

12 October 2020

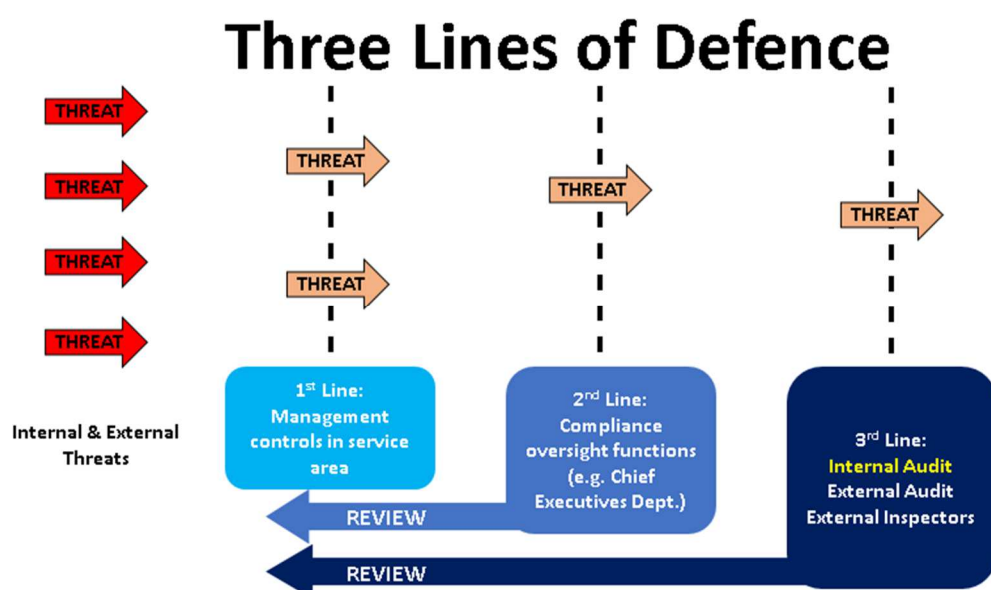
Agenda Item: 5

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &
IMPROVEMENT****ASSURANCE MAPPING ANNUAL REPORT 2019-20****Purpose of the Report**

1. To present the outcomes from the assurance mapping work carried out during 2019-20, and to consider options for its development in 2020-21.

Information

2. This is the second annual report following members' approval of the pilot undertaken in 2018-19. The remit of this annual report was expanded to include two new areas, People Management and Asset Management following agreement of the Governance and Ethics Committee in November 2019.
3. For each of these five areas (Finance, Risk, Performance, People and Asset Management), Key Lines of Enquiry (KLOEs) were determined and used to map the sources of assurance available to the Council across its three lines of defence.



4. This second annual report covers the following elements:
 - a) Reporting the evidence gathered from the assurance sources across the three lines of defence and assessing what assurance can be taken from it about the Council's arrangements for the five areas.
 - b) Proposing actions to be taken in 2020/21 to address any concerns identified.
 - c) Considering the possibilities for its expansion in 2020/21.

Assurance mapping outcomes in 2019/20

5. **Appendix 1** presents details of the evidence gathered for each of the five areas. The evidence for each KLOE is presented across the three lines of defence. A summary for each of the aspects of governance under review is set out below, along with an assessed rating for the assurance level suggested by the evidence. A simple 'Red-Amber-Green (RAG) rating' has been applied, based around the following principles:



Red - The evidence identifies weak assurance and points to significant cause for concern with a number of KLOEs. Urgent action is required.



Amber - The evidence has identified positive assurance, but there are some KLOEs on which action is required as a matter of priority over the coming year.



Green - The evidence provides strong assurance that risks and challenges are under active management. There may be scope for strengthening in some KLOEs.

The following summaries also set out current developments and proposed actions to address the gaps and issues highlighted for each aspect of governance.

Financial Management – Budgetary Control

1 st Line	2 nd Line	3 rd Line
Reasonable assurance that budgetary control procedures are complied with	<p>High degree of compliance with forecasting process</p> <p>Monitoring shows in-year forecasts are reliable</p> <p>Balanced budget agreed for 2020/21, but now facing significant revision due to Covid-19</p> <p>Overspend of £4.2m in 2019/20, due to pressures on demand led budgets in Children's Services</p> <p>Capital programme spend on target</p> <p>Medium Term Financial Strategy (MTFS) shows cumulative budget shortfall of £51.4m to 2023/24</p>	Reasonable assurance from Internal Audit on budget forecasting procedures



Green

Significant budget challenge facing the Council

Budgetary control procedures are strong

Developments and actions

Relevant actions included in the Annual Governance Statement (AGS) Governance Action Plan:

- Implementation of the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code
- Continued campaigning for the Fair Funding review to take place

Actions arising from the internal audit review of the Council's response to Covid-19

- Development of sensitivity analysis for MTFS assumptions

Financial Management – Financial Compliance

1 st Line	2 nd Line	3 rd Line
Substantial assurance that the Council's Financial Regulations are complied with	<p>Provision of timely and effective professional advice to front-line services</p> <p>Monthly monitoring confirms good levels of compliance with core financial procedures</p>	Rolling 12-month reports of the Chief Internal Auditor confirm a reasonable level of internal control is in place



Green

Strong assurance available from all three lines of defence

Developments and actions

No developments or additional actions are identified

Financial Management – Financial Prudence

1 st Line	2 nd Line	3 rd Line
High degree of assurance of compliance with the Treasury Management Framework and Investment Strategy	Strong cashflow management Above average returns on prudent investments in an increasingly challenging environment	Positive assurance from Local Government Association (LGA) Peer Challenge review about the Council's approach to financial management CIPFA indicators of financial stress for 2018/19 show the Council as responding prudently to its known financial challenges



Green

Prudent approach to addressing known financial challenges

Developments and actions

Actions identified in the July 2020 report to the Finance & Major Contracts Monitoring Committee

- Corporate Financial Resilience Group established
- Continued government lobbying

Financial Management – Value for Money

1 st Line	2 nd Line	3 rd Line
Broadly substantial assurance that service provision is under active and ongoing review	Mixed levels of performance against core measures Projected overspend in 2018/19 The transformation model and programme are undergoing substantial review	External Auditor provided unqualified VFM conclusion for 2018/19 Limited assurance from Internal Audit review of Corporate Commissioning.



Amber

Strong focus on ensuring the transformation model and programme continue to drive improvements in VFM

Developments and actions

Relevant actions included in the AGS Governance Action Plan:

- Implement co-ordinated reporting of finance, performance and transformation to the Corporate Leadership Team
- Review the effective use of benchmarking
- Implement proposed changes to the transformation model and refocus performance management to support its delivery
- Confirm implementation of agreed actions from internal audit reviews of social care fraud risk
- Development and implementation of continuous assurance feeds to the Corporate Leadership Team and Governance & Ethics Committee

Performance Management

1 st Line	2 nd Line	3 rd Line
<p>Planning & Performance Management Framework complied with</p> <p>Reasonable assurance regarding frontline performance management and continuous service review</p>	<p>Good progress against key strategic measures reported monthly to Corporate Leadership Team</p> <p>Mixed progress against measures in the Council Plan and Departmental Strategies</p>	<p>Positive outcome of Ofsted inspection of Children's services</p> <p>LGA Peer Review identified opportunity to improve the cross-cutting approach to delivering corporate and strategic objectives</p>



Amber

Strong framework in place
A more corporate approach will lead to further improvements in performance

Developments and actions

Developments set out in the July 2020 report to the Improvement & Change Sub-Committee:

- Implementation of the revised approach to transformation, including the establishment of the Strategic Insight Unit

Relevant actions included in the AGS Governance Action Plan:

- Internal audit of performance management
- Development of performance reporting in specific departments
- Review of data quality in the Mosaic system

Risk Management

1 st Line	2 nd Line	3 rd Line
<p>Risk management strategy and framework in place</p> <p>Departmental Risk, Safety & Emergency Management Groups (RSEMGs) are in operation</p> <p>Strong assurance that risk register mitigations are carried out</p>	<p>Risk, Safety & Emergency Management Board (RSEMB) providing strategic oversight</p> <p>Corporate risk register has been brought up to date for the impact of Covid-19</p> <p>Positive outcomes from internal health & safety checks</p> <p>No process for capturing risk appetite</p> <p>Updates on risk management to Governance & Ethics Committee lapsed</p>	<p>Predominantly positive assurance from reviews and inspections by:</p> <ul style="list-style-type: none"> • British Standards Institution (BSI) • Council insurers



Green

Strong framework in place and complied with
Strong assurance from internal and external reviews

Developments and actions

Relevant actions included in the AGS Governance Action Plan:

- Implement changes to the delivery of corporate risk management, including the establishment of the Council's risk appetite

Asset Management

1 st Line	2 nd Line	3 rd Line
<p>Phase 1 of Property Transformation Programme has established strategic framework</p> <p>Service Asset Management Plans (SAMPs) are in development</p> <p>Arc quarterly reporting shows mixed performance against Key Performance Indicators</p>	<p>Phase 2 of Property Transformation Programme now complete and will deliver key monitoring and reporting processes</p> <p>Over 1/3 of properties classified as condition rating C or D</p> <p>Maintenance backlog of approximately £94m</p> <p>Asset valuations conducted in accordance with guidelines</p>	<p>Positive progress reported on implementing Internal Audit recommendations for vacant property management</p> <p>Positive assurance from other external inspectors, such as British Standards Institution, Council insurers and external audit</p>



Amber

The Property Transformation Programme is progressing improvements

Developments and actions

Roll-out of the outcomes from the Property Transformation Programme is the key driver

Relevant actions included in the AGS Governance Action Plan:

- Follow-up of the agreed actions in the internal audit report on vacant property management

People Management – Safe Working Environment

1 st Line	2 nd Line	3 rd Line
<p>Health & Safety policies are in place</p> <p>Few reportable incidents occur</p>	<p>Internal inspections return positive assurance</p> <p>Reducing number of employer liability claims</p>	<p>Action in progress to implement Internal Audit recommendations</p> <p>BSI certificate of occupational health and safety registration maintained</p>



Green

Strong assurance from all three lines

Developments and actions

Actions arising from the impact of COVID-19 to provide a safe working environment for staff, including the adaptation of council buildings, continued working from home, and the use of Personal Protective Equipment (PPE).

People Management – Staffing Capacity

1 st Line	2 nd Line	3 rd Line
<p>Policy and procedure framework in place</p> <p>Reasonable assurance that Employee Performance & Development Reviews (EPDRs) are carried out</p> <p>Good use being made of apprenticeship opportunities</p>	<p>Staff turnover rates are manageable</p> <p>Positive feedback about recruitment process</p> <p>Departmental workforce modelling is progressing</p>	<p>Positive assurance from Internal Audit on recruitment</p> <p>Learning and development portal highlighted by LGA Peer Review as good practice</p>



Green

Strong assurance from all three lines

Developments and actions

The development of departmental workforce modelling will bring added and important assurance

People Management – Staff motivation

1 st Line	2 nd Line	3 rd Line
<p>Job evaluation process drives pay equality</p> <p>Positive feedback from Children's & Families Dept staff survey</p>	<p>Sickness rates are above challenging, stretch targets</p> <p>Slight improvements seen in gender pay gap and diversity</p> <p>Mixed feedback from Adults' staff about induction and career progression</p>	<p>Positive assurance from Internal Audit about managing sickness</p> <p>LGA Peer Review highlighted enthusiasm and commitment of the Council's staff</p> <p>Disability Confident Employer certification achieved</p> <p>Retained status as Stonewall Lesbian, Gay, Bisexual and Trans (LGBT) Top 100 employer</p>



Green

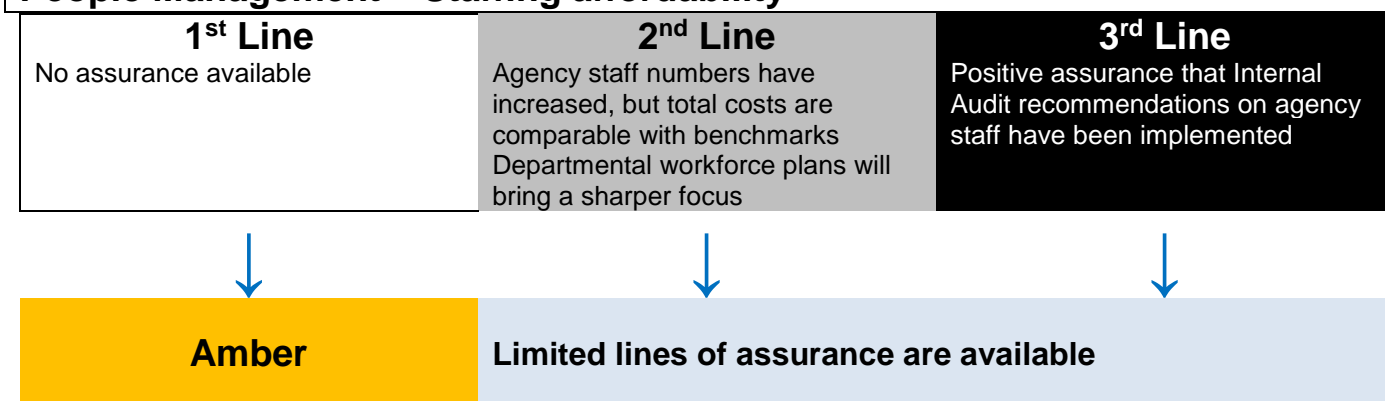
Assurance is mostly positive, with no significant issues of concern

Developments and actions

Relevant actions included in the AGS Governance Action Plan:

- Equality Impact Assessments – finalise consultation with key stakeholders and deliver training

People Management – Staffing affordability



Developments and actions
The development of departmental workforce modelling will bring added and important assurance

6. Key conclusions that may be drawn from the evidence presented are:
- As a Council, we are fully aware of the financial challenges we face, and we are taking appropriate and effective action to meet them.
 - Essential to this are our proposals to remodel our approach to transformation, and this is bringing with it a refocusing of our performance management arrangements.
 - We value and act upon the risk management guidance we receive, and we are taking further steps to strengthen our approach and reporting arrangements.
 - The Property Transformation Programme is driving the improvements required in the management of our estate assets.
 - We have strong and progressive arrangements in place for the effective management of our people, and we continue to press forward with key developments.

Use of the outcomes from Assurance Mapping

7. One of the primary aims of assurance mapping is to provide annual assurance to the Council (both the Corporate Leadership Team (CLT) and the Governance & Ethics Committee) that effective governance arrangements are in place in the areas that matter most to the Council. This is an important purpose of itself and, it might be argued, reason enough to carry out the exercise.
8. Beyond this, the assurance assembled through this process can be put to effective use to inform and direct wider governance activity in the Council. The outcomes of this report have been used as set out below:
- a) The Council's Local Code of Corporate Governance and the AGS for 2020/21 – due to the impact of the national pandemic, the confirmed findings from this year's assurance mapping have lagged behind presentation of the AGS to Committee in July 2020. Nonetheless, the draft and emerging findings from this process were used as a source of assurance for the statutory AGS, and to consider whether any changes should be recommended to the Council's Local Code of Corporate Governance. The AGS report highlighted to Committee the possibility that the Statement may need to be revised, should additional evidence come

to light in the run-up to its publication alongside the Final Statement of Accounts. In finalising these assurance mapping findings, no additional issues have been identified which require an update.

- b) Governance & Ethics Committee's work programme – in September 2020, the Governance & Ethics Committee considered its Annual Report to Council on its activities in 2019/20. An important element of that report is to reflect on the achievements of the past year and to consider the Committee's priority areas of focus for the coming year. This assurance mapping report provides an important steer for the Committee with regard to assurances it should be seeking in 2020/21. This can be seen especially in relation to risk management and the development of continuous assurance.
- c) Internal Audit Plans – assurance mapping has delivered a clear view of the relative areas of strength and weakness in the governance processes covered by the map. The Team has updated its Priority Needs Assessment as a result, which Members will know serves as the basis for Internal Audit's proposed termly plans. The importance of relevant and timely assurance from internal Audit, as a key 3rd Line assurer, is evident throughout all aspects of governance presented in this report. Internal Audit's termly plans are now strongly driven by the areas of priority highlighted by the assurance mapping process.

Proposals for assurance mapping in 2020/21

- 9. Given the benefits outlined last year and through the Assurance Mapping Update 2019/20 reported to the Governance and Ethics Committee on the 6 November 2019, it is firstly proposed to continue with the assurance mapping process in 2020/21.
- 10. Should this proposal be accepted by Committee, consideration should be given to the aspects of governance to be included in the map for the coming year. *Figure 1* below depicts the aspects of governance currently included, along with suggestions for further aspects which might also be considered. The other areas suggested are by no means exhaustive and we will continue beyond 2020/21 to identify areas that would enhance the governance coverage through assurance mapping.
- 11. *Figure 2*, below, presents a proposal for the aspects of governance to be included in the map for 2020/21.

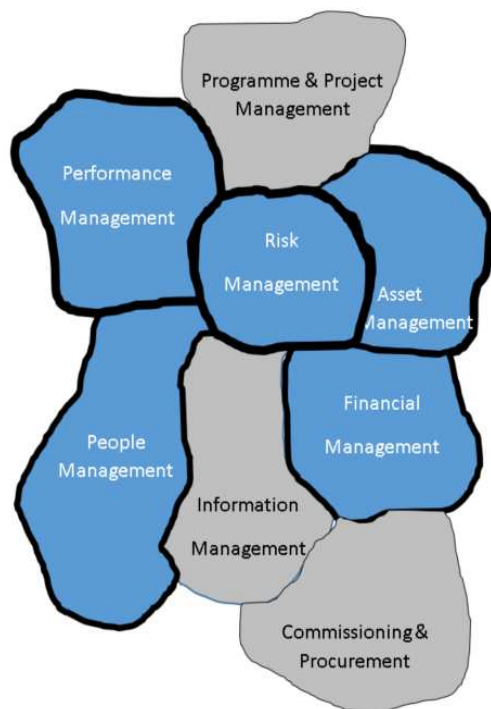


Fig.1 Current scope of assurance map in 2019/20



Fig. 2 - Proposed scope of assurance map in 2020/21

The rationale for the proposal at *Figure 2* is as follows:

- a) The current aspects of governance should be retained in the map for 2020/21. This will provide a basis for tracking the actions arising from the 2019/20 exercise, and it will facilitate trends and progress in these areas to be monitored over time.
- b) The inclusion of commissioning and procurement would recognise the significant non-pay expenditure incurred by the Council.
- c) The inclusion of transformation would assist in delivering appropriate assurance to the Committee that the significant impact of this programme's objectives is being realised.
- d) The Information Governance Improvement Programme has now closed and has ceased reporting progress to the Committee. Inclusion of this area in the map will ensure a continued flow of assurance for the Committee.

Other Options Considered

12. The assurance mapping process might be discontinued. This would deny the Council the benefits of the approach highlighted in this report. The scope of the assurance map might be retained to cover just the five aspects of governance covered in 2019/20. This would preclude the measured widening of the scope to allow extended benefits to accrue.

Reasons for Recommendations

13. To recognise the benefits that the assurance mapping approach has brought to the Council, along with the improvements that may be made to it. Further, to apply the benefits of the approach to a manageable widening of its scope.

Statutory and Policy Implications

14. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

The assurance map aims to deliver a comprehensive assessment of the effectiveness of the Council's governance, risk and control framework. This will provide assurance relating to many of the considerations listed above.

RECOMMENDATION/S

- 1) The assurance mapping process is retained in 2020/21.
- 2) The scope of the assurance map for 2020/21 is widened to embrace Transformation, Commissioning & Procurement and Information Governance.
- 3) Progress against proposed actions to address the issues identified be reported to Committee as part of quarterly update reports on the AGS.
- 4) Members consider the positive assurance delivered in the five aspects of governance covered by the current exercise and determine whether there are additional actions they would like to see implemented.

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For any enquiries about this report please contact:

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Constitutional Comments (SS – 10/09/2020)

15. This report is appropriate for the Governance and Ethics Committee to receive and make recommendations thereon.

Financial Comments (RWK 28/09/2020)

16. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All