

# North Tyneside Council Report to Audit Committee Date: 29 May 2019

## ITEM 5

Title: Annual Governance  
Statement Update

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**Report from Service:** Finance

**Report Author:** Janice Gillespie, Head of Resources (Tel: 643 5701)

**Wards affected:** All

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### PART 1

#### 1.1 Purpose:

1.1.1 The Annual Governance Statement (AGS) explains how the Authority delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6(1)(a) of the Accounts & Audit Regulations 2015 which require the Authority to publish an AGS.

1.1.2 The purpose of this report is to advise the Audit Committee of the outcome of the review of the Authority's system of internal control as presented in the AGS (Appendix A). The review will assist the Audit Committee in considering the effectiveness of the Authority's arrangements for the governance of its affairs, including arrangements for management of risks and systems for internal control.

#### 1.2 Recommendation(s):

1.2.1 It is recommended that the:

- (a) Audit Committee note the outcome of the review of the Authority's system of internal control;
- (b) Audit Committee consider the draft AGS and approve that it accompanies the Statement of Accounts for 2018/19; and
- (c) Audit Committee note the actions proposed in the AGS relating to any governance issues identified and make suggestions about including additional items if considered necessary.

#### 1.3 Forward plan:

1.3.1 This report is included within the annual workplan for the Audit Committee.

#### 1.4 Council plan and policy framework:

1.4.1 The AGS covers all the service responsibilities as identified within the Council Plan.

## **1.5 Information:**

- 1.5.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires audited bodies to conduct a review at least once a year of the effectiveness of its internal controls and produce an AGS. Good governance is fundamental to the proper running of the Authority. It enables an authority to pursue its vision effectively as well as underpinning that vision with control and management of risk. The arrangements in place must be proportionate to the risks and are acknowledged as being the responsibility of each authority in its area of operation. The process of preparing the AGS should add value to the effectiveness of the corporate governance and internal control framework.
- 1.5.2 The AGS has been compiled using a governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA originally published the framework 'Delivering Good Governance in Local Government' in association with SOLACE in 2007. CIPFA and SOLACE subsequently reviewed the framework to ensure that it remains fit for purpose and a revised edition was published in spring 2016. The framework builds on the existing one and details the principles that should underpin the governance of a local authority. The framework is based on seven core principles that feed into the AGS – a summary of these are shown in Section 3 of the AGS together with examples of the evidence supporting the principals in practice within the Authority. The AGS is attached as Appendix A.
- 1.5.3 The Chief Executive, Director of Public Health and each of the Heads of Service have been involved in populating the AGS with the evidence supporting how the principals are met within the Authority. The key documents/functions that have been reviewed as part of the compilation of the AGS together with an overview of the process are outlined in Appendix B. Section 5 of the AGS (Appendix A) outlines the outcome of the review of the effectiveness of internal control and identifies areas that have been highlighted as requiring continuous monitoring to ensure that they do not become significant governance issues in the future.
- 1.5.4 The risk management update, included in the agenda for this meeting, sets out the current corporate risks being managed and monitored, and for the purpose of completeness should be considered alongside this report. This process evidences an important part of the Authority's governance framework.
- 1.5.5 The AGS is a draft based on the information and evidence available as at the date of this meeting. If there are any issues raised by the external auditor during the audit of the 2018/2019 financial statements that require the AGS to be revised prior to approval by Council on 25 July 2019, a revised AGS will be presented to the Audit Committee for its consideration.

## **1.6 Decision options:**

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

## **1.7 Reasons for recommended option:**

The production of the Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015.

## **1.8 Appendices:**

Appendix A – Annual Governance Statement 2018/2019  
Appendix B – Annual Governance Statement Framework

## **1.9 Contact officers:**

Janice Gillespie – Head of Resources – Tel: 643 5701  
David Dunford – (Acting) Senior Business Partner – Tel: 643 7027

## **1.10 Background information:**

The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Annual Governance Statement 2018/19
- (b) 'Delivering Good Governance in Local Government' 2016 Edition (CIPFA)
- (c) 'Delivering Good Governance in Local Government: Guidance Notes' 2016 Edition (CIPFA)
- (d) 'The Role of the Chief Finance Officer' 2016 Edition (CIPFA)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no financial implications as a result of the recommendations within this report.

### **2.2 Legal**

The Annual Governance Statement is produced annually in accordance with regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

### **2.3 Consultation / community engagement**

The Chief Executive, Director of Public Health and all Heads of Service have been consulted. There will be a series of Member briefings during the summer on the Financial Statements before full Council approve the Annual Governance Statement on 25 July 2019.

### **2.4 Human rights**

There are no Human Rights implications as a result of the recommendations in this report.

### **2.5 Equalities and diversity**

There are no Equalities and Diversity implications as a result of the recommendations in this report.

## **2.6 Risk management**

The annual review of the system of internal control will cover all controls, including the arrangements in place for Risk Management within the Authority.

## **2.7 Crime and disorder**

There are no crime and disorder implications as a result of the recommendations in this report.

## **2.8 Environment and sustainability**

There are no environment and sustainability implications as a result of the recommendations in this report.



**North Tyneside Council**

**DRAFT**

**Annual Governance Statement**

**2018/19**

**29 May 2019**

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### Section

1. Scope of responsibility
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## 2018/19 Annual Governance Statement

### 1.0 Scope of Responsibility

North Tyneside Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards. It must make sure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. North Tyneside 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, North Tyneside 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.

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the publication the Annual Governance Statement (AGS).

### 2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives 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, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Tyneside Council’s policies, aims and objectives. By evaluating the likelihood of those risks being realised and the impact should they be realised, it allows the Authority to manage them efficiently, effectively and economically.

An Annual Report is produced by the Chief Internal Auditor, part of which provides an opinion from Internal Audit on the overall adequacy and effectiveness of the Authority’s control environment. This Statement includes any control issues that the Chief Internal Auditor has deemed significant and should be included within the AGS. These are identified where appropriate, and referenced to the Annual Audit Report.

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2019 and up to the date of approval of the Annual Financial Report.

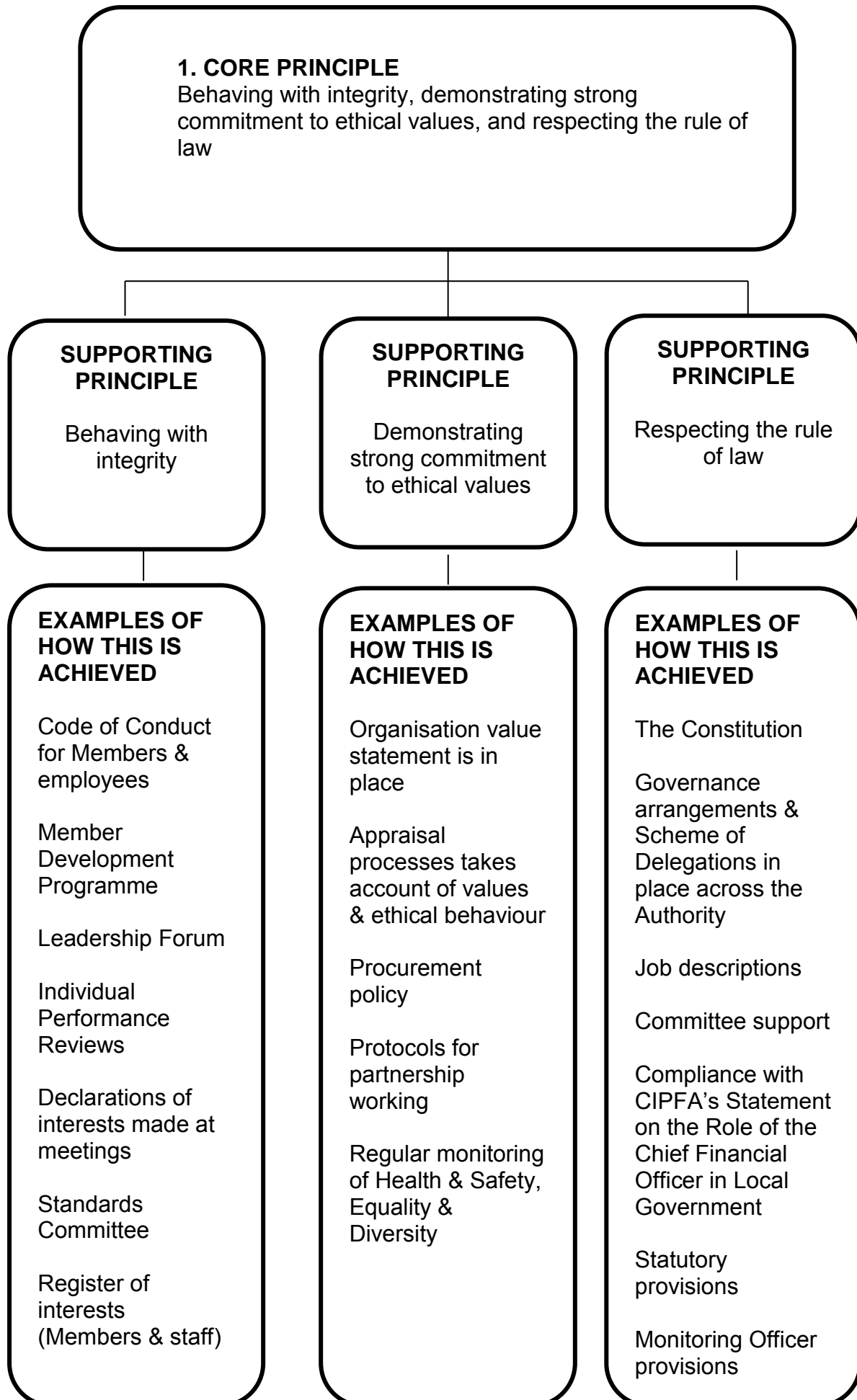
### 3.0 The governance framework

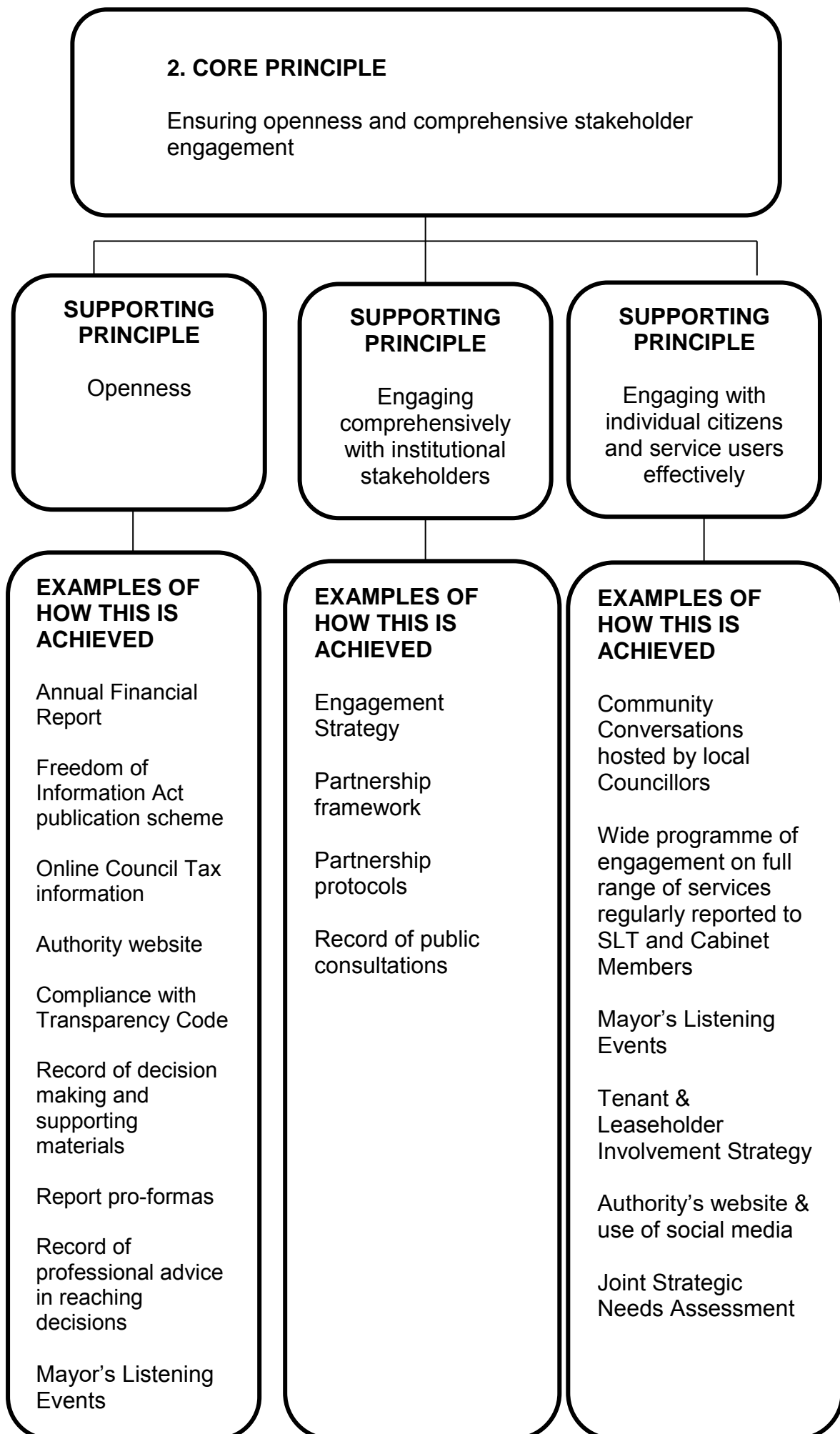
The governance framework is based on the core principles of corporate governance included in the CIPFA/SOLACE Framework. These principles are underpinned by key features that need to be in place to allow an authority to demonstrate that they comply with these principles. The diagram below sets out the seven fundamental principles:

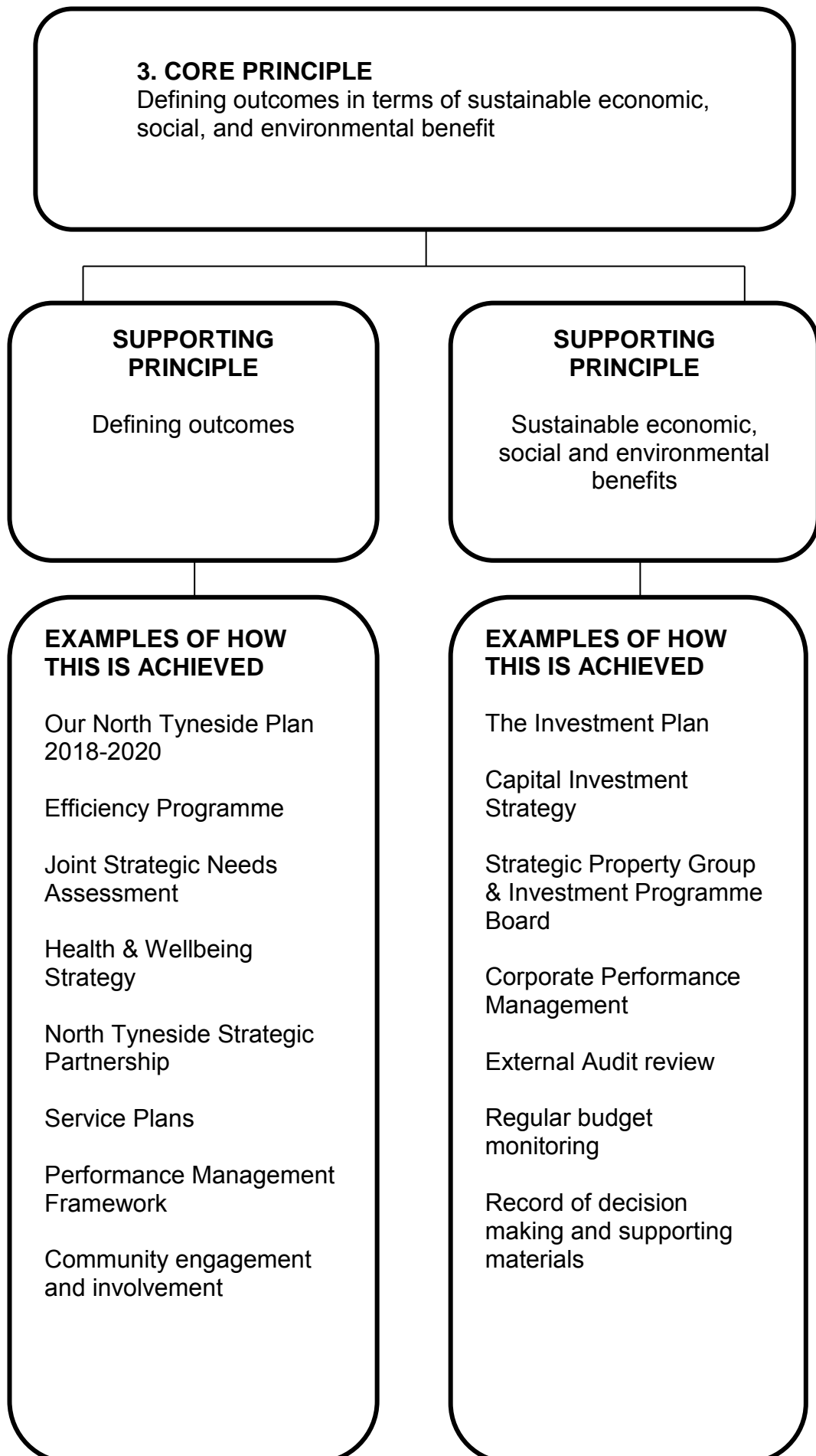


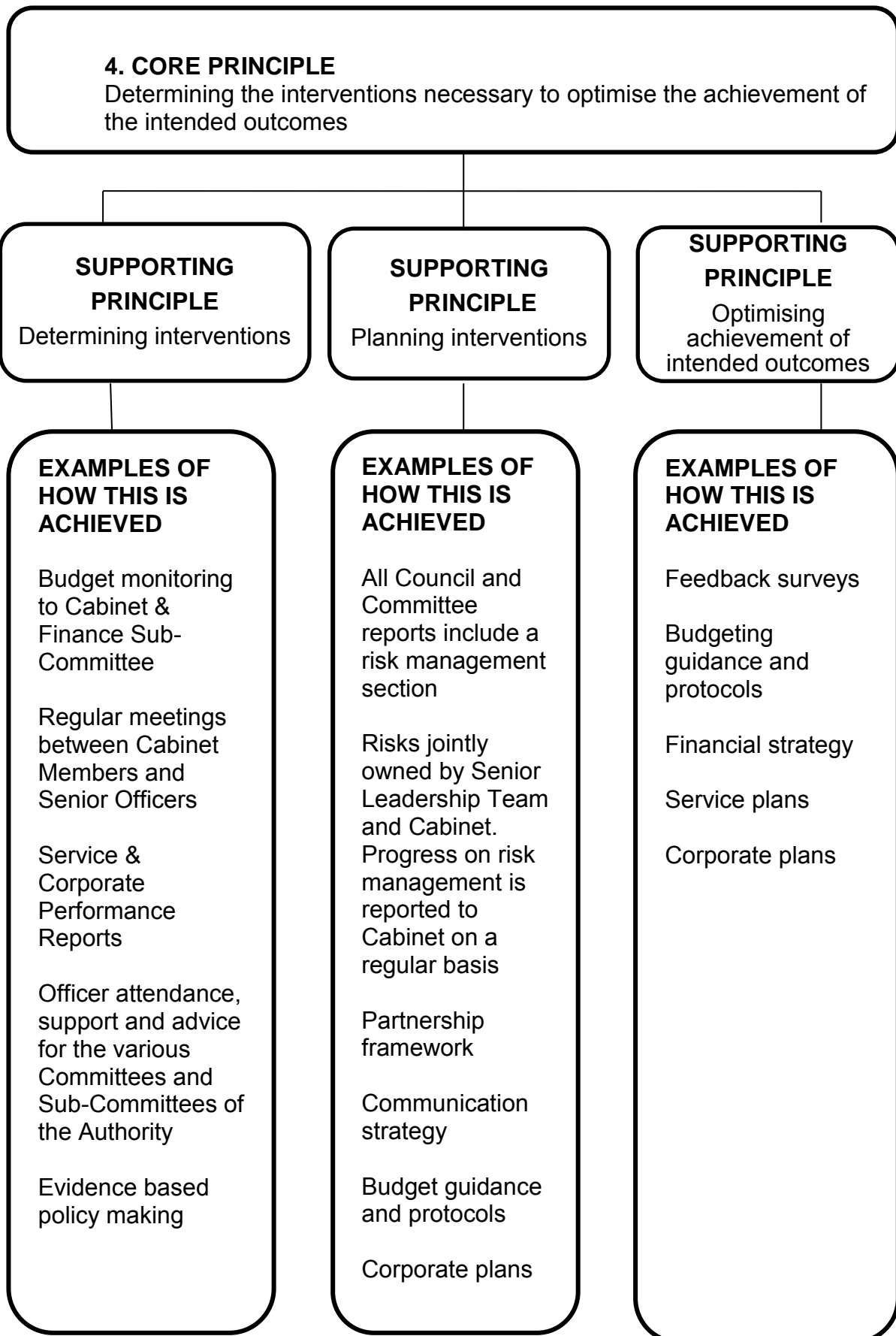


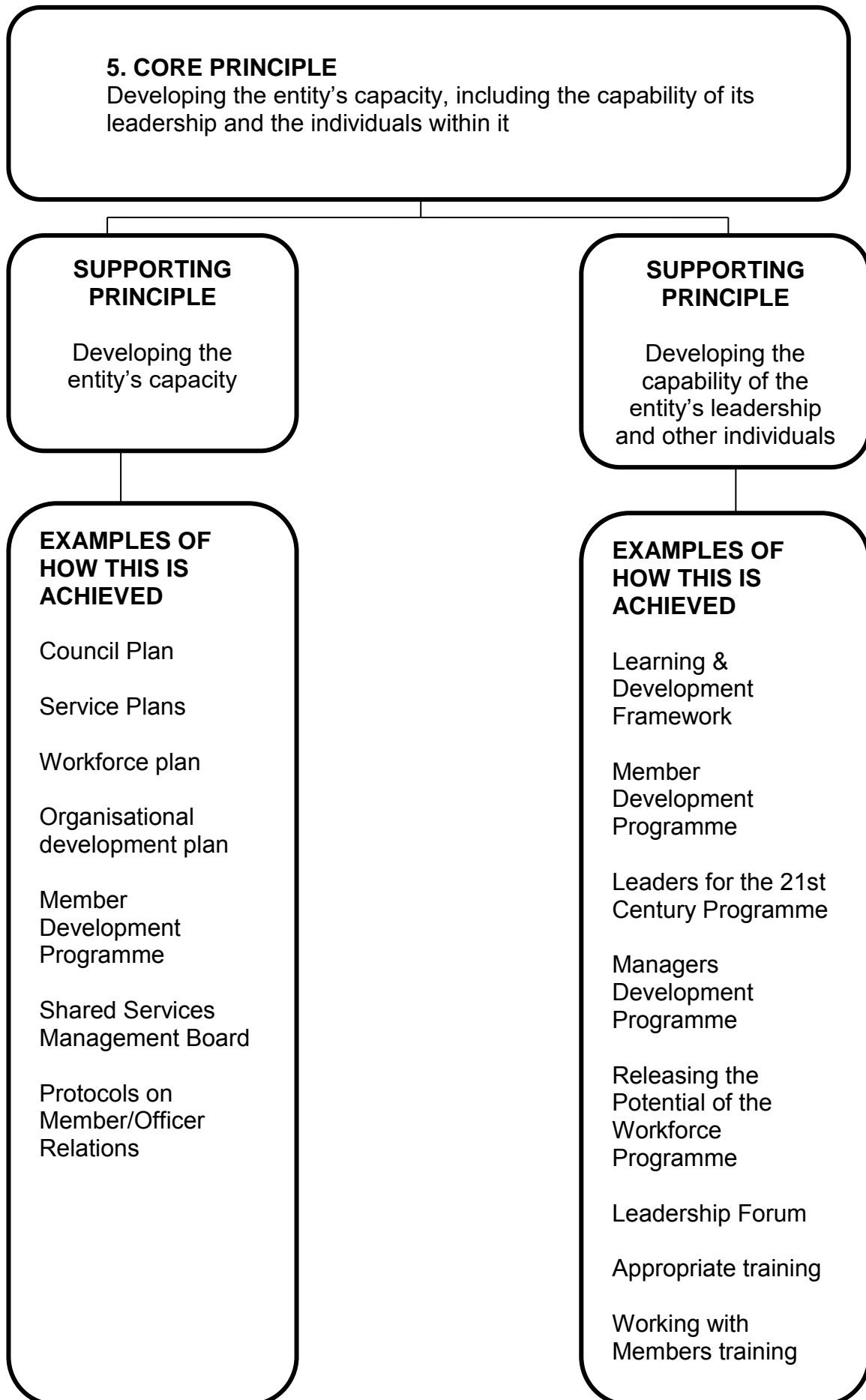
The key features that underpin each of the core principles, together with examples of how the Authority achieves them are outlined in the following diagrams.

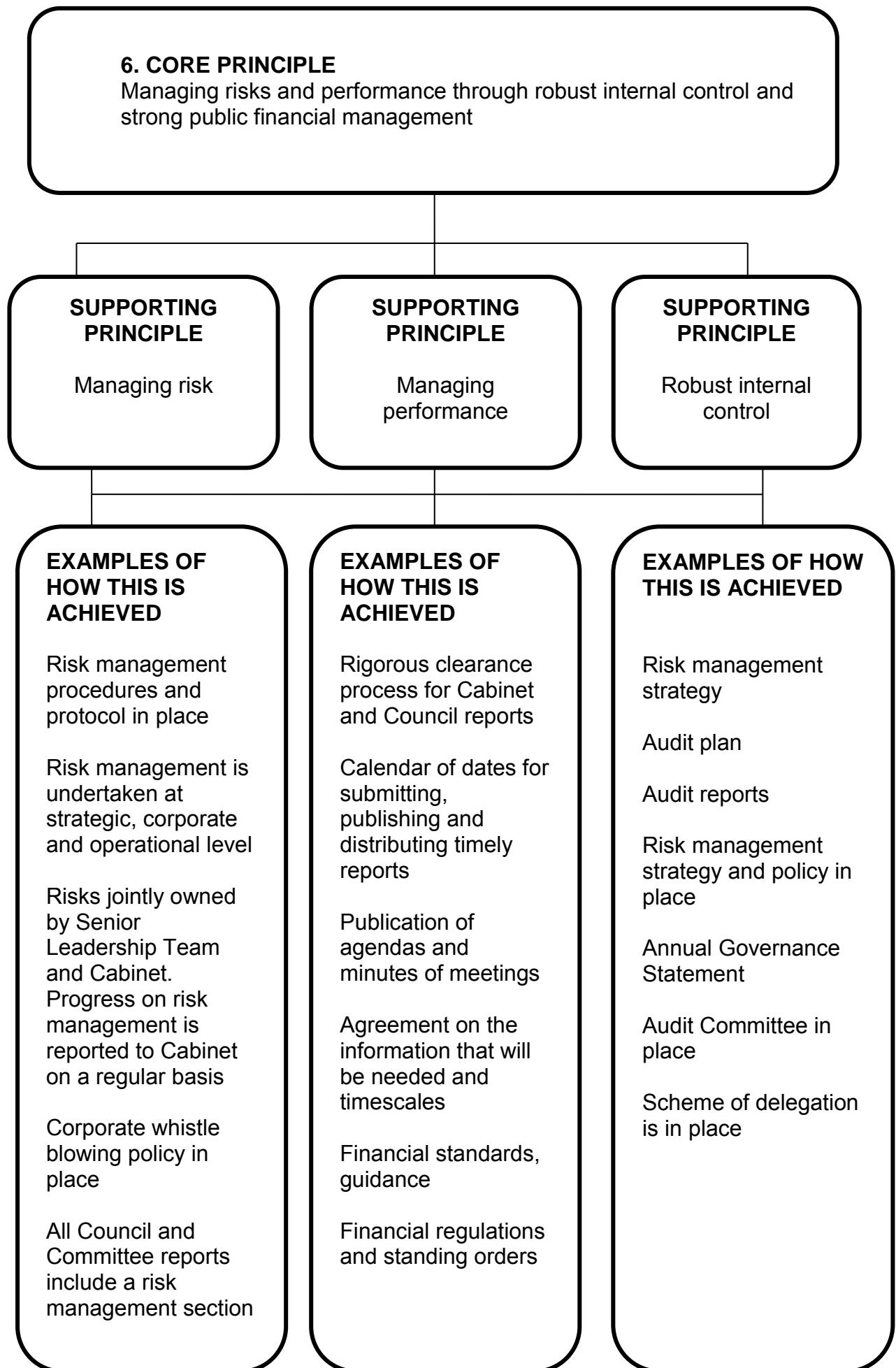


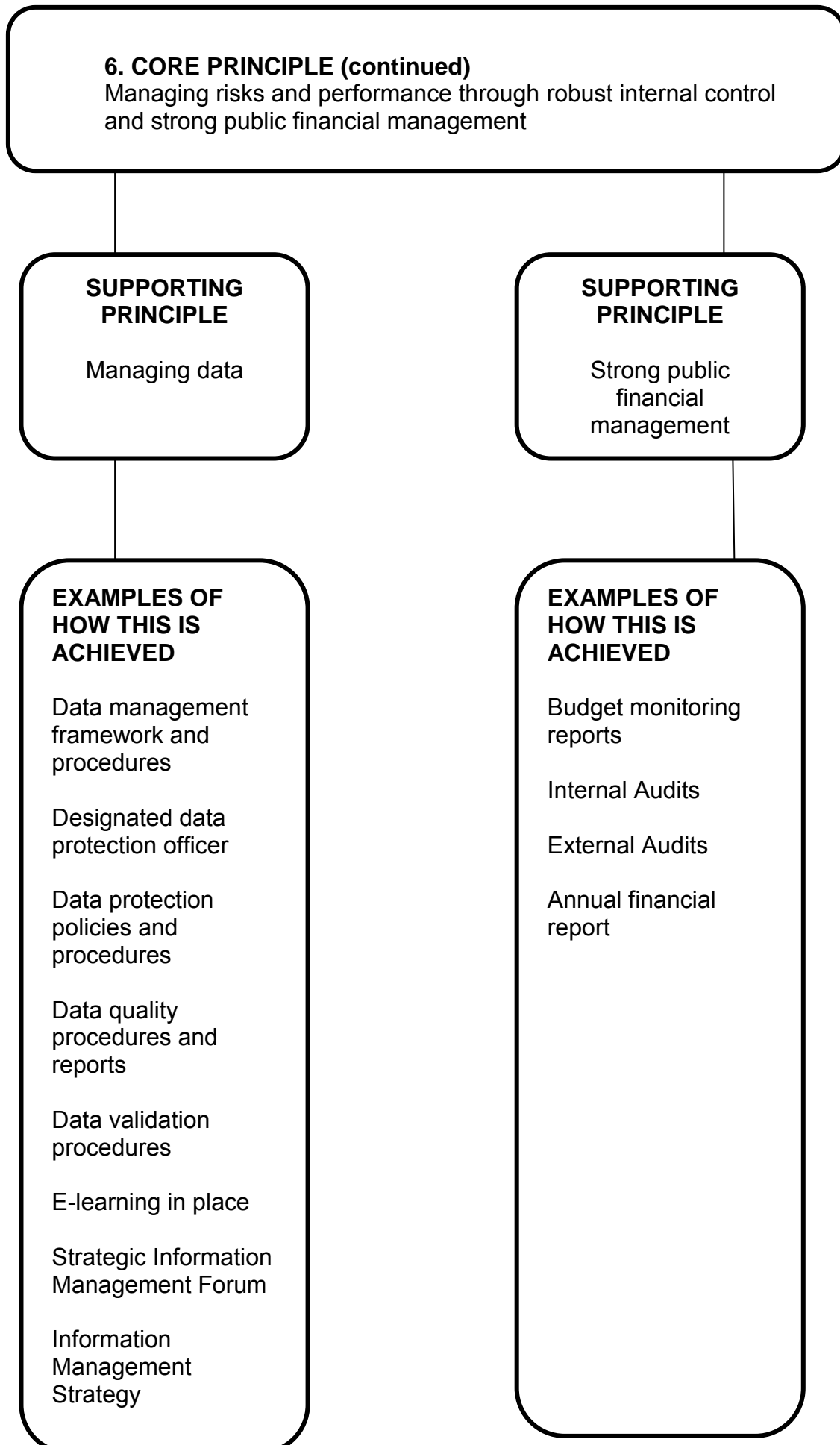


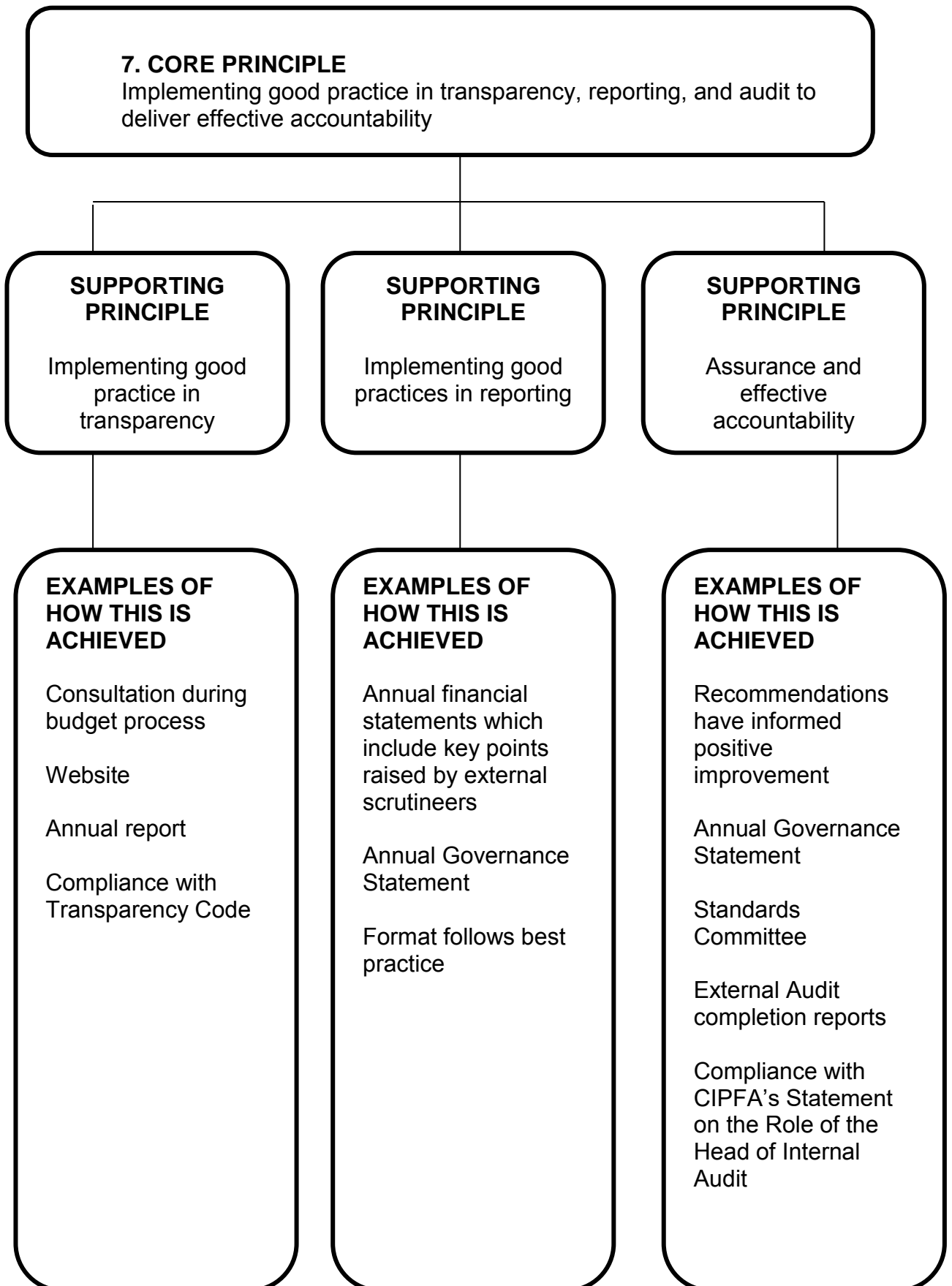














#### 4.0 Review of effectiveness

North Tyneside Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive, Director of Public Health and Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment.

Listed below are the processes that are applied in maintaining and reviewing the effectiveness of the governance framework on a continuing basis:

- **The Full Council** – The Full Council is responsible, within the scope of its responsibilities under law, for ensuring that the Authority’s business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The Elected Mayor, the Chief Executive and Chair of Council have signed this document;
- **The Council’s Executive** – The Council’s Executive comprising the Elected Mayor and Cabinet is responsible, within the scope of its responsibilities under the law, for ensuring that the Authority’s business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Cabinet document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the AGS are reported to, and discussed with, the Elected Mayor;
- **Head of Paid Service** – The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority’s staff in accordance with Section 4 of the Local Government and Housing Act 1989;
- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. The CFO has completed a governance statement which outlines the arrangements that are required to ensure that the CFO duties can be carried out effectively. The statement is based on “The Role of the Chief Finance Officer” published by CIPFA;
- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Cabinet as set out in Section 5(2) of the Local Government and Housing Act 1989;
- **The Senior Leadership Team** - The Senior Leadership Team acts as the organisation’s overall ‘management board’, providing strategic direction to enable the business of the Authority to be undertaken. The Team provides

ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The AGS is reviewed by the Senior Leadership Team as part of the production of the Statement;

- **The Audit Committee** - The Audit Committee improves corporate governance by reviewing the stewardship of the Authority's resources. The Audit Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit Committee. The terms of reference of the Audit Committee state that they receive the information necessary to undertake an annual review of the effectiveness of the Authority's system of internal control, will agree the methodology for the preparation of the AGS and will monitor the action plan prepared to address the issues identified in the AGS;
- **Overview, Scrutiny & Policy Development** - The Overview, Scrutiny & Policy Development Committee is about improving services for the people of North Tyneside by influencing decision makers. This is achieved by: acting as a critical friend to the Elected Mayor and Cabinet, investigating issues of interest and concern to communities within North Tyneside, involving communities in its work and making recommendations to decision makers on how services can be improved. There are currently seven Overview, Scrutiny & Policy Development sub-committees which cover all Authority services:
  - Finance;
  - Adult Social Care, Health and Well Being;
  - Children, Education, and Skills;
  - Environment;
  - Economic Prosperity;
  - Housing; and
  - Culture & Leisure
- **Standards Committee** - The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests. The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);
- **Health & Wellbeing Board** – The Health & Wellbeing Board is in place to ensure that there is an integrated approach to the provision of health and social care services in the area. The Board is responsible for: encouraging the commissioners of health and social care services to work in an integrated manner to improve the health and wellbeing of people in the area, including the making of joint arrangements; preparing a Joint Strategic Needs Assessment, Joint Health and Wellbeing Strategy and Pharmaceutical Needs Assessment; and encouraging the commissioners of health-related services, such as housing, to work closely with the Board and the commissioners of health and social care services. The Authority's Director of Public Health and statutory Director of Adult Social Services and Children's Services form part of the Adult Social Care, Health & Wellbeing Board;

- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, statutory Director of Adult Social Services and Children’s Services and other senior officers involved in Safeguarding. The Group not only provides adequate and regular assurance for the statutory functions for Adult and Children’s Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs. A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;
- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment. Although part of the Authority’s overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Auditor provides an annual summary of the results and conclusions of the year’s work, this report includes an opinion on areas included within the AGS;
- **Risk Management Groups** – Risk Management is undertaken at operational, strategic and corporate level and is also a main element of managing our key projects and partnerships. The Authority’s Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority’s priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member. All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, relevant Board, Senior Leadership Team, Cabinet, and the Audit Committee;
- **External Audit** - Officers meet regularly with the External Audit team, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through the Annual Audit Letter and the Audit Completion Report; and
- **Partnerships** - a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for ENGIE) and the Cabinet Members for Housing, Environment & Transport and Community Safety & Engagement (for Capita) also attend the relevant meeting. The OPB is the main interface between North Tyneside Council and ENGIE/Capita. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by ENGIE/Capita or the Commercial Services Team. The OPB escalates risks and issues to the Strategic

Partnership Board, which in turn escalates risks and issues to Cabinet as appropriate.

All of the above work has been used in compiling this Statement and arriving at an assessment of the internal control arrangements in place within the Authority.

**5.0 Overall assessment of Governance Arrangements in place**

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Authority’s objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See “Annual Governance Statement 2018/19” section of the Internal Audit Service report “2018/19 Opinion on the Framework of Governance, Risk Management and Control”.

As a result of reviewing the evidence outlined, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2018/19 within the Authority were adequate.

**5.1 Outlook**

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority’s assurance statement, some issues were identified that will need to be monitored during 2019/20. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2019 Audit Committee Report</b>
<p><b>Housing Revenue Account (HRA)</b> – there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a result of reduced income to the HRA.</p>	<p>Government policy on Welfare Reform has resulted in a number of direct challenges to rent collection, for example the Spare Room Subsidy and the Benefit Cap.</p> <p>Further Welfare Reform changes, including the roll out of Universal Credit that commenced in May 2018.</p> <p>This is the final year of a four-year 1% p.a. rent reduction brought around by the Welfare Reform and Work Act 2016.</p>	<ul style="list-style-type: none"> <li>• Any impact from changes in Government legislation is reflected in the HRA plan and approved by Cabinet as part of the annual review of the HRA.</li> <li>• Revised 30-year Capital Investment Plan is in place.</li> <li>• The Authority has representation on the MHCLG (Ministry for Housing, Communities &amp; Local Government) and the CIPFA HRA working groups. Specific issues can be raised</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
		<p>through these forums and the Authority can also comment and influence changes on HRA regulations.</p> <ul style="list-style-type: none"> <li>• The Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income.</li> <li>• Self-service/agile working, through the implementation of self service and agile working overall costs should be reduced.</li> <li>• The Government announced during 2018 that it will be removing restrictions on the HRA borrowing cap, and that authorities will purely operate under the same rules that apply to the General Fund in accordance with the Prudential Code i.e. affordability being the key issue.</li> <li>• The insourcing of the repairs &amp; maintenance construction service brings with it financial benefits creating greater financial flexibility to balance the HRA.</li> <li>• A watching brief will be kept on the implications of any further Government proposed changes as they arise, and appropriate representations will be made to Government.</li> </ul>
<b>Implementation of Universal Credit Full</b>	The impact of the Universal Credit (UC) roll out over 2019/20. The full service was implemented	<ul style="list-style-type: none"> <li>• Partnership working to support the claimants of UC with Community</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
<p><b>Service</b> – there is a risk on resident's finances both in them receiving the payment and their ability to manage their finances on a monthly basis. Risks also exist around the HRA if rent arrears increase as a result.</p>	<p>on 2 May 2018 by Job Centres in North Tyneside. This brings families with children into scope.</p> <p>The potential impact on resident's finances and the delay in receiving initial payment is a concern, although Government have provided some additional support measures with 2 weeks additional Housing Benefit and promotion of advanced payments.</p> <p>Resident's ability to make and maintain claims online and their ability to manage finances on a monthly basis is also a challenge.</p> <p>The impact on the HRA, as claimants receive their Housing element of UC directly and have to make payment to the authority (currently Housing Benefit paid direct to Local Authority) is a challenge to maintain rent collection levels.</p>	<p>and Voluntary Sector and Job Centre Plus.</p> <ul style="list-style-type: none"> <li>• Referral mechanisms established to support residents with ICT Skills to claim and update UC claims as well as managing budgets.</li> <li>• Promotion of Direct Debit. Also use of alternative payment arrangements where appropriate to support vulnerable residents.</li> <li>• Expanding the UC Support Team to ensure that arrears balances are closely monitored and controlled.</li> <li>• Introduced Employability Officers x3 to support claimants back into employment.</li> <li>• Introduced analytical software to target support to the most vulnerable UC claimants.</li> <li>• An officer is in place to manage the electronic real-time notifications that are received from the Department for Work and Pensions in relation to new claims and payments.</li> </ul>
<p><b>Efficiency Savings Programme</b> There is a risk that if the programme not successfully implemented the Authority may be unable to deliver improved services and meet the</p>	<p>Reductions in central government funding combined with increasing demand levels for the Authority's services has required the Authority to develop new ways of working. The Authority is aiming to deliver high quality services with fewer resources at its disposal.</p> <p>Any required savings are</p>	<ul style="list-style-type: none"> <li>• Governance framework – there are monthly updates via Senior Leadership Team (SLT) and the Leadership Forum. In addition, as part of the Financial Management Function quarterly Budget &amp; Performance Sessions are held with Cabinet Members. This ensures</li> </ul>

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2019 Audit Committee Report</b>
<p>increased demand on Council services within reducing resources.</p> <p>There is a risk that budget monitoring does not fully align with the efficiency programme.</p>	<p>therefore required to fit with the Efficiency Statement to ensure the council is still in a position to deliver the quality of services its residents expect.</p> <p>To enable the objectives of the Efficiency Statement to be met it is important that the current monitoring processes that are in place will enable robust financial and service challenges to continue throughout the year.</p>	<p>that there is visibility and accountability.</p> <ul style="list-style-type: none"> <li>• Regular updates are reported to Lead Member Briefings. This informs Cabinet Members of progress and of any issues.</li> <li>• The Efficiency Statement addresses the financial challenge whilst enabling the Authority to deliver Our North Tyneside Plan priorities. A number of business cases have been put in place to support the delivery of the Efficiency Statement and associated reduction of costs.</li> <li>• A refreshed Joint Strategic Needs Assessment (JSNA) is in place which provides a new approach to needs assessment to provide an improved foundation for the Efficiency Statement.</li> <li>• The Risk Register highlights and reports key risks attached to the strategic aims of the Efficiency Savings Programme. The Efficiency Savings Programme Board receive this report enabling informed decisions to be made.</li> </ul>
<p><b>Impact of the development of the Integrated Care System (ICS) across North East and North Cumbria and the Integrated Care</b></p>	<p>The purpose of the ICS and ICPs in the NHS is to ensure that health and care services are based upon the needs of local populations in order to support the successful implementation of the NHS 5 Year Forward View (5YFV) and the NHS Long Term Plan. The ICS and ICPs are</p>	<ul style="list-style-type: none"> <li>• Following previous controls identified, including the letter from North Tyneside Council to NHS England and monitoring by the Head of Health, Education, Care and Safeguarding and the Chair of the</li> </ul>

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2019 Audit Committee Report</b>
<p><b>Partnerships ICPs (which have replaced the former Sustainability and Transformation Plans)</b> –there are concerns about the extent to which the Authority has been a true partner in its development. The concern centres on engagement and involvement of local authorities and understanding the financial implications of the plans upon the ability of the Authority to deliver services to residents, such as, adult social care, children’s services and public health.</p>	<p>intended to bring together key partners across Clinical Commissioning Groups (CCGs), Foundation Trusts, local authorities and other health and care service providers to improve health outcomes and to better manage operational challenges in the NHS to achieve sustainability.</p> <p>The ICS has identified a number of priority areas of work including prevention, optimising health services, digital transformation, workforce transformation and mental health.</p>	<p>Health and Wellbeing Board, a Health Scrutiny Committee has been established jointly across local authorities.</p> <ul style="list-style-type: none"> <li>• The Chair of the Health and Wellbeing Board and senior council officers have received updates and a number of presentations from chief officers within the NHS on the progress of the ICS, ICP and the Long-Term Plan and the implications at the meetings of the North Tyneside Health and Wellbeing Board.</li> <li>• The Head of Health, Education, Safeguarding and Care and the Director of Public Health are involved in the ICS work streams relating to prevention, mental health and child health.</li> <li>• A watching brief will be kept on the implications of the Governments’ Green Paper on Care and Support for Older People and the Green Paper on Prevention. Once they are published considerations will need to be made to any changes coming as a result.</li> </ul>
<p><b>Business Rates</b> - There are a number of risks with new Government proposals to move to a 75% or 100% retention policy.</p>	<p>There are on-going discussions and moves by Central Government to implement 100% Business Rate Retention for Local Authorities. This initiative has been delayed in this parliament and latest position is a consideration of 75% retention by local authorities by 2020/2021.</p> <p>Increased retention will</p>	<ul style="list-style-type: none"> <li>• The Authority, along with it’s North of Tyne partners has entered a 75% retention pool for 2019/20. This will act as a trial for the impact a switch in national policy might have on North Tyneside.</li> <li>• A Task &amp; Finish Group, Business Rates</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
	<p>potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as a greater % of business rates will be retained.</p> <p>However, a lack of business growth or the shutting of a business will have a negative impact on the Authority's revenues.</p> <p>The Authority will also have to bear an increased % of business rates appeals, this was previously 50%.</p> <p>The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed.</p>	<p>Retention, has been set-up to influence central government direction on the proposed Business Rates Retention system. This has involved the establishment by the Local Government Association (LGA) and MHCLG of an officer-level steering group and 3 working groups. The working groups meet regularly and cover service responsibilities, needs &amp; redistribution, system design, accounting &amp; accountability and business interests.</p> <ul style="list-style-type: none"> <li>• Presentations have been received from MHCLG both to the region and jointly to the Local Government Association.</li> <li>• The Authority considers and responds to consultations issued on the proposed changes to business rates.</li> <li>• Weekly monitoring of the Valuation Office appeals data is carried out to gain an understanding of the Authority's position.</li> <li>• MHCLG continue to consult on business rate retention as it links in with Governments Fair Funding Review and devolution of further responsibilities.</li> </ul> <p>Proposals to change risk on appeals, Central Government bearing cost, with top slice to each authority's funding.</p> <ul style="list-style-type: none"> <li>• Valuation Office Agency</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
		<p>have introduced new appeals process from 1 April 2017 called check, challenge, appeal which introduces additional processes to reduce the number of appeals made. Large reduction in number of appeals has been seen in first year of scheme. The Authority has made prudent judgements on potential impact of appeals on the collection fund accounts and monitor this on a monthly basis.</p>
<p><b>Information Governance</b> – there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.</p>	<p>Some information held by the Authority is extremely sensitive in nature which requires robust policies and systems to be in place to ensure that it is as secure as possible, and that staff are fully aware of the procedures that they need to follow when dealing with such information.</p> <p>From May 2018 the General Data Protection Regulation (GDPR) came into force. The GDPR sets out a number of new requirements for organisations. The new regulation places greater emphasis on accountability, for example informing residents in more detail about how the Authority will handle their data, shorter timescales for dealing with subject access requests and breaches, increased fines for non-compliance, data protection impact assessment (DPIA) must be carried out prior to commencing new processing activities, considering data privacy and protection at the start of a project (also known as Privacy by Design).</p>	<ul style="list-style-type: none"> <li>• Compulsory e-learning in respect of information sharing and information governance awareness training. It is mandatory for all staff handling information to undertake e-learning.</li> <li>• Strategic Information Management Forum. This is an assurance group which consists of Heads of Service and Senior Managers. Their role is to help to ensure that the Authority's information governance, IT systems and processes are fit for purpose. The Group enables Senior Managers to ensure that consistency is applied to the approach to information governance and sign off of referrals to the Information Commissioner's Office.</li> <li>• Information Management Strategy, this sets out how the Authority will manage its</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
		<p>information going forward.</p> <ul style="list-style-type: none"> <li>• Information governance standards for the sharing of information with partners. Data sharing was included in the contractual arrangements with both the Business and Technical Partners. An additional data sharing agreement has been produced for the business partner to reflect ICT services. It sets out procedures that staff need to follow in order to obtain access to information systems. A Data sharing Agreement is also in place for the Trading companies.</li> <li>• Strategic Information Governance Officer – providing a corporate approach working with day to day managers of the information governance processes and procedures, ensuring a training plan is in place and implemented.</li> <li>• The Authority has appointed a new Senior Information Risk Owner at SLT level, which will oversee Information Governance operations.</li> <li>• Work is continuing to embed data protection legislation across the Authority. Privacy Notices have been produced, the procedure for data protection requests has been reviewed and implemented and the</li> </ul>

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		<p>Information Governance policies have been updated. Current data sharing and data processing agreements have been reviewed and updated and work continues on the Archive to reduce the number of documents being stored.</p> <ul style="list-style-type: none"> <li>• Implementation of ICT Tolling which will include SharePoint will introduce a Records Management System which will include robust document retention and disposal systems.</li> </ul>
<p><b>Partnerships –</b> There is a risk that partner organisations governance arrangements and service plans do not align with the Authority's.</p>	<p>The Authority needs to continue to manage and review governance arrangements that are in place in respect of all partnerships to ensure required services are continued to be delivered against agreed service plans whilst demonstrating value for money.</p> <p>In addition, the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.</p>	<ul style="list-style-type: none"> <li>• The Governance structure that is in place ensures that the governance to manage partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group.</li> <li>• The performance payment mechanism ensures that the correct payments are made in relation to the partners.</li> <li>• Alignment of the Efficiency Statement with ENGIE strategic plans will ensure all parties are aware of how the business partnership is working towards developing the Authority's priorities and ENGIE business plan.</li> <li>• ENGIE and Capita continue to work with the Authority to deliver the 'Our North Tyneside Plan' along with Efficiency Statement</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
		<p>objectives. The aim is to ensure that partnership delivery plans are in line with policy objectives. This is reflected in their annual service plans.</p> <ul style="list-style-type: none"> <li>• The Capita Deed of Variation has now been agreed and implemented.</li> <li>• The Schedule 9 Benchmarking exercise for the Capita contract as completed in year and reported through OPB and SPB. Development and monitoring of the Annual Service Plan continues and performance against these plans are reported through OPB and SPB.</li> <li>• A Schedule 9 Benchmarking Best Value Review is scheduled for year 8 of the Engie contract (2020) and work will be on-going during 2019 to prepare for this review. A review of Good value is required to enable extension of the Contract to a 15-year term.</li> </ul>
<p><b>Exit from the European Union</b> – there is a risk that the Authority may be placed at a disadvantage following the decision to leave the European Union (EU) in both financial and economic growth terms. - there is an</p>	<p>The decision to leave the EU has resulted in a number of uncertainties including whether Central Government will fill the gap left by European Funding on a like for like basis.</p> <p>There is also the potential impact on businesses within North Tyneside which will vary depending on their reliance on Europe as a market and their sensitivity to fluctuations in monetary value. The full extent of</p>	<ul style="list-style-type: none"> <li>• The potential impact from leaving the EU has been included in the Authority’s Financial Strategy. This will help to ensure that potential areas of impact following EU exit will be highlighted and included (where relevant) in budget planning.</li> <li>• Announced at Conservative Party Conference that funding</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
<p>opportunity to work closely with other local authorities, NELEP and the North of Tyne Combined Authority within the region to exploit new areas of growth and financial streams.</p>	<p>the impact will not be clear until the precise trade terms are known which will apply once the UK formally leaves the EU.</p> <p>Opportunities will also arise covering:</p> <p>An opportunity for partnership between businesses and the Authority to work together more effectively to stimulate and support economic growth opportunities;</p> <p>An opportunity for a comprehensive approach to establish the River Tyne as a hub for offshore and renewable energy investment; and</p> <p>There is an opportunity for local authorities to work more collaboratively with wider business partners through the Combined Authority and the North East Local Enterprise Partnership (NELEP).</p>	<p>will be extended until Britain officially leaves the EU. If this funding is honoured, it will offer a degree of certainty until we leave the EU.</p> <ul style="list-style-type: none"> <li>• Further announcement from Government in July 2018 that they would underwrite EU funding even in a 'no deal' scenario for funds approved prior to 2020. This will enable the Authority to bid for an extension to the Business Factory start-up and business growth support until December 2021.</li> <li>• Funding has been made available from Central Government to help deal with any adverse impacts from Brexit. This will alleviate some of the financial and resource pressures the Authority may face when managing the impacts from Brexit.</li> <li>• Existing regeneration schemes are planned against known funding opportunities. This minimises the impact on schemes if funding opportunities are withdrawn.</li> <li>• Keep a watching brief, this will ensure that any changes whether to funding or legislation will be identified and acted upon.</li> <li>• The Authority is a member of various regional groups. This will help the Authority to keep up-to-date on</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2019 Audit Committee Report
		<p>progress and have the opportunity to exert influence via these groups, for example the Local Government Association.</p> <ul style="list-style-type: none"> <li>• Effective high-level engagement with key businesses. Appropriate high-level relationships will enable us to monitor emerging impact of Brexit on our key businesses.</li> <li>• Explore alternative funding opportunities. This will enable the Authority where possible to secure future funding that is not reliant on the EU.</li> <li>• The Authority has established the Brexit Working Group. The group will oversee the management of Brexit across the Authority. It takes into account information and guidance received from Central Government and regional groups. The group has identified and is managing risks attached to Brexit and it assesses the resilience of the Authority to ensure we are prepared to deal with the impact.</li> </ul>
<p><b>Devolution</b> – There is a risk that the Authority may not be able to maximise the opportunities presented by securing a devolution deal for North of the Tyne (NOT).</p>	<p>The North of Tyne authorities have established a North of Tyne Mayoral Combined Authority following a Devolution deal from Central Government. This required the previous arrangements with the North East Combined Authority (NECA) to change. The Authority will need to be mindful of any on-going governance issues the new</p>	<ul style="list-style-type: none"> <li>• The North of Tyne Combined Authority is now in existence, with its first elected Mayor in office.</li> <li>• The Elected Mayor and Deputy Mayor are members of the North of Tyne Cabinet.</li> <li>• The North Tyneside Working Group,</li> </ul>

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2019 Audit Committee Report</b>
	Combined Authority may bring, specifically around their impact on North Tyneside Council.	including Authority staff and elected members, continues to meet to ensure information is shared and all parties are involved to maximise the potential benefits for North Tyneside. Chief Officers within North Tyneside Council are currently occupying critical roles in the new Combined Authority.

**6.0 Signatures**

We, the undersigned, propose to ensure the areas identified above are monitored during the coming year in order that the governance arrangements within the Authority remain effective. These will be reviewed throughout the year.

**Signed:**

.....

**Elected Mayor**

**Chief Executive**

**Date:** .....

**Date:** .....

.....

**Chair of Council**

**Date:** .....

I confirm that the Audit Committee (at its meeting 29 May 2019) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2018/19, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

.....

**Chair of the Audit Committee**

**Date:**.....



## Annual Governance Statement (AGS) Framework

### Evidence is gathered from a variety of sources including:

The Governance Framework – examination of key documents/functions

Council and Service Policies

Business Plans and Risk Registers



### Supporting evidence and assurances are reviewed – this comes from:

Internal Audit – periodic and annual reports

Financial Management – financial plans, statutory returns, external audit

Members Assurance – scrutiny functions, Standards Committee

Risk Management – risk management strategy

Assurance Statement – completed annually

Chief Finance Officer's Statement – completed annually

Council and Cabinet Meetings



**Draft AGS compiled together with action plan to address any identified governance issues**



**Draft AGS and action plan reviewed by Senior Leadership Team and Chief Executive**



**Draft AGS presented to Audit Committee for review and approval**



**AGS signed by Elected Mayor, Chief Executive, Chair of Council and Chair of Audit Committee**



**AGS included within the Annual Financial Report**