

ANNUAL GOVERNANCE STATEMENT 2018-19
CUMBRIA COUNTY COUNCIL

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1. THE COUNCIL'S RESPONSIBILITIES

Cumbria County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.

The Council is required to review its corporate governance arrangements annually against its Local Code of Governance which should align to the CIPFA / SOLACE Delivering Good Governance Framework. This Code, approved in 2018, is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. The Code is due to be reviewed in 2022.

The Council's Local Code of Governance 2018-22 can be found at:

<http://www.cumbria.gov.uk/eLibrary/Content/Internet/543/854/43292153218.pdf>

The Council's 2018/19 review of the effectiveness of its corporate governance provides assurance on the governance arrangements in place, the progress made against previously identified issues, and identification of any significant issues.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Council's governance framework comprises all the systems, processes values and culture by which the Council directs and controls its activities and through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives, manage risk and address issues that have a significant impact on the Council's finances, reputation or the achievement of its objectives. Full details of those arrangements can be found in the Local Code of Corporate Governance (see link above).

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework, described in Section 3 below, has been in place at Cumbria County Council for the year ended 31 March 2019 and up to the date of

approval of the Council's Annual Report and Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The Council's Local Code of Corporate Governance sets out its framework for corporate governance.

The principles which underpin the Local Code of Governance are summarised below, along with a description of the types of arrangements which the Council has put in place to secure robust corporate governance. For full details of these arrangements, refer to the Code.

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Chief Legal Officer acts as the Council's Monitoring Officer and is responsible for ensuring the lawfulness of decision making. The responsibilities of this post are codified within the Constitution.

The Monitoring Officer ensures that the Council acts within legal and statutory requirements. This is achieved through the provision of frontline legal advice to Council services on a daily basis, the active participation of the Monitoring Officer within the Corporate Management Team and the active participation of Legal Services in the preparation and consideration of legal implications arising from reports for decision.

The Constitution sets out the responsibilities of staff and elected members by defining decision-making powers, providing clear terms of reference for committees and describing roles and functions.

The Chief Executive is the Council's Head of Paid Service.

The Director of Finance is the appointed Chief Financial Officer (Section 151 Officer) with responsibility for the proper administration of the Council's finances. Each year, the Director carries out a review of financial arrangements against the CIPFA Statement on the Role of the Chief Financial Officer to confirm that the complies with the requirements.

All reports to members are subject to review by the Council's Legal Services and Finance teams to ensure that decisions are taken within the law and that expenditure is lawful.

Standards of behaviour and a commitment to ethical standards are set out within the Constitution in the following Codes and Procedures:

- Members' Code of Conduct and Guidance
- Officers' Code of Conduct
- Member / Officer Protocol
- Code of Good Practice for Members and Officers involved in the Planning process
- Whistleblowing Policy and Speak Up document.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The Council has an agreed Constitution that sets out how the Council works, how decisions are made and the procedures that are followed to ensure efficiency, openness, transparency and accountability to the people of Cumbria. The Constitution is available on the Council's website.

All Council business is conducted in public unless legislation deems it appropriate for matters to be considered in private.

The Council's Constitution sets out how it engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and the annual appointment to external organisations including local NHS bodies, neighbourhood forums, local business and other local authorities.

The Council carries out a wide range of public consultation, for example consultations on the draft Integrated Risk Management Plan and Budget Consultation 2019/20. In addition, the Council regularly undertakes more targeted engagement with service users, one example of which is having service user representation on boards such as the Learning Disability Partnership Board.

The Council has an Employee Engagement Framework which aims to ensure an engaged workforce who can support the delivery of the priorities of the Council Plan and deliver the best services possible to the people of Cumbria, within the available resources.

PRINCIPLE C: Defining outcomes in terms of sustainable, economic, social and environmental benefits

The Council's vision is set out in its Council Plan (2018-2022) adopted by full Council in February 2018. This plan was in place during 2018/19 and sets out objectives focused on outcomes for the community. The Council Plan specifically has as one of its outcomes working with partner organisations and communities to achieve shared aspirations. The Council Plan is available to all partners.

The Council has in place arrangements to ensure delivery of its aims and objectives and that services are delivered economically, efficiently and effectively through the Council Plan Delivery Plan which is agreed annually by Cabinet, and through Service Plans. The Council has established effective arrangements to manage performance and the corporate risks facing the Council, which are overseen by the Audit and Assurance Committee.

The Council's decision-making process takes account of the economic, social and, where relevant, environmental impacts of policies and plans. Reports to committees require a consideration of these factors along with risk and financial implications.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council has a clear statement of aims articulated in its Council Plan and uses this as a basis for service planning. The Medium Term Financial Plan is fully

integrated with the Council Plan and sets the framework for how the Council plans to use its available financial resources to fund the activity to deliver on the Council's intended outcomes.

There are a number of organisational strategies and plans which support the delivery of the Council's intended outcomes such as the Workforce Plan and the Customer Strategy.

The Council does not deliver its services in isolation and relies on third parties and partnerships to deliver outcomes for the people of Cumbria. Closer collaboration and partnership is likely to increase as a way to meet the challenges facing public bodies. The Council is embracing these new ways of working. In particular, it is working closely with Health partners to look at aligning and integrating services to ensure the best possible services are delivered to residents whilst managing demand and costs. Partnerships relative to Health and Social Care integration are currently being developed and governance will be considered as these move forward.

The Council has also set up different models of delivery for services, such as through Cumbria County Holdings Limited.

The Constitution sets out the key requirements when the Council is considering entering into partnerships. In addition, the Local Code of Governance 2018-2022 sets out principles and expectations relevant to the Council's work with others.

PRINCIPLE E: Developing the entity's capacity including the capacity of its leadership and the individuals within it

The Council has in place arrangements to provide assurance about the capability and capacity of its officers, including appropriate management arrangements, induction and appraisal processes.

Particular priorities for the Council in the last year have been contract management, performance and risk management and the management of business processes, including operational policies and procedures. Work has been done to ensure embedding at all levels of management and the organisation more generally. The systems and processes in place to provide assurance to the Corporate Management Team have been refreshed and, for example, a comprehensive Business Assurance Framework has been developed.

The Council maintains a workforce plan which sets out its commitment to engage, empower, support and develop the workforce now and in the future. The plan is focused on three main themes: improving employee engagement, building on skills and behaviours and promoting employee wellbeing. The Council has developed a learning and development programme for staff at all levels.

The Council has in the last year achieved gold in the Better Health at Work Award. This Award recognises employers who support and promote healthy lifestyles in the work place.

In respect of Members, the Council provides a comprehensive induction programme and works with members through the Members Development Group to identify training and support needs.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

A performance and risk management framework is in place to ensure that the Council continuously monitors the delivery of its services and manages its risks effectively. The arrangements include; reports to the Council's Corporate Management Team and Cabinet, monthly performance reporting and meetings, programme board reports and meetings, reports to service and directorate management team meetings and scrutiny reports and meetings.

The Council maintains a Constitution that sets out detailed procedural rules which must be followed when conducting Council business.

The Council maintains a Corporate Risk Register, which is reviewed regularly by the Corporate Management Team and has quarterly oversight from the Audit and Assurance Committee.

A Council Plan Delivery Plan setting out the key objectives to be achieved is agreed by Cabinet on an annual basis. A Corporate Performance Management Report providing an update on progress is provided to Cabinet on a quarterly basis.

The Council has developed a Business Assurance Framework that provides strategic assurance that the Council is effectively managing its business and that good governance is in operation. The Framework pulls together existing information and intelligence from across a range of business activities including internal audit, performance, risk and key policies to provide a business overview of the organisation. CMT receives and reviews the Framework on a regular basis. There is an approved Anti-Fraud, Bribery and Corruption Policy in place within the Constitution. This policy has been reviewed in 2018/19 to ensure compliance with all current legislation. Work is ongoing to ensure that arrangements to support the policy are developed and embedded within the Council in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014. Where allegations of wrongdoing have been received, these have been investigated under the Policy.

The Council has a Group Audit Manager who is the Head of Internal Audit. The Council reviews its Internal Audit arrangements against the CIPFA Statement annually to ensure continued compliance with the requirements.

The annual report and opinion of the Head of Internal Audit (Group Audit Manager) is a key contributor to the Annual Governance Statement. The annual audit opinion for 2017/18 was finalised during May / June 2018 and has been taken into account when preparing the final Annual Governance Statement to be published with the Council's accounts by 31st July 2018.

PRINCIPLE G: implementing good practices in transparency, reporting and audit, to deliver effective accountability

The Council complies with the Local Government Transparency Code and publishes all required information in a timely fashion. The Council publishes a Forward Plan giving notice of all upcoming Key Decisions and notice is given five clear days in advance of any formal meeting. Decisions are published alongside supporting documents setting out the background and options considered.

The Council reports performance against performance and financial targets on a regular basis to senior officers and to members, in meetings that are open to the public.

The Council maintains an effective Internal Audit Service which complies with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of Internal Audit.

The Council publishes an annual Statement of Accounts and responds appropriately to any recommendations from the External Auditor arising from the annual audit of the Accounts. Progress on the implementation of actions arising from the external audit is reported to the Audit and Assurance Committee.

The Council uses external reports and/or inspections to inform and improve practice. The Council develops action plans where necessary, to respond to recommendations and these are monitored in a variety of ways, including reports to committees such as Audit and Assurance Committee. The Corporate Management Team maintains oversight of progress through the regular updates on the Business Assurance Framework.

4. THE ANNUAL REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance framework, the Group Audit Manager (Head of Internal Audit)'s report and also by comments made by the External Auditors and other review agencies and inspectorates. The review of governance for 2018/19 gathered evidence of the arrangements in place and their effectiveness against the 2016 Delivering Good Governance Framework.

The effectiveness of the governance framework has been evaluated as follows:

- A review of corporate arrangements and their effectiveness carried out by the Monitoring Officer in early 2019. Evidence was gathered using a template which set out the required standards. The assessment of arrangements has been reviewed to capture any emerging significant governance issues.
- A review of internal control comprising an assessment by each Assistant

Director of their service areas against the required standards, carried out in early 2019. Evidence was gathered using a template sent to each Assistant Director. A summary of governance issues in each directorate, drawn from the individual service reviews will be provided to each Executive Director.

- A review of the overall opinion of the Group Audit Manager (Head of Internal Audit) is set out in the annual internal audit report. Based on the work undertaken internal audit in 2018/19, the Group Audit Manager is able to provide reasonable assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control. An assessment of the Audit and Assurance Committee arrangements against the core functions of Audit Committees set out within the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police. The review confirms that the Committee fulfils the core purpose of an audit committee as set out in the Guidance.
- A review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. The review confirms that the Council's arrangements conform to the CIPFA Statements on the Role of the Chief Financial Officer and Head of Audit.
- In February 2018, the Cumbrian Health and Social Care system was the subject of a Care Quality Commission Local System Review considering system performance along a number of 'pressure points' on a typical pathway of care with a particular focus on people aged over 65. The review focused on the interface between social care, primary care, acute and community health services. The assessment highlighted some positives and noted that the system was in the early stages of development. An Action Plan was prepared to deal with the issues that were noted as requiring further work. The Health and Wellbeing Board has been reviewing progress in respect of the Action Plan and in November 2018 decided that the Action Plan could be 'closed down' as sufficient progress had been made and remaining action were viewed as part of the mainstream work between the organisations.
- Review by the Pensions Committee of the Cumbria Local Government Pension Scheme (LGPS) Fund Policy Statements, which are kept under review and updated when required throughout the year (for example following changes in regulations), and reviewed annually. In addition, the effectiveness of the Cumbria arrangements is reported in the Cumbria LGPS Annual Report to provide assurance to members when approving the Accounts. No significant governance issues have been identified in 2018/19.
- Review of the most recent Statement of Assurance in respect of Cumbria Fires and Rescue Service which was approved in November 2018.
- Review of the work undertaken by Internal Audit in respect of providing assurance that the Amey Lessons Learnt Action Plan has been implemented/progressed to provide the Council with a reasonable level of assurance. The report produced provides a robust, auditable test against all the recommendations and actions set out within both the Amey Action Plan and the report previously prepared by Zurich Municipal. The review suggests that sufficient progress has been made for the assurance work on contract management arrangements to move back into 'business as usual'.

- The Council's arrangements with its controlled company, Cumbria County Holdings Limited, and its subsidiaries, are kept under review by the Council.

5. SIGNIFICANT GOVERNANCE ISSUES

A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk.

Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective;
- It has resulted in the need to seek additional funding to allow it to be resolved;
- It has required a significant diversion of resources;
- It has had a material impact on the accounts;
- It has been identified by the Audit and Assurance Committee as significant;
- It has resulted in significant public interest or has seriously damaged reputation;
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer;
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

The above definition and criteria were adopted by the Corporate Governance Group in March 2015. These criteria have been applied to help the Council assess its governance issues in 2018/19.

The Council has undertaken a thorough review of its governance arrangements and there are considered to be no significant governance issues under the above criteria.

The review of governance has not highlighted any other matters that would be considered significant governance issues.

6. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the Council's corporate governance by the Audit and Assurance Committee and are satisfied that the Council's corporate governance arrangements

in place during 2018/19 were fit for purpose in accordance with the CIPFA/SOLACE Delivering Good Governance Framework 2016.

We are pleased to note that no significant governance issues have been highlighted by the review and are committed to maintaining an effective governance framework for the Council going forward.

Signed by the Leader of the Council and the Chief Executive

Stewart Young, Leader of the Council

Katherine Fairclough, Chief Executive