserted:

“From 4th October 2021 to 15th October 2021 Children’s Services were subject to a full Inspecting Local Authority Children’s Services (ILACS) inspection by OFSTED.

The final report identified widespread weaknesses in assessment, planning and management decision-making. Further, that Corporate decision-making was not prioritising the needs of children or providing the necessary resources to drive or sustain the systemic improvements that are required to make a difference to children’s lives.

The high turnover of social workers and managers had had a profound impact.

As a result, OFSTED rated the Council to be “Inadequate”.

This was in contrast to the findings made by OFSTED in their visits prior to this.

The Council anticipates the appointment of a Commissioner shortly who is likely to carry out a diagnostic exercise over a period of time and reach conclusions as to the operation of Children’s Services going forward.

The Council is putting in place more stringent oversight arrangements in Children’s Services from both an officer and member perspective.

The Council continues to work closely with the Department for Education led Improvement Board and anticipates a close and constructive working relationship with the Commissioner.

In the meantime arrangements are being made to form a Children’s Services Oversight Group (CSOG) with a remit for oversight of the Children’s Services improvement agenda (including a key and leading role for elected members), following the recent Ofsted inspection.

The Terms of reference of the CSOG being proposed as follows:

- To receive such reports as it directs from the Director of Children’s Services in respect of the progress, implementation and impact of the Children’s Services Improvement / Transformation Plan
- To receive such reports as it directs regarding the use and effectiveness of resources in Children’s Services
- To make such recommendations to the Portfolio Holder for Children and Education, the Director of Children’s Services and the Chief Executive as it considers appropriate - without prejudice to the role, remit and functions of Full Council, the Cabinet or the Children and Lifelong Learning Scrutiny Panel

- Membership will be extended to include the Department for Education (DfE) appointed Commissioner and may also include co-opted representatives whose skills and experience strengthen and are complementary to those of CSOG.
- CSOG may extend invitations to other officers and partners with relevant skills, experience or expertise to attend the meeting
- CSOG will be the mechanism for reporting through the Commissioner to the DfE regarding progress and improvement
- CSOG will meet at least monthly”

15th December 2021.