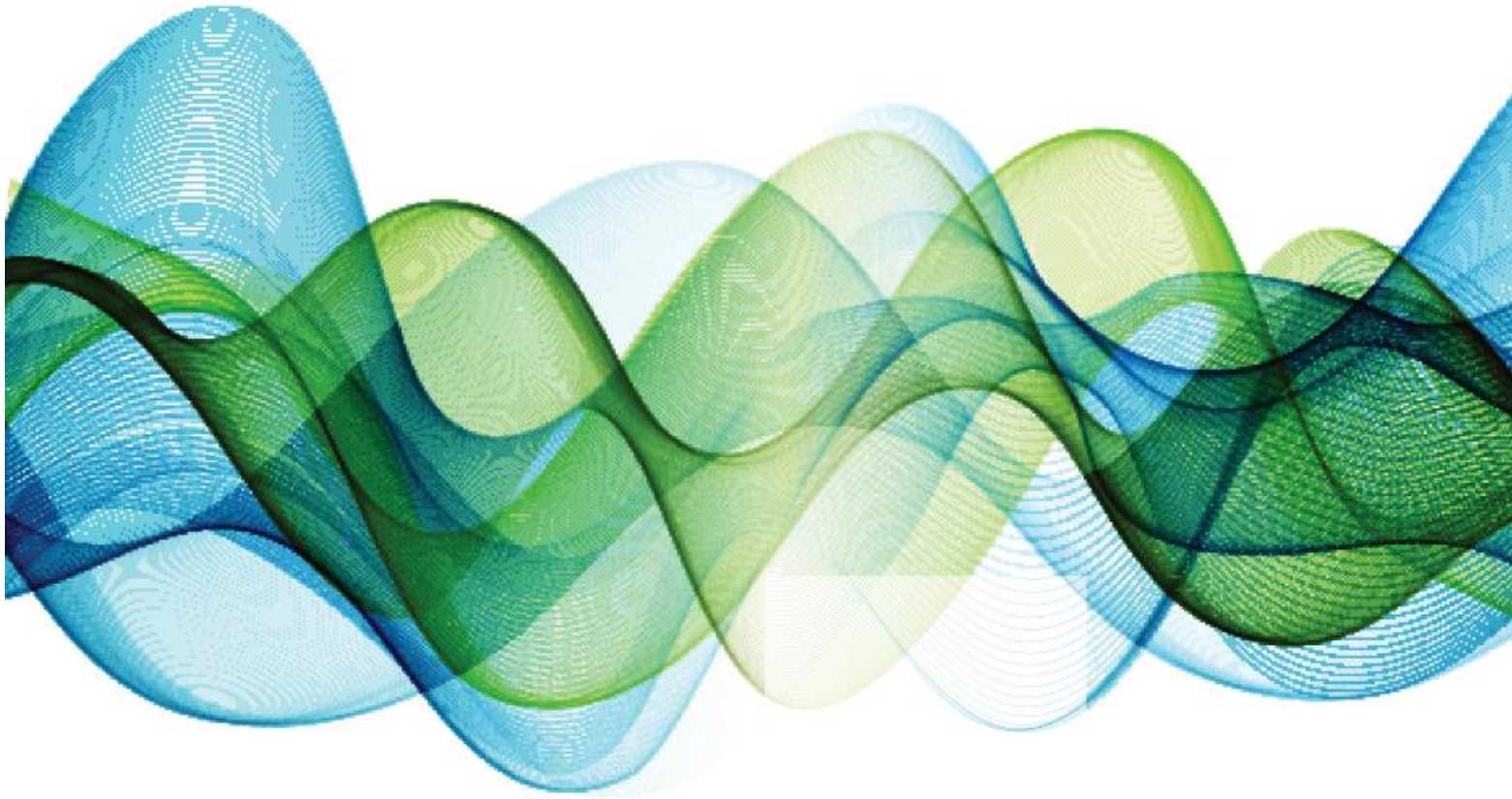




Northamptonshire
County Council

Annual Governance Statement



Date Issued

December 2021

Prepared by

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Chief Internal Auditor

Context

The Annual Governance Statement has been produced in the context of the increased public scrutiny of the council following the Government Commissioned [Best Value Inspection Report](#) by Max Caller of 15th March 2018, the [s114 notice](#) of 22nd February 2018 and subsequently on the 24th July 2018, the appointment of Commissioners by the Secretary of State on 10th May 2018 and of a Children's Commissioner in October 2018 .

In appointing Commissioners the Secretary of State referred to the need to:

- rebuild the governance capacity of the Authority, addressing the historic culture of poor governance – both from the political leadership team and the senior executive group – and discouragement of challenge and scrutiny, that is acting as a hindrance to compliance with the best value duty under Part I of the 1999 Act; and
- to secure as soon as practicable that the Authority's financial management is exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Northamptonshire.

The Commissioners shall exercise:

- All functions associated with the governance and scrutiny of strategic decision making by the Authority
- All functions associated with the strategic financial management and budgetary control of the Authority.

There is a strong link between effective governance and effective service commissioning and delivery. In order to deliver the Council's ambitions, put it on a more sustainable financial footing, address the issues raised within the BV inspection report and the s114 notice, Northamptonshire County Council requires improved governance arrangements to be in place.

Good governance ensures that an organisation is doing the right things, in the right way and for the right people. With the significant challenges arising from the Council's financial position, continued significant reductions in our funding, coupled with increasing demand on critical services and the Northamptonshire Local Government Reform agenda this has never been more important.

The need to recognise governance weaknesses is an essential element of responding effectively to the above issues and the 2020/21 Annual Governance Statement has provided a focus for that across the spectrum of Council services and operations.

Significant weaknesses were recognised in 2017-18 and robust action taken through 2018 2019/20 and into 2020/21 to honestly and publicly acknowledge those weaknesses, together with robust action to address them. This transparency demonstrates the unwavering commitment to resolve the issues but it is not a 'quick fix' and the Council is realistic that it faces continuing challenges with a determination to meet and resolve these in the best interests of its customers and all residents across the County

In light of the poor Ofsted inspection in 2018/2019, the Secretary of State for Education approved the establishment of a Children's Trust. In a subsequent focused Ofsted inspection in 2019/20 it stated that 'no child in Northamptonshire was at risk' and recognised green shoots of improvement. The Children's Trust went live on 1st November 2020.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment in operation within Northamptonshire County Council in that the assessment has concluded that, 2019-20 provided demonstrable improvement and that journey of improvement has continued through 2020-21 towards a sustainable basis for the new Northamptonshire Unitary Councils.

We are satisfied that there are appropriate plans in place to demonstrably address the weaknesses and ensure continuous improvement in the system of internal control, together with monitoring arrangements to ensure delivery and transparency.

The Leader, Chief Executive and Leadership Team were advised of the implications of the results of the review of the effectiveness of the Council's governance framework and agreed this AGS in February 2021. Only minor amendments have been made subsequently reflecting issues after that.

Scope of Responsibility

Northamptonshire County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and 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 in which 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, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council's Code of Corporate Governance has been reviewed and its provisions still apply consistently with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.. A copy of the Code of Corporate Governance is available on our website at:

<http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/code-of-corporate-governance.aspx>

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 6 (1) (B) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its priority outcomes and to consider whether those have led to the delivery of appropriate, cost effective services.

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, core purpose and priority outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, core purpose and customer outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework was in place at the Council for the year ended 31 March 2021 and up to the date of publication of the Annual Report and Statement of Accounts.

In the light of the Best Value Report and s114 Notices and new Unitary Councils, the Code of Corporate Governance ensured the 'policy or framework' issues remained effective throughout the challenging change agenda to 2021 to be reviewed and consolidated within the new Unitary Councils.

The Governance Framework

The key elements of the systems and processes that comprised the Council's governance arrangements for 2020/21 are described below:

Creating and Implementing a Vision

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieved this:

- The Council regularly undertook detailed consultation with its communities to inform the production of the Council Plan which was recently refreshed.

The Council engaged with other public services in Northamptonshire through a range of bodies, including the Northamptonshire Health & Wellbeing Board, which has representatives from all public bodies in the county. Similarly, there are statutory bodies such as the Joint Safeguarding Boards, for both Children's and Adults where all appropriate bodies are represented.

- The Council had a three year Plan which was reviewed annually by Cabinet and formally approved by full Council. The Council Plan published for 2019-21 defines its overarching direction of travel and can be seen at:

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Pages/the-council-plan.aspx>

The key themes outlined in the plan are:

- The future of public services in the county, which means our lifespan as an organisation is potentially limited and we need to focus on those statutory services which are important to residents
 - The financial constraints in which we operate, and the need to live within our financial means
 - The imperative to make services sustainable, so that, regardless of the shape organisations in the county take, vital services for our residents are affordable.
- The Transformation Strategy approved by Full Council at the end of 2018 set out the steps to stabilise our finances, transform our services, and transition into new organisational structures.

At the heart of our desire to transform were the following considerations:

- We are focusing on enabling individuals and communities to achieve better outcomes
- Whenever possible, we co-design and co-deliver services with partners and communities
- We innovate to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in preventing need and intervening early
- The new service models are designed to be scalable and affordable in the long term
- We use technology and digital solutions to help meet the needs of residents
- We commission and procure services and goods with partners, to get the best return for the Northamptonshire pound

- We use our properties to maximise occupancy levels, generate income and manage costs
 - Those that have a role to play, internally and externally, are engaged, have a voice and contribute to the transformation of services
 - Changes take into account equality gaps and mitigate impact, so that we reduce inequalities and disparity of opportunities.
- To ensure the Council delivered its plans, it operated a performance management framework which comprises:
 - The Council Plan
 - Personal performance and development plans for all staff
 - Statements of required practice, which govern management practice in the Council, including the management of performance against plans
 - Revenue and capital financial management and reporting
 - Clear programme gateway process and project management statement of required practice
 - The council also operates a Programme Management Office, to manage programme delivery.
 - The Council operated a Value for Money strategy with the objective of delivering better public services in the best possible way in line with the priorities of local people using the resources available. Value for money is a key consideration in all of the Council's key business processes. A transformation strategy was subsequently created to achieve this as part of the Transformation agenda.
 - On a monthly basis review of performance standards was undertaken at directorate and service levels. On a quarterly basis overall performance was reported to the Management Team chaired by the Chief Executive, and the Cabinet. The details are in the public domain and published on the County Council's website.
 - Communication of the council's intentions was delivered through proactive coverage in the local media, through the council's website and social media channels to seek to obtain the public's view on various issues. Regular internal communication with all staff has taken place, including emails from the Chief Executive to all staff and a weekly e-bulletin.

In May 2019 the Government decided that replacing all eight councils in Northamptonshire with two brand new unitary authorities is in the best interests of local residents. One authority will provide services to residents in the west of the county, while the other will provide services in the north of the county.

The Future Northants Programme was set up to ensure the legal and safe creation of two new councils with effect from April 2021.

Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieved this:

- The Council was composed of 57 members elected every four years. All members met together as the Council. The Council operated a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers.
- The Council had an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.
- The Council's Management Team included the Chief Executive, Corporate Directors, the Executive Finance Director (S151 Officer) and General Counsel (including Monitoring Officer duties).
- The Council had in place policies and procedures to ensure that, as far as possible, its elected members and officers understand their respective responsibilities. New members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.
- All Directors and Assistant Directors had responsibility for maintaining a sound system of internal control within their area of responsibility and provide an Assurance Statement either confirming the adequacy of the governance arrangements in their area or highlight those weaknesses to be addressed.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieved this:

- A Standards Committee was in place to review any complaints regarding members and to promote high standards of conduct and observance of the Members' Code of Conduct. Allegations of breaches of the Code of Conduct by individual councillors were considered by the Council's Monitoring Officer in consultation with an independent person appointed by the Council. Where it was determined by the Monitoring Officer that there is evidence of a failure to comply with the Code of Conduct, the Standards Committee would hold a hearing into the allegation.
- The Council had a local Code of Corporate Governance. This Code demonstrates a commitment to the principles of good governance and the importance of operating in an open and accountable manner while demonstrating high standards of conduct.

- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.
- The Employee Code of Conduct sets out managers' responsibilities to bring the Code to the attention of their staff (through induction, training and instruction) and their responsibility to take appropriate action if an employee fails to follow the Code. The Code includes a requirement for officers of the Council to declare any conflicts of interest and/or gifts or hospitality, which should be formally registered.
- The Council maintained Anti-Fraud and Corruption, Whistleblowing, and Money Laundering policies which are scheduled for review in 2021 by the new Councils.
- The Council's financial management was conducted in accordance with the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules. These rules set out the framework within which the Council conducts its financial affairs and ensures proper financial arrangements are in place.
- Full Council approved a budget before the start of each financial year. This includes the Medium Term Financial Plan. During the year, financial management information is reported to Directorate Management Teams, Management Team, Cabinet and Scrutiny.
- The Chief Financial Officer role, required by Section 151 of the Local Government Act 1972 and other relevant legislation, is fulfilled by the Executive Finance Director, who is responsible for the preparation and publication of the Council's Statement of Accounts and ensures that they conform to all statutory and professional requirements, codes of practice and deadlines. The S151 Officer is a member of the Management Team and has direct access to the Chief Executive as appropriate.
- The Council implemented additional spend controls following the issuing of the s114 notice in July 2018. Whilst the 114 Notice was removed with effect from April 2019 the spend controls remained in place until the summer of 2020 to provide the level of financial scrutiny and control required by the s151 Officer.
- The S151 Officer was responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and managing risk. The following describes how the Council achieved this:

- The Leader and Cabinet were responsible both individually and collectively for all executive decisions. Operational matters requiring a decision are delegated to Council officers as outlined in Part Three of the Constitution – Responsibility for Functions.
- Forthcoming key decisions by the Cabinet were published in the Cabinet's Forward Plan. The Forward Plan is reviewed on a monthly basis by the Corporate Leadership Team and the Scrutiny Management Committee.
- Following a review by the Centre for Public Scrutiny, the Overview and Scrutiny Committee focuses on:

- ✓ Major savings proposals;
 - ✓ Major risks to the Council;
 - ✓ Making substantive recommendations to feed into the in-year and future budget proposals;
 - ✓ Engagement, alignment support for the financial improvement plan
 - ✓ Other statutory functions associated with the Overview and Scrutiny Committee functions, including scrutiny of health services.
- The Council maintained an Internal Audit and Risk Management Service that operates in accordance with the Public Sector Internal Audit Standard. The Chief Internal Auditor had direct access to the Chief Executive, the S151 Officer, Management Team, Members and the independent Chair of the Audit Committee.
 - The independent Chair of the Audit Committee had considerable experience in finance and financial scrutiny. The Chair also attended as an observer and on occasions as a participant at meetings of the Council.
 - The Internal Audit Service plans and prioritised its work using a risk based auditing approach and seeks to programme work based on risk, strength of control and materiality. Internal Audit makes recommendations for improving the internal control environment and part of its work includes monitoring agreed action plans. The remit of Internal Audit also included ensuring compliance with established policies and procedures, particularly financial and contract procedures. Reports, including an assessment of the adequacy of control and action plans to address weaknesses, were submitted to senior managers, Directors, the Council's Audit Committee and where appropriate the Chief Executive.

Within the context of the s114 Notice and the Local Government Reform timetable, the IA Audit Plan is highlighted as a flexible / dynamic document that is reviewed quarterly to reflect the changing risks across the Council and enable IA resources to be redirected to reflect those emerging higher risk areas. Work programmes were reviewed in the light of the migration to Unitary Councils in 2021.

- The Council operated a risk management process underpinned by an approved Risk Management Strategy. The Council updated its Risk management policy and the Management Team refreshed its Corporate Risks, and reviewed these quarterly before reporting to Cabinet and the Audit Committee. Risks were assessed and managed by risk owners via remotely accessible software enabling collation and oversight at any time.

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of Members and Officers to be effective. The following describes how the Council achieved this:

- The Councillor Services and Governance Working Group was a cross-party group that acts as a consultation forum for all matters affecting councillors and the services provided to councillors. Its specific responsibilities included giving guidance and advice on matters relating to councillor development and training, including those matters affecting new councillors.

- A formal performance appraisal and development programme operated within the Council through which the development needs of staff are identified and met as appropriate. There was an induction programme for new staff and a full comprehensive workforce development programme delivered at all levels in the organisation.
- Councillors' right to training and development to support them in fulfilling their roles was specified in the Council's Constitution. There was an induction process for new Councillors. In-house training and development activities are organised for all Councillors or for those in particular roles to meet identified needs. Councillors also had access to external training and development opportunities.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuously consulting with and engaging local people and communities in a wide range of ways on a wide range of important issues.

- The Council was fully committed to being an open, accountable and transparent local authority, which we achieve through making key documentation publicly available via the Council's website.
- The Council operated to a partnership protocol which was designed to ensure effective governance arrangements operate in partnerships in which the Council was engaged. The Council also operated a Protocol for the Appointment of Councillors and Officers to Outside Bodies.
- The Council's website included links to other local and national consultations so that local people could access as many details of consultations affecting the local area as possible from one place.
- The Council had a dedicated Freedom of Information team which ensured compliance with requests for information sought using that legislative tool.

Council Owned Companies

The direction of travel towards Northamptonshire Unitary Councils (as confirmed for 2021 in May 2019) significantly changed the strategic direction of Northamptonshire County Council (NCC). Previous Annual Governance Statements have made reference to 'the Next Generation Council model' which NCC decided to move away from as it did not deliver the expected value for money or service expectations and a decision was made to dissolve the arrangements and to move to a 'host authority' model, completed in December 2020.

In May 2019 it was confirmed that NCC services would transfer to 2 Unitary Councils in April 2021 in addition to the creation of a Children's Trust as a separate legal entity in 2020.

As at the 1 April 2020, the Council owned the following companies developed under the model which form part of the Councils' group accounts.

NORTHAMPTONSHIRE TRADING LIMITED

The Council has a controlling interest in this company, which commenced trading on 1st April 2012. The Council owned 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

Northamptonshire Trading company was dissolved on 29th September 2020.

OLYMPUS CARE SERVICE LIMITED

The Council has a controlling interest in this companies, which commenced trading on 1st April 2012. The Council owns 100% of the share capital of Northamptonshire Trading Limited which in turn owns 100% of the share capital of Olympus Care Services Limited.

The purpose of Olympus Care Services Limited was to provide a range of care and support services throughout Northamptonshire for adults with disabilities and older people.

The company is not yet dissolved but has an active proposal to strike off.

FIRST FOR WELLBEING:

The Council had a 51% controlling interest in First for Wellbeing (FfW), a Community Interest Company (CIC) which commenced trading in November 2015. The purpose of First for Wellbeing was to improve the physical, emotional and social wellbeing of the people of Northamptonshire by offering an integrated health and wellbeing service.

The company was dissolved 23rd September 2021.

Others

In addition to the above the Council has the following interests but not as a controlling party:

The Council is part of a shared service arrangement providing professional, transactional and operational services both to its sovereign partners and a variety of clients. LGSS was established in October 2010.

As at May 2020, formal approval was obtained from all three partner Councils to dissolve the model, with some services to be repatriated back to the respective Councils and others to be provided on a Lead Authority model.

Also, NCC was party to a Joint Committee for LGSS Law Limited, a law firm specialising in services to the public sector, that is jointly owned with Cambridgeshire County Council and Central Bedfordshire Council

Opus LGSS People Solutions – which provides temporary staff to the Council and which was jointly owned by Opus People Solutions (52%) and Cambridgeshire County Council, Milton Keynes Council and Northamptonshire County Council (16% each).

Impact of Covid 19 on governance of the Council.

From March 2020, the significant impact of the coronavirus pandemic (Covid-19) required a rapid re-consideration of how the Council's governance structures operated, to facilitate an appropriate response.

Following the national declaration of a lockdown, the Council focused on its health response to the pandemic, invoking its business continuity and crisis management arrangements. UK regulatory guidance was revised at pace and as such the evolving Covid-19 situation posed

some practical challenges in terms of governance, transaction execution and statutory compliance commitments and heightened risk of fraud.

Examples of changes to the governance arrangements included the following:

- Elections due in May 2020 were postponed until May 2021 in line with government direction.
- the Coronavirus Act 2020 enabled all local authority meetings to be held remotely so that essential decision-making can continue. Virtual meetings were convened with a reduction in the number of meetings for some committees.
- The Council moved to Gold Command and Control and Silver Incident Management arrangements and streamlined their decision-making processes in order to respond quickly and effectively to situations as they arose.

A number of policies and procedures were amended to ensure that communities, businesses and individuals were supported through the pandemic. Examples include:

- Creation of a stand - alone local support service
- Introducing greater flexibility in procurement and contracting protocols in line with guidance from Government Procurement Policy Notes
- Accelerating payment times to support suppliers and providers
- Relaxation of end stage debt collection measures
- Relaxing of sickness absence policy trigger points in relation to absence due to Covid-19 and support to individuals with care responsibilities
- Facilitation of homeworking on a larger scale than previously

A Covid-19 incident Plan and risk register were produced by the Leadership Team to manage the risks of operational response delivery.

The appropriateness of the Council's response was monitored throughout 2020/21 along with review of appropriate time to exit these arrangements, revise current policies or re-establish standard regulatory protocols. The Covid-19 pandemic continued to significantly impact the Council, its finances and our residents, requiring it to review the way it delivers services and explore opportunities for new service delivery models in order to meet the needs of its residents. Those pressures and processes continued to 31st March 2021 when the new Unitary Councils were created.

Review of Effectiveness

The Council had responsibility for conducting at least annually a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report and comments by the External Auditor and other review agencies and inspectorates. NCC Leadership reviewed those arrangements and approved a draft Annual Governance Statement in February 2021.

The key evidence to support the review of effectiveness is outlined below:

Planning

There was a clear vision of the outcomes which the Council wants to achieve for local people as a local Council, as set out in the Council Plan.

The Council operated a planning process which integrated all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This sought to ensure financial plans realistically support the delivery of the Council's goals and strategy obligations in the short and medium terms.

The budget preparation process for 2020-21 was subject to robust challenge and involved extensive consultation with the people and businesses of Northamptonshire. The Council's final budget was approved in February 2020.

All major programmes of work (with the exception of asset programmes such as school building, road maintenance and street light replacement which have their own programmes) are tracked through a single system (PMPoint) and overseen by the Business Intelligence and Project Management department (BI&PM).

In 2018 The Secretary of State appointed two external commissioners to oversee finance and governance. The commissioners were in place until 31 March 2021 with their roles defined as: "The Commissioners are to act jointly or severally, and it will be for them to decide how best to exercise their functions. However, the Secretary of State envisages two complementary roles:

- a Lead Commissioner, whose responsibilities include, but are not limited to, giving direction and leadership to the work of the Commissioners and to the delivery of improvements which the Authority is required to make particularly with respect to aspects of the culture of the Authority and the way its services are organised which act as a hindrance to compliance with the best value duty; and
- a Financial Commissioner whose responsibilities will focus on securing the prudent and sustainable strategic financial management of the Authority, including proper budgetary control.

Performance Management

On a quarterly basis the Council produced a corporate performance report, reflective of the range of services that the Council provides and progress against delivery of our major change programmes. These reports were also presented to Cabinet which gives both Cabinet and the public an insight into the Council's overall performance.

Additionally, there was a workforce performance management process operating at all levels of the organisation. This holistic review was supplemented by the management of staff personal performance through the Personal Performance and Development Plan process.

The Cabinet

The Cabinet was responsible for key decisions. The Cabinet met on a monthly basis and made decisions that are in line with the Council's overall policies and budget. Decisions Cabinet wished to make outside of the budget or Policy Framework must be referred to full Council. The Cabinet received regular monitoring reports on key aspects of control including performance and financial management.

Overview and Scrutiny Committees

The Council appointed the Overview and Scrutiny Committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny

committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers. Scrutiny committees met on a quarterly basis.

The Standards Committee

The Standards Committee has not met since 2018, as there has not been any alleged breach of standards.

The Audit Committee

The Council had an Audit Committee that provided independent, effective assurance on the adequacy of the Council's governance environment. All major political parties were represented on the Audit Committee and it has an independent Chair. The independent Chair changed during the 2017-18 financial year.

The Audit Committee continued to meet formally via virtual meetings, through 2020/21, considering reports, including the annual Internal Audit Report from the Chief Internal Auditor, the Council's senior finance officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Minutes of the Audit Committee were presented at Council meetings which were attended by the Chair of the Audit Committee.

Statutory Officers

The statutory functions i.e. the Head of Paid Service, Monitoring Officer, S151 Officer, and the directors of Adults (DASS), Children's (DCS) and Public Health (DPH) Service must be considered within the context of the s114 Notice and the appointment of Government Commissioners in respect of the Council's finance management and Children's Services.

The Council's financial management arrangements during the period covered by this Annual Governance Statement conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

The Council also prioritised improvements within Children's Services under the supervision of the Director of Children's Services and Chief Executive in conjunction with the appointed Commissioner to ensure statutory compliance and service improvement.

The Chief Executive formally met with the three statutory service directors, namely the Director of Adult Social Services, the Director of Children's Services and Director of Public Health on a monthly basis where any issues specific to them fulfilling their statutory roles were discussed.

Management

During 2020/21, there was a stable senior management team in place. When compared with 2019/20 where the following changes were experienced:

- ✓ New Chief Executive appointed 27/07/2018
- ✓ New Executive Director Finance appointed 01/11/2018 and was replaced by an appointment in 1/10/2019
- ✓ New Executive Director Commercial & Place appointed 29/04/2019 and was replaced by an appointment in 1/10/2019
- ✓ New Children's Services Director appointed 18/02/2019 and was replaced by an appointment in 1/10/2019

- ✓ Director Transformation appointed 15/10/2018 and transferred to Future Northants 1/4/2019

The appointments of the Chief Executive and Director of Finance were the responsibility of the MHCLG Commissioners.

The Leadership Team (NLT) met weekly as the main officer decision making body and works alongside and for the councillors. NLT was responsible amongst other things for:

- Managerial leadership and direction of the council;
- Providing the formal response to Cabinet policy direction and the development of corporate policy and initiatives for Cabinet consideration;
- Co-ordination and commissioning of council-wide activity, planning, programme management.

This team was responsible for an annual gross expenditure budget of over £1 billion and led an organisation that co-ordinated voluntary sector, represented the interests of Northamptonshire to government and international bodies.

Assurance statements were not requested from directors during 2020, in recognition of the fact that the Council was operating under emergency conditions, coupled with the focus on preparation for the transfer to the new Councils. However, the set up of Gold command framework, Silver incident management framework and the incident risk register, as part of handling the emergency ensured that managers

- fully understood their roles and responsibilities;
- were aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- were required to make an assessment of the significant risks to the successful discharge of the Council's key priorities;
- acknowledged the need to develop, maintain and operate effective control systems to manage risks.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from various sources including the work of Internal Audit, which provided independent and objective assurance across the whole range of the Council's activities. The Chief Internal Auditor gives an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council as required by the Public Sector Internal Audit Standards that provide adherence to the Accounts and Audit Regulations 2015.

That opinion, provided within an Annual Internal Audit Report that provides the detailed basis upon which the opinion is developed, has been used to inform the Annual Governance Statement and is set out below.

In respect of the 12 month period ending 31 March 2021, the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the Council's overall internal control environment, taking account of all available evidence, was Satisfactory.

The opinion reflects the following positive actions taken by Management during the year that contributed to the control environment being maintained during the year despite the disruption of the pandemic

- Robust financial management arrangements implemented in line with CIPFA Financial management code, including budget monitoring and closer working between Finance, budget managers and Directors
- For the most part risk management arrangements were maintained with regular review and update of the strategic risk registers. A covid compilation risk register was also put in place as part of the comprehensive covid 19 incident plan, to better manage risks arising from different areas of the Council arising from the pandemic.
- Real time review of procurement transactions for assurance that only essential spend was being undertaken, to better manage outgoings, cashflow and supplier.

The following key factors identified from Internal audit work and discussions with Management were deemed to have impacted the effectiveness of controls and risk management during 2020/21

- Control weaknesses highlighted from Audit reviews including issues over Spreadsheet Import payments; Journal posting authorisations; oversight on procurement card purchases
- As a category 1 responder, it is recognised that the pandemic had a notable impact on the Council Service delivery, with internal control arrangements having been disrupted, due to staff being redeployed from their normal duties; staff working remotely with limited supervision and increased demand to work at pace with Partners and Central Government to meet emergency demands from businesses and the general public.
- Challenges to the control environment from both the changes due to LGSS remodelling of delivery of key services during the year and the increasing need to focus on work to transfer to the new Authorities, while attempting to maintain business as usual.
- Operational disruptions from reduction in available staffing resource from staff needing to self – isolate, shield and work remotely.

External Inspections and Reviews

EXTERNAL AUDIT - As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources.

The audit of Council's 2017-18 Financial Statements and its arrangements to secure economy, efficiency and effectiveness in its use of resources - (the value for money conclusion) was formally completed and signed off by KPMG in November 2019.

The delay in completion of the 2017-18 accounts, meant work on the audited financial statements of 2018/19, by EY the new Auditors were only signed off in February 2021.

FINANCIAL MANAGEMENT REVIEW – During September 2019, an independent review of financial management capability at the Council was requested by the Commissioners and

undertaken in a manner similar to that of a peer. The review recognised the progress the Council has made in improving its financial management since the intervention of the Secretary of State in 2018. A report detailing a series of recommendations for further improvement was submitted to the Audit Committee and endorsed by the Leadership Team during 2020/21.

OFSTED & CQC INSPECTIONS -Following an Ofsted review of Children's Services a commissioner with responsibility for children's services was also appointed. The overall effectiveness of Children Services at the Council was graded as Inadequate by Ofsted following focused visits in October 2018 and in June 2019.

However a monitoring visit undertaken on 14/15 January 2020, highlighted improvements, concluding that " although some of the priority actions raised at the focused visit with regard to the workforce have yet to be fully implemented, risks to children are being better identified at the front door and children are now being seen more promptly."

An action plan is in place and progress on implementation is monitored by the Leadership team.

A second focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.

A third monitoring visit undertaken between 24 and 25 February 2021 commented that "The stable and committed senior leadership team is steadily achieving improvements in the quality of services for children in care, including for disabled children. Children's social care services transferred to Northamptonshire Children's Trust on 1 November 2020. The trust has continued to build on the positive changes that were already taking place, supported by a permanent director of children's services and the appointment of an experienced chief executive officer."

LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - The 2020/21 Local Government & Social Care Ombudsman's Annual Review letter was received on 21 July 2021. The Ombudsman upheld 15 (65% of cases investigated) of the Council's complaints referred, after detailed investigations were carried out, compared to 22 (76%) in 2019/20 and 71% average for other local authorities. It noted that the Council had not sought to provide satisfactory remedies before the cases reached the Ombudsman, compared with a national average of 8% of local authorities.

Risk Management

The Council had an approved risk management strategy that set out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered.

In support of the delivery of effective risk management arrangements, a corporate risk management system GRACE is used to capture all relevant corporate / directorate and project related risks.

Risk reports were scheduled for Leadership Team meetings on a regular basis during the year. The approach to Risk Management was refreshed in 2019 to include quarterly audit

testing of risk information and that commenced in Q3/4 2019-20 and has continued through 2020/21 subject to Covid 19 pressures.

Developing Capacity

The Council operated procedures during the period covered by this statement to ensure that the training needs of staff are assessed against core competencies and any key training needs are prioritised. Additionally, the Council provided appropriate training to Councillors to enable them to effectively fulfil their duties as Councillors of the Council.

The Northampton Local Government Reform integrated programme presents significant recruitment and retention challenges across NCC services. This was recognised as a key issue by the Leadership Team and Cabinet and is reflected within the 2020 revision of the strategic risk register.

Engagement

The Council continued to make strenuous efforts to fully engage the community in the development of its plans and policies. The 2019-21 Council Plan recognised this priority including:

At the heart of the Council's desire to transform were the following considerations:

- “We are focusing on **enabling individuals and communities** to achieve better outcomes
- Whenever possible, we **co-design and co-deliver services** with partners and communities
- We **innovate** to find better and more sustainable ways of delivering services
- We focus precious resources where they have the biggest impact, in **preventing need and intervening early**
- The new service models are designed to be **scalable and affordable in the long term**
- We use **technology and digital solutions** to help meet the needs of residents
- We **commission and procure services and goods with partners**, to get the best return for the Northamptonshire pound
- We **use our properties** to maximise occupancy levels, generate income and manage costs
- Those that have a role to play, internally and externally, are **engaged, have a voice and contribute** to the transformation of services
- Changes **take into account equality gaps and mitigate impact**, so that we reduce inequalities and disparity of opportunities.”

Governance Issues and how they were managed

It is important to draw a distinction between an issue or incident that highlights governance issues and systemic governance weaknesses, for example, contract management found to be unsatisfactory in one area does not necessarily identify poor contract management across all the Council. Issues are generally considered to have significant governance implications where

- a) They will seriously prejudice/prevent achievement of a principle
- b) Have a material impact on the Financial Statements

- c) Require formal action to be taken by the S151 or Monitoring officer
- d) Affect the opinion of the Chief Internal Auditor
- e) Has a negative impact on reputation of the Council

Progress on Governance Issues reported in the 2019-20 Annual Governance Statement –

All of the actions raised in the 2019/20 Action Plan were carried forward to the 2020/21 Action Plan and progress updates are detailed in **Annex A**

2020/21 Significant Governance Issues -Significant Issues arising in 2020/21 that had governance implications include:

- a. Local Government Reorganisation -. The impact on controls from the shift in focus from NCC closing towards preparation for the new authorities coming live.
- b. LGSS – The change agenda for LGSS who currently deliver the key back office services for NCC, coupled with the disaggregation of the Council. Review of robustness of implementation and embedding of the new shared service models for LGSS services.
- c. Contract Management (including commissioning/procurement). Management of the COVID 19 pandemic has added pressure, to continue to pay attention on contracts, where service delivery is reduced or stopped.
- d. Risk Management –. Impact of risks arising from lockdown due to the pandemic.
- e. Business Continuity – effectiveness of Critical plans initiated as a result of COVID 19 pandemic and the financial impact/fall out from the lockdown.

Forward Looking Issues- The purpose of this Statement is to reflect on the Governance arrangements for the 2020/21 financial year. For 2020/21 the following are known issues that impacted on the Governance arrangements at NCC:

- **Brexit:** no significant governance issues arise in respect of Brexit as these are documented and reviewed within individual Risk Register areas. The wider issues remain under review/observation.
- **LGR Review** - Outcomes from the various work streams set up in preparing for the transition to 2 unitary Authorities and a Children’s Trust.
- **Covid 19 Pandemic** – Going concern considerations, following the lock down. Significant reduction in income and spike in outgoings under guidance from Government will have a marked impact on the Council’s finances going forward into 21/22. Robustness of decision- making framework during the lockdown period.

ANNEX A

Based on the Council's assessment, the issues set out below were determined as being significant governance issues as at 2020-21

Issue	Lead officer/Date	Action, Update
<p>The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA / Solace guidance in respect of delivering good governance</p> <p>[c/f from 2016-17 AGS]</p>	<p>General Counsel (Monitoring Officer)</p>	<p>The Council's General Counsel completed a review and confirmed the Code is substantially current.</p> <p><u>2019 update:</u> Some minor amendments are needed which will be included within a review as part of the work programmes of Democratic Services</p> <p><u>2020 Update-</u> The review has been completed and the updated Code of Corporate Governance will be presented to Cabinet for approval in February 2021.</p> <p><u>2021 Update –</u> Presented to Cabinet February 2021 - COMPLETED</p>
<p>The County Council continues to operate in the most challenging conditions in its existence. Significant demographic growth, coupled with ever reducing funding from Central Government has led to a point where only radical transformation will ensure that the Council can continue to deliver to its residents.</p> <p>It is more important than ever that resources are prioritised appropriately, and the Authority works towards achieving its outcomes. Despite the controls, the fundamental balance of pressures vs funding mean that significant financial risk is inherent in the Council because of statutory demand led services for which we have limited control</p> <p>[c/f from 2016-17 AGS]</p>	<p>Executive Director Finance</p>	<p>This challenge is on-going and has led in part to the issuing of the s114 Notice and the Best Value Report.</p> <p>The Council recognised the severity of the financial situation and instigated measures, including an Improvement Board and Chief Executive Approval Panel, and well as a Best Value Implementation Plan was put in place that monitored and reported through to the Audit Committee.</p> <p><u>2019 Update:</u> the 114 notice was 'lifted' in April 2019 and a balanced budget set for 2019-20. Spend controls and financial governance arrangements put in place for the 114 Notice remain in place during 2019. Implementation Plans and financial risks will continue to be monitored and managed.</p> <p><u>2020 Update</u></p> <p>Robust financial management and monitoring continues across the Council providing robust forecasting and control.</p>

Issue	Lead officer/Date	Action, Update
<p>Inadequate judgement for the Council's Children Service by Ofsted and the removal of Secretary for Education intervention notice, NCC is in a much better position, however there is still a journey to maintain and embed good practice</p> <p>[c/f from 2017-18 AGS]</p>	<p>Executive Director Children's Services</p>	<p>The report states: "Senior leaders are working hard to change the culture of social work in Northamptonshire and to create a positive environment for staff to continue to improve their practice."</p> <p>Given the high profile of this area it is felt that the continued monitoring through the Annual Governance Statement action process should be continued in the short term.</p> <p><u>2019 Update:</u> NCC continues to recognise the importance of continued improvement in this area and work and focus continues to achieve that including the involvement and oversight of the appointed Children's Services Commissioner.</p> <p>A focussed inspection of Children Services was carried out by Ofsted in June 2019 and its outcome concluded NCC Children services were inadequate and an action plan put in place.</p> <p><u>Update 2020</u></p> <p>A monitoring visit undertaken on 14/15 January 2020, highlighted improvements. An action plan is in place and progress on implementation is monitored by the Leadership team (reported within the Action Tracker for Audit Committee) and the Children's Trust structure is now in place.</p> <p>A focused visit between 20 and 22 October 2020 concluded that "despite unprecedented times due to Covid -19 pandemic, inspectors found convincing evidence that services for children and young people in Northamptonshire are starting to improve, albeit from a low base" It was noted that cogent plans are in place to address wide ranging areas of improvement.</p> <p><u>2021 Update</u> – The Children's Trust went live as a separate entity on 1st November 2020, with responsibility for delivering children social services across Northamptonshire. Ofsted monitoring visit on 24 & 25 February 2021 commented that the Service was "steadily achieving improvements in the quality of services for children in care, including for disabled children".</p>

Issue	Lead officer/Date	Action, Update
<p>There has been an intention within the Council to move to a number of federated bodies, this model has now been abandoned by the Council.</p> <p>Whilst the above removes various governance challenges, it also creates alternative issues, for example, migration of staff under TUPE, re-assimilation of budgets etc.</p>	<p>Chief Executive</p>	<p>The Council migrated services in-house. This action remains open until the relevant companies are closed formally.</p> <p><u>2019 Update:</u> As at date of this report, the companies had ceased trading, with OCS ltd due to be struck off the companies register on 31/3/2020 and FfW due to go into a Members voluntary liquidation.</p> <p><u>2020 Update:</u> OCS – there have been two objections to strike off. First has been resolved, the second (from former employee) is awaiting a response from Directors to advise us who is advising the solicitors on the case.</p> <p>FfW – is with liquidators and has been delayed due to HMRC delays impacted by Covid-19</p> <p><u>2021 update</u></p> <p>FfW has been dissolved and OCS is in the process of being struck off the Companies House Register.</p>
<p>The recommendation of the Government's Best Value Inspection is to ultimately close the County Council and move to a two unitary council structure for Northamptonshire.</p> <p>The Council will need to ensure that it works with partners to ensure that there is progress in the transition to the Government's final decision.</p> <p>At this time the governance implications of implementing the above are unknown as they involve not just NCC. The issues will be a corporate focus as they develop.</p>	<p>Chief Executive</p>	<p>The new Councils are now formalised for 1st April 2021.</p> <p>A project team provides a formal, regular structure to consider these issues including the s151 Officer, Monitoring Officer and the Chief Internal Auditor (or representatives) to ensure governance matters are properly addressed.</p> <p><u>2019 Update:</u> formal confirmation has now been received that the Unitary Councils model (including a Children's Trust) is to be in place by 1st April 2021. Primary Legislation to progress was received in February 2020.</p> <p><u>2020 update</u></p> <p>Futures Northants Team has been formed to develop the new models including May 2020 shadow authority creation. Two shadow authorities have been created and quarterly reports made to the shadow boards of the shadow authorities. Leaders and key officers appointed and blueprints for departmental structures and staffing are being progressed.</p> <p>COMPLETED – NCC ceased 31/03/21 and WNC and NNC formed.</p>

Issue	Lead officer/Date	Action, Update
<p>Northamptonshire County Council is one of three sovereign partners in LGSS and a range of Council functions are provided via this shared service.</p> <p>LGSS has appointed a new Interim Chief Executive who is reviewing the LGSS business model. Whilst unknown at this time any significant changes to this model could impact on the Council and its governance.</p>	<p>Executive Director Finance</p>	<p>The initial outcome of the review is expected in June 2018. The specific proposals will need to be discussed with the sovereign partners and agreed within NCC before being approved at the LGSS Joint Committee.</p> <p>The changes arising from this review have been agreed and services repatriated into individual Councils or lead authority shared services continue as appropriate.</p> <p><u>2020 Update</u></p> <p>LGSS review completed in August 2020 and the lead authority models are live with effect from 1st Dec. COMPLETED</p>
<p>It was identified in ISA 260 that the Council has needed to engage a number of former staff as off-payroll workers, not subjected to an IR35 test. There should be transparency in the justification for this type of arrangement.</p>	<p>Executive Director Finance</p>	<p>A revision has been made to its policy on the use of Consultants and Interims, which contains clear direction on the engagement of such workers.</p> <p>Where an individual previously employed by the Authority is re-engaged on an off-payroll basis, the Authority will undertake and clearly document all the relevant legal and tax considerations in advance of confirming such an appointment.</p> <p>Internal audit has completed an IR35 review, with no significant issues highlighted.</p> <p>COMPLETED</p>
<p>At this time of change and cuts at the Council, the effectiveness of the control framework (e.g. constitution, risk management, policy, finance procedures, etc.) is critical in supporting the financial constraints that the council will be operating under in 2019/20</p>	<p>Chief Executive</p>	<p>It is imperative at this time that all staff across the Council ensure that they take responsibility for the work that is required of them and that they are held accountable for the actions that fall under their remit. Specific examples of areas that could enhance the control framework include:</p> <p>(1) Maintain effective operational Risk Registers across services;</p> <p>(2) Maintain specific Risk Registers in relation of budget cuts / savings targets;</p>

Issue	Lead officer/Date	Action, Update
		<p>(3) Ensure LGSS finance are providing during 18/19 targeted focus on saving targets progress;</p> <p>(4) Ensure SMT has recurring agenda item to review progress to savings and intervenes where performance deviates from target;</p> <p>(5) Require the IA plan to prioritise services with challenging savings targets and/or performance reporting highlights concern.</p> <p><u>2019 Update:</u> As above, these controls and requirements remain in place at the request of the Executive Director of Finance. The Internal Audit plan for 2019-20 includes provision to undertake compliance audits for these governance controls.</p> <p><u>2020 Update:</u> The work programme for this issue continued throughout 2020/21 however it was affected by the pandemic. The outcomes (ie strong financial management) are considered on target despite the pandemic.</p>
<p>The new Financial System (ERP) was live from 1st April 2018. A range of issues were identified during the 1st half of 2018-19 and a Governance Board (re)created to provide a collective responsibility for a 'snagging list' of issues until all issues are resolved to the satisfaction of clients / users (CCC, NCC and MKC).</p> <p>Full assurance for the system and compliance with its requirements will only be possible following the full completion of at least the 1st years accounting cycle i.e. the accounts audited and signed off by External Auditors.</p>	<p>Executive Director Finance</p>	<p>The ERP Governance Board continues to meet to discuss outstanding issues until resolved.</p> <p>Internal Audit have undertaken multiple testing on ERP systems and processes during 2018-19 and have reported to management accordingly.</p> <p>With the exception of Debt Recovery those audits provided Satisfactory assurance albeit highlighting various issues that require improvement.</p> <p><u>2020 update</u></p> <p>Still some issues identified from Audit reviews.2018/19 External audit still to be completed. No material issues outstanding re: ERP.</p> <p><u>2021 update</u> – 2018/19 external Audits now completed. Work on 2019/20 and 2020/21 are still ongoing.</p>
<p>Organisational Capacity is recognised within the Strategic Risk Register as an ongoing issue</p>	<p>Chief Executive</p>	<p>The relevant risks are monitored via the Risk Management process through NLT and Cabinet and the area will be a focus as the Council approaches the new Unitary Councils model implementation.</p>

Issue	Lead officer/Date	Action, Update
particularly in the light of the Unitary Councils model.		These continue to be managed during the period towards the new Councils.
2018-19 experienced a noticeable increase in requests to Internal Audit to undertake reviews including identified areas of concern.	Executive Director Finance	<p>This is considered to be indicative of an improving governance culture in respect of management:</p> <ul style="list-style-type: none"> ✓ identifying issues; ✓ openness to independent analysis of those issues; ✓ commitment to improve and be transparent. <p>As such it is considered appropriate to include this as a governance matter after 31st March 2019 within the AGS.</p> <p>As a further enhancement to transparency, this was combined with the Audit Committee considering all IA reports with less than Satisfactory opinion in full public session.</p> <p>It does however create pressures on limited IA resources that must be prioritised.</p> <p>2019-20 continued this trend and also presented proactive challenges from the Pandemic. These continue to be monitored and reported into the Audit Committee.</p>
Audit / Sign-off of 2017-18 Accounts (KPMG) and the appointment of a new External Auditor (EY) for 2018-19 accounts.	Executive Director Finance	<p>The appointment of a new external auditor was a routine procurement requirement from Government. It would not normally represent a significant governance issue. However new external auditors will not commence their audit until the 'sign off' of previous years accounts.</p> <p>EY were clear that they will not be able to commence the audit of 2018-19 accounts until KPMG have completed the audit of the 2017-18 accounts.</p> <p>The key implication of this delay, other than technical accounting issues, is the resources from, primarily, Finance staff in serving those outstanding queries to enable the audit to be completed.</p>

Issue	Lead officer/Date	Action, Update
		<p>This is being closely monitored by the Executive Director Finance and the Audit Committee.</p> <p><u>2019 /20Update:</u></p> <p>The audit of the 2017-18 was signed off in November 2019. Audit of 2018/19 Statements is ongoing.</p> <p><u>2021 Update</u> – 2018/19 Statements were signed of in February 2021 and completion of the audit of the 2019/20 Statement of Accounts were delayed due to staffing issues with the External Auditor. Audit of the 2021 Accounts have been similarly delayed. These will be considered by the Audit committee of the new Council. Public notices were published on the Council’s website to this effect.</p>
ISSUES ARISING AFTER 31st MARCH 2020		
<p>Contract Management -various issues around lack of robust management of contracts specifically</p> <ul style="list-style-type: none"> - Highways - HTST 	<p>Executive Director of Strategy, Delivery and Transformation</p>	<p>The contracts’ novation into the new Councils and the Childrens Trust are part of a workstream for the new Unitary Councils and their contract management will be a focus within Internal Audit’s 2020/21 audit plans.</p>
<p>Covid 19 - Impact</p>	<p>Assistant Director- Corporate and Community Services</p>	<p>The Council continues to manage Covid19 pressures including the 2nd lockdown and the new national tier systems. The full impacts of these issues are managed within each service and corporately. They will however likely be a long term issue for the new Councils.</p>