

23 June 2021

Agenda Item: 10

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

ASSURANCE MAPPING ANNUAL REPORT 2020-21

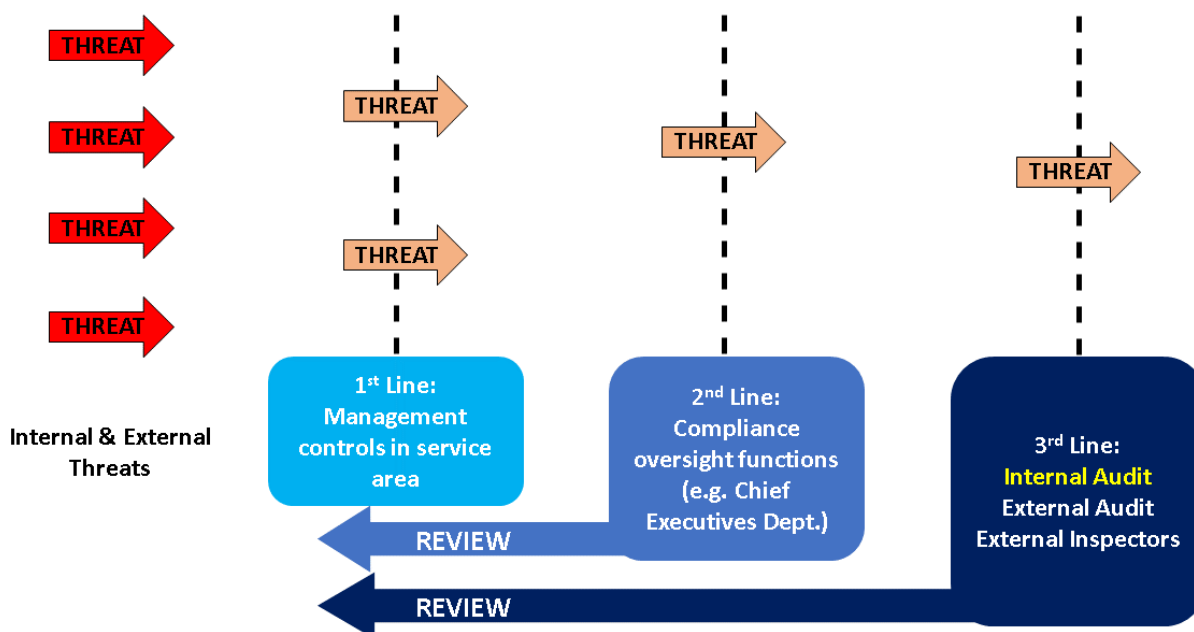
Purpose of the Report

1. To present the outcomes from the assurance mapping work carried out during 2020-21, and to consider the approach for 2021-22.

Information

2. This is the third annual report following members' approval of the pilot undertaken in 2018-19. For the benefit of Members new to this process, the aims and benefits of assurance mapping are:
 - 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
 - To provide a sound and comprehensive basis for the Annual Governance Statement (AGS)
 - To identify any overlaps or gaps in assurance from all available sources, allowing improvements to be made in co-ordinating efforts in the coming year
 - To inform the Governance & Ethics Committee's work programme
 - To inform Internal Audit Plans.
3. The remit of the assurance map was expanded to include three new areas for 2020-21, so it now includes the following eight areas:
 - Financial management
 - Risk management
 - People management
 - Commissioning and procurement (new for 2020/21)
 - Performance management
 - Asset management
 - Information governance (new for 2020/21)
 - Transformation and change (new for 2020/21)
4. For each of these areas, Key Lines of Enquiry (KLOEs) were determined and used to map the sources of assurance available to the Council across its Three Lines Model.




Three Lines Model



5. This third annual report covers the following elements:
 - a) Reporting the evidence gathered from the assurance sources across the three lines model and assessing what assurance can be taken from it about the Council’s arrangements for the eight areas of governance.
 - b) Proposing actions to be taken in 2021/22 to address any concerns identified.
 - c) Considering the progress made and consolidation of assurance areas for 2021/22.

Assurance mapping outcomes in 2020/21

6. **Appendix 1** (available on the internet) presents details of the evidence gathered for each of the eight areas. The evidence for each KLOE is presented across the three lines model. 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:

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Red - The evidence identifies weak assurance and points to significant cause for concern with a number of KLOEs. Urgent action is required.
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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.
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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
Strong assurance that budgetary control procedures are complied with	<p>Close in-year, monthly budget monitoring with due focus on volatile budgets - forecast underspend of £12.4m for 2020/21 across departmental budgets</p> <p>Balanced budget agreed for 2021/22</p> <p>Facing significant budget challenges ahead - Medium Term Financial Strategy (MTFS) shows cumulative budget shortfall of £51.4m over next 3 years</p>	Reasonable assurance from Internal Audit on budget forecasting procedures and financial resilience.



Green	<p>Significant budget challenge facing the Council</p> <p>Budgetary control procedures are strong</p>
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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

Financial Management – Financial Compliance

1 st Line	2 nd Line	3 rd Line
Strong 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, including budget monitoring.</p>	<p>Rolling 12-month reports of the Chief Internal Auditor confirm a reasonable level of internal control is in place</p> <p>Internal audit opinions issued provide positive assurance over internal control</p>



Green	Strong assurance available from all three lines of defence
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Developments and actions

No developments or additional actions are identified

Financial Management – Financial Prudence

<p>1st Line High degree of assurance of compliance with the Treasury Management Framework and Investment Strategy</p>	<p>2nd Line Strong cashflow management and bank reconciliation procedures Above average returns on prudent investments in an increasingly challenging environment Borrowing managed within the limits of prudential indicators</p>	<p>3rd Line Positive assurance from Internal Audit of Financial Resilience and Continuous Audit. CIPFA indicators of financial stress for 2019/20 show the Council as responding prudently to its known financial challenges.</p>
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Green	Prudent approach to addressing known financial challenges
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Developments and actions
No developments or additional actions are identified

Financial Management – Value for Money

<p>1st Line Corporate Director assurance statements provide reasonable assurance that service provision is under active and ongoing review</p>	<p>2nd Line Mixed levels of progress with transformation projects from performance dashboard. The transformation model and programme are delivering savings but still in a state of transition.</p>	<p>3rd Line External Auditor provided unqualified VFM conclusion for 2019/20 Transformation projects challenge service delivery and delivery of value for money</p>
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Amber	Strong focus on ensuring the transformation model and programme continue to drive improvements in VFM
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Developments and actions
<p>Relevant actions included in the AGS Governance Action Plan:</p> <ul style="list-style-type: none"> • Implement proposed changes to the transformation model and refocus performance management to support its delivery • 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
Reasonable assurance regarding frontline performance management and continuous service review	<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>	Positive assurance from Internal Audit Covid phase 1 and 2 response and recovery review



Amber	Framework in place which will be refreshed with the development of the new Council Plan
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Developments and actions

<p>Relevant actions included in the AGS Governance Action Plan:</p> <ul style="list-style-type: none"> The Council's Planning & Performance Management Framework will be reviewed as part of the development of the new Council Plan 2021-2025.
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Risk Management

1 st Line	2 nd Line	3 rd Line
<p>Strong focus on operational risk management in 2020/21, to handle the CV19 pandemic and flooding emergencies</p> <p>Risk management strategy and framework in place and reasonable assurance overall on frontline compliance with mitigating actions for the corporate risk register</p>	<p>Corporate risk register was brought up to date for the impact of Covid-19</p> <p>Updates on risk management to Governance & Ethics Committee have resumed</p> <p>Proposals for a revised approach to corporate risk management will be brought forward following the external Health Check.</p>	<p>Health check by the Council's insurers identifies scope for improvement in corporate risk management arrangements and risk maturity.</p> <p>British Standards Institution (BSI) awarded the Council ISO45001 Safety Certification</p>



Amber	<p>Effective operational risk management response for Covid and flooding emergencies</p> <p>Corporate risk management approach and strategy requires improvement</p>
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Developments and actions

<p>Relevant actions included in the AGS Governance Action Plan:</p> <ul style="list-style-type: none"> Implement changes to the delivery of corporate risk management, including the establishment of the Council's risk appetite
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Asset Management

1 st Line	2 nd Line	3 rd Line
Property Transformation Programme completed, and actions are being implemented	ARC and KPI Reporting Sub-Group established 27 KPI's for reporting – most are on track and remedial actions in pace where needed Statutory Compliance Testing reported by ARC – minor remedial work required for compliance New stock condition survey protocol established but only a limited number completed to date	Positive assurance from Internal Audit work in relation to Property Compliance and Facilities Management. Positive assurance from other external inspectors, such as British Standards Institution and External Audit.



Amber	The Property Transformation Programme has been completed and work continues to embed changes
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Developments and actions

Complete work on the Strategic Asset Management Plans and Property Asset Management Plans. Continue to develop the use of performance indicators to provide monitoring and oversight.

People Management – Safe Working Environment

1 st Line	2 nd Line	3 rd Line
Health & Safety policies remain in place Tools developed to cope with Covid 19 working arrangements	Internal inspections return positive assurance Reducing number of employer liability claims Reducing number of incidents overall, but some increase in RIDDOR reportable incidents	BSI inspections only identified minor issues; no enforcements or fines ISO 45001 British Standard in health and safety achieved



Green	Strong assurance from all three lines
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Developments and actions

No developments or additional actions are identified.

People Management – Staffing Capacity & Staffing Affordability

1 st Line	2 nd Line	3 rd Line
<p>Policy and procedure framework in place</p> <p>Reasonable assurance regarding completion of Employee Performance & Development Reviews (EPDRs) but completion rates low during pandemic</p>	<p>Staff turnover rates are manageable</p> <p>CLT dashboards developed for absence management during Covid19, which has reduced</p> <p>Departmental workforce modelling is continuing to be developed to review agency spend</p>	<p>Positive assurance from Internal Audit for workforce on Phase 1 and 2 Covid19 reviews</p> <p>Workforce modelling has been partly implemented in ASCH but delayed due to Covid19</p>



Amber

2020/21 was a challenging year for all the Council's staff. There are clear areas to develop as the Council moves into recovery and renewal

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>Positive feedback from Corporate Directors' assurance statements regarding staff induction.</p>	<p>Positive employee satisfaction with well-being survey</p> <p>Improvements seen in gender pay gap and diversity</p> <p>Workforce diversity is improving however work continues with disabled employees</p> <p>Covid19 training resources have been provided, mental health first aiders established</p>	<p>Substantial assurance from Internal Audit Covid19 review in relation to Smarter Working and Communication.</p> <p>Disability Confident Employer certification achieved and Disability Confident Leader assessment submitted</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, review and deliver refreshed training

Information Management

1 st Line	2 nd Line	3 rd Line
<p>Data security incident & breach management procedure in place</p> <p>Positive assurance from Corporate Directors' Annual Assurance Statements</p> <p>Mandatory Information Governance training is in place</p> <p>Framework of Policies and Standards</p>	<p>Information management is monitored through the Information Governance (IG) Board</p> <p>Regular reports to the IG Board monitor the challenge of cyber security and include action plans.</p> <p>CLT and IG Board monitor data breaches and DPIAs routinely.</p>	<p>Internal Audit activity has provided positive assurance in relation to Information Governance, Internet Controls, & Active Directory.</p> <p>Action plans are being implemented to resubmit Cyber Essentials accreditation.</p>



Amber	Controls are in place, but work continues to implement action plans regarding known areas for continuing improvement
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Developments and actions
Ensure Cyber Essentials action plan is completed to support accreditation

Commissioning & Procurement – Strategy and Resources

1 st Line	2 nd Line	3 rd Line
<p>Procurement Strategy in place to enable consistent approach</p> <p>Tool-kit and guidance available for 5 key areas of contract management</p>	<p>Management oversight by the Commissioning and Programme Boards.</p> <p>CLT receive contract management updates from Procurement which include KPI's.</p> <p>Further work required on links with D2N2, Health commissioning and ASCH tendering.</p>	<p>LGA virtual peer challenge of Inspire was generally positive</p> <p>Limited assurance from Internal Audit on Contract Management and Commissioning, however work is underway to address concerns.</p>



Amber	Strategy and Tool-kit in place with further work on application in progress
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Developments and actions
Application of commissioning tool-kit and contract management guidance will generate consistency in approach and deliver enhanced links with partners.

Commissioning & Procurement – Consistent and Effective

1 st Line	2 nd Line	3 rd Line
Centralised procurement function promotes a consistent approach through guidance and training on toolkits	<p>Commissioning Board engaged in the review of progress and outcomes</p> <p>Contract management practitioners group monitors implementation</p> <p>Spend analysis is undertaken across all departments. Covid 19 has impacted on the pace of change in commissioning</p>	<p>Limited 3rd line assurance available</p> <p>East Midlands regional commissioning group quarterly benchmarking</p> <p>External review of ASCH e-digital readiness.</p>



Amber

Rollout of improvements has been hampered by Covid19

Developments and actions

Continue to develop and monitor the compliance with application of corporate approach and guidance across all departments.

Transformation and change

1 st Line	2 nd Line	3 rd Line
<p>Major restructure and revised approach to transformation and change progressed in 2020/21</p> <p>New transformation projects start in 2021/22.</p> <p>Positive assurance from Corporate Directors on engagement with stakeholders</p>	<p>The delivery of current, departmental savings projects is on track.</p> <p>Routine reporting of transformation progress and project delivery.</p>	<p>Internal Audit review compared to NAO guidance provides reasonable assurance</p> <p>Work with the Council's transformation partner resulted in proposals for a new approach to transformation and change, along with core corporate programmes</p>



Amber

2020/21 was a significant year of discovery and transition for the Council's approach to transformation and change. 2021/22 will see a focus on implementation.

Developments and actions

Implementation of new structures and approaches to transformation and change to now drive forward the agreed, new programmes.

7. 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 continue to take appropriate and effective action to meet them.
- Remodelling the approach to transformation has progressed significantly and will bring a different approach to both transformation and performance management.
- The approach to corporate risk management will be revised which will further strengthen our insights and preparedness for future challenges.
- We continue to have strong arrangements in place for the effective management of our people, and this was effective through the pandemic emergency. We will continue to work on key developments to support staff through recovery and renewal.
- We have good arrangements in place in relation to information management and information governance, but remain vigilant to cyber-attack and data breaches.
- Improved commissioning and procurement processes are being rolled out and embedded and the Council actively promotes effective contract management to demonstrate value for money.

Use of the outcomes from Assurance Mapping

8. One of the primary aims of assurance mapping is to provide annual assurance to the Council that effective governance arrangements are in place in the areas that matter most to the Council
9. 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 Annual Governance Statement (AGS) for 2020/21 – the findings from this year's assurance mapping process have been used as a source of assurance for the statutory AGS.
 - b) Governance & Ethics Committee's work programme – this assurance mapping report provides an important steer for the Committee regarding the areas in which it may wish to seek further assurance in 2021/22.
 - 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 approach to audit planning and incorporates intelligence gathered from assurance mapping to identify priority needs. The intelligence gathered from this assurance mapping exercise to inform future plans includes:
 - considering performance monitoring in relation to the new Council Plan
 - development of the workforce models across all departments
 - delivery of action plans to ensure information management accreditation
 - implementation of commissioning and contract management across the Council
 - delivery of objectives for transformation projects.

Proposals for assurance mapping in 2021/22

10. Given that this is the third year of incremental change to the coverage of the assurance mapping exercise, it is felt an ideal time to consolidate work on the eight current areas of assurance. We will continue to report on the existing eight areas during 2021/22 and consider any new areas for the subsequent 2022/23 assessment.

Other Options Considered

11. 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 eight aspects of governance covered in 2020/21. This would preclude the measured widening of the scope to allow extended benefits to accrue.

Reasons for Recommendations

12. 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 consolidate the benefits of the approach to the current scope for the 2021/22 assessment.

Statutory and Policy Implications

13. 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.

14. 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 2021/22
- 2) The scope of the assurance map for 2021/22 is consolidated to focus on the existing eight assurance areas.
- 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 assurance delivered in the eight aspects of governance covered by the map and determine whether there are additional actions they would like to see implemented.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
Rob Disney, Group Manager – Assurance

Constitutional Comments (EKH 02/06/2021)

15. The recommendations fall within the remit of Governance and Ethics Committee under its terms of reference.

Financial Comments (RWK 02/06/2021)

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