

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

3 MARCH 2016

INTERNAL CONTROL MATTERS FOR THE CENTRAL SERVICES DIRECTORATE

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To provide an update to members of progress against the areas for improvement identified in the Central Services (CS) Directorate's Statement of Assurance.
- 1.2 To provide details of the latest Risk Register for the CS Directorate.

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the CS Directorate, the Committee receives assurance through the work of internal audit (detailed in a separate report to the Committee), details of the Statement of Assurance provided by the Corporate Director, together with the Directorate Risk Register.

3.0 STATEMENT OF ASSURANCE

- 3.1 Management Board, the Chief Executive and each Corporate Director produce a Statement of Assurance (SoA) at the end of each financial year. In this statement the Corporate Director identifies those items that may give rise to internal control or performance risk issues for the Directorate in the coming financial year. These issues feed into the process to produce the Annual Governance Statement prepared for the County Council.
- 3.2 The SoA for the CS Directorate identified a number of areas for improvement during 2015/16 together with proposed actions. These areas were considered at the meeting of this Committee on 5 March 2015. The relevant part of the SoA is attached as **Appendix A** together with comments and updates on progress since that meeting.
- 3.3 In addition to the update of the SoA in Appendix A, it is worth noting the County Council has agreed that the LGA will conduct a Corporate Peer Challenge (CPC) during 8th to 11th March 2016. The aim of this review will be to test not only the plans we have in place to take us to the year 2020 and beyond but also the confidence we have in achieving those ambitions. The confirmed peer team will be formed of:
 - Pete Rentell – LGA representative
 - Gill Steward – Interim CEO, West Sussex County Council (lead peer)
 - Robert Flinter – Deputy Director of People and Head of Transformation, Staffordshire County Council

- Rob Aycliffe – Head of Policy & Performance, Gloucestershire County Council
- Colin Noble – Council Leader, Suffolk County Council

Upon completion of the review, the LGA will share their initial findings verbally with the Leader and the Chief Executive on the final day of the review; this will then be followed up a few weeks later with a formal letter report. Publishing the report will be at the Council's discretion, although the LGA strongly recommend it becomes a public document.

4.0 DIRECTORATE RISK REGISTER

4.1 The Directorate Risk Register (DRR) is produced initially from a review of risks at Service Unit level, which are then aggregated to Directorate level. This end product similarly aggregates these Directorate level risks into the Corporate Risk Register.

4.2 The Risk Prioritisation System adopted to derive risk registers categorises risks as follows:

- Category 1 and 2 are high risk (RED)
- Category 3 and 4 are medium risk (AMBER)
- Category 5 is low risk (GREEN)

The DRR represents the principal risks that may materially impact on the performance and financial outcomes of the Directorate.

4.3 The latest detailed DRR is shown at **Appendix B** illustrating key risks with existing and additional actions to avoid or minimise them.

4.4 Central Services covers a range of front line and support services as follows -

Frontline Services

- Libraries
- Archives, Registration and Coroners support
- Customer Services Centre

Support Services

- The Chief Executive and Unit
- HR
- Legal and Democratic Services
- Business Support
- Finance
- Property
- Technology and Change
- Communications
- Policy and Partnerships

4.5 The Risk Register reflects the range of the above services but also includes many corporate initiatives given the leadership role of Central Services on such issues as the 2020 North Yorkshire Programme and Performance Management.

4.6 The main changes to the risk register since March 2015 (date of last progress report to the Committee) are as follows:

- Three risks were deleted from the register at the last review. They are Superfast NY, Better Together (the collaboration agreement has been signed with Selby District Council) and Opportunities for Devolution (this risk is still included on BES Directorate risk register).
- Ranking changes occurred on the Information Governance and Performance Management risks where future actions are thought to improve the risk. This is because this year we have more confidence in information governance actions being effective. Examples include mandatory training packages that have been refreshed and less mistakes will be made as employees make the link between the training and the application of the knowledge learnt. Performance Management now has a performance management framework including service planning in place. As the revised framework is adopted across the County Council performance management should improve.
- The Central Services Savings Plan risk has increased on the 1st ranking from green to amber. This demonstrates concern but that the risk is still under control.

4.7 Some examples of actions that have been completed relating to particular risks since the last report to the Committee include:

- The information governance suite of policies have been reviewed, revised, consolidated and simplified.
- The information governance e learning training packages have been refreshed.
- The data sharing protocol with partner agencies has been developed and implemented – many organisations have signed up including City of York Council, North Yorkshire Police and most of the District Councils.
- The Stronger Communities team continue to develop greater community capacity by providing engagement events with communities, having a community project toolkit in place and continuing their work with other relevant council services for example, the Targeted Prevention shared outcome framework and grant schemes.
- For Property Services, there has been a restructure of the service, a new asset management system has been introduced, a review of the traded services arrangements, and work has been carried out linked to the 2020 Property Theme including Modern Council.

5.0 RECOMMENDATION

5.1 That the Committee:

- i) Note the position on the Central Services Directorate Statement of Assurance;

- ii) Note the Directorate Risk Register for the Central Services Directorate; and
- iii) Provide feedback and comments on the Statement of Assurance and Directorate Risk Register and any other related internal control issues.

GARY FIELDING
Corporate Director, Strategic Resources

3 March 2016

**STATEMENT OF ASSURANCE 2014/15
BY CHIEF EXECUTIVE – CENTRAL SERVICES**

The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this accountability, all Members and senior officers of the County Council are responsible for putting in place proper risk management processes and internal controls to ensure the proper stewardship of the resources at its disposal.

As a Chief Executive and member of the Management Team, I have corporate responsibility for maintaining a system of sound internal controls and risk management processes within the County Council and service management responsibility for maintaining a system of sound internal controls and risk management processes within the Central Services Directorate that support the achievement of both Corporate and the Directorate's objectives.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As a Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in the Central Services Directorate. My review of the effectiveness of the system of internal controls has taken into account the following:-

- adequacy and effectiveness of management review processes
- outcomes from the formal risk assessment and evaluation process (Directorate Risk Register)
- relevant self-assessments of key service areas within the Directorate
- relevant internal audit reports and results of follow ups regarding implementation of recommendations
- outcomes from reviews of services by other bodies including Inspectorates, external auditors etc
- the framework of controls that operate in relation to individual partnerships where some aspects of the necessary controls are the responsibility of the partner to operate / apply

I confirm that Central Services Directorate has a full set of business continuity plans and that they will continue to be refreshed as and when necessary and at least on an annual basis.

I also confirm that Central Services Directorate understands the importance of keeping sensitive information secure and has the appropriate policies and procedures in place

I am satisfied that a sound system of internal control has been in place for the financial year ended 2014/15 in the Central Services Directorate. Nevertheless, during the year my review work has identified some areas for further development and these are set out in the *attached schedule*. I propose to take steps to address the matters so identified which should enhance the system of internal controls. I will be monitoring to ensure their effective implementation and operation.

I also understand that this Statement of Assurance will be relied upon by those Members and Officers signing the Annual Governance Statement 2014/15 (the "Document") and by the Audit Committee reporting on the Document.

I therefore confirm that I am not aware of any material statement in, or omission from, the Document which would make the Document misleading. In respect of the Directorate for which I am responsible I can confirm that I have made due and careful inquiry and that the statements relating to my Directorate, in particular those contained in Section 3 of the Document, fairly represent the key elements of the internal control environment within my Directorate. I also confirm that there are no matters relating to my Directorate omitted from Section 7 of the Document which, in my view, merited inclusion.

The assurances given above are all based upon the information that has been made available to me.

Signed:

Richard Flinton
Chief Executive – Central Services

Date:

**AREAS FOR FURTHER DEVELOPMENT IDENTIFIED
CENTRAL SERVICES DIRECTORATE**

Areas for Development as Identified in 2015	Action Proposed	Action Taken
<p>Medium Term Financial Strategy</p> <p>The MTFS, as agreed in February 2015, took the County Council up to 31 March 2020. However, this was before the General Election, the impending emergency budget on 8 July and the expected spending review thereafter.</p> <p>There is therefore a need to ensure that the budget for 2016/17 and the refreshed MTFS reflect the latest projections on both funding and spending pressures.</p>	<ul style="list-style-type: none"> a) Budget monitoring to continue as part of the quarterly reporting regime and to include the savings requirements as set out in 2020 North Yorkshire. b) A series of fundamental budget reviews to be initiated during 2015/16 in order to ensure closer alignment between budget and council priorities. c) Refinement of MTFS in light of emergency budget on 8 July 2015 and information which flows from that statement (e.g. public health cuts post consultation etc. d) Realignment of MTFS in light of anticipated spending review in Autumn of 2015. e) Savings opportunities as part of integrated working with Health / Better Care Fund to be pursued during the year and before February 2016. f) Close monitoring and modelling of the impact of the Care Act to be carried out and lobbying of Government to ensure adequate funding is provided. g) Consideration of investment requirements and proposals in order to assist in delivery of savings and / or delivery policy priorities. Such proposals to be articulated in the budget / MTFS and quarterly reports in February 2016. 	<ul style="list-style-type: none"> • The MTFS has been updated as a result of the four year settlement put forward with the budget. A savings gap to the year 2020 still remains, although immediate pressure has been somewhat relaxed. • As part of the MTFS and to help identify opportunities to bridge the 2020 savings gap, four themes have been created: <ul style="list-style-type: none"> ○ Savings & efficiencies ○ Growth in the county ○ Commerciality ○ Improved cross-organisational working. • As a result of 2020 North Yorkshire, where savings have been achieved the service budgets have been reduced accordingly. Through 15/16, the quarterly finance & performance reports have reports on the progress. • Fundamental budget reviews have been carried out for high risk areas, e.g. Waste Management. The reviews have helped to highlight potential for further saving and additional work is required to follow these through. • Plans are taking shape on creation of an investment committee panel to prioritise

		and challenge business cases to ensure they deliver a return on investment.
<p>2020 North Yorkshire Programme</p> <p>2015/16 sees the first full year of the 2020 North Yorkshire Programme and it is therefore essential that the Programme is implemented in line with the benefits outlined. The Programme Management office is provided within Central Services and senior leadership within Central Services is important.</p>	<p>a) Identification of pinch points and interdependencies between elements of the 2020 North Yorkshire Programme. Such issues to be considered and prioritised where necessary.</p> <p>b) Resourcing requirements including investment proposals to be identified where they can help improve the delivery of the 2020 North Yorkshire Programme.</p> <p>c) Further develop good practise in production of business cases, ensuring consistent application across the council.</p> <p>d) Ensure on-going Member engagement at all levels from Executive through Overview and Scrutiny Committees and to all Members through Member’s Seminars etc.</p> <p>e) Identify opportunities to highlight cultural impact of the 2020 North Yorkshire Programme and to engage wider staff participation.</p>	<ul style="list-style-type: none"> • The 2020 NY continues to deliver broadly the benefits identified by each project within, including the cashable elements. • In conjunction with the MTFs, the programme is reviewing the process for idea generation and business case preparation in order to help find opportunities to achieve the 2020 savings gap. • Additionally, the focus has broaden to be more than a savings programme with a real emphasis on bring about transformation, through 2020 Modern Council. Not only is this rolling out new IT kit but it is also embedding new ways of working, e.g. through video conferencing.
<p>Property</p> <p>Whilst the property workstream is a cross cutting theme for the 2020 North Yorkshire Programme, there is also a need to establish a successor contract to the current Jacobs contract for provision of property design and management.</p>	<p>a) Develop proposals for property rationalisation with clear linkages to flexible working, improved information technology which is aligned with service requirements across the council. Such proposals to be considered in autumn 2015.</p> <p>b) Clarify the relationship between “landlord” and “service tenants” including the centralisation of budgets relating to property across the council.</p> <p>c) Award the contract for property design and management and successfully manage the transition from the existing</p>	<ul style="list-style-type: none"> • Initial plans have been developed for the Northallerton, Selby and Scarborough areas although more discussions are due with partners and services within the council. • Additional funding has been provided within the 2016/17 budget to carry out some of the required building works as part of the rationalisation. • Working with the 2020 Modern Council programme, the Property Programme will drive more efficient use of property through

	<p>contract to the new contract which comes into effect on 1 April 2016.</p>	<p>rationalisation and, where possible, shared use of service delivery and office space. In part this will be facilitated by more efficient working practices and better use of ICT so the deployment of new ICT kit has complemented.</p> <ul style="list-style-type: none"> The property design and management contract has been successfully award to Mouchel, who have begun work to mobilise the contract from 1st April 2016. Work is ongoing with both Mouchel and Jacobs to ensure a smooth transition between providers.
<p>Superfast North Yorkshire</p> <p>Whilst the rollout of Superfast Broadband continues across North Yorkshire with the existing BT contract, there remains a shortfall of up to 10% which will require further intervention.</p>	<ul style="list-style-type: none"> a) Complete the rollout of phase 2 with BT under existing contract. b) Deliver the requirements under ERDF including support to business as required in order to ensure that no funding needs to be paid back. c) Identify optimum opportunities for addressing the remaining 10% of the county which is not planned to receive Superfast Broadband. 	<ul style="list-style-type: none"> Superfast North Yorkshire (SFNY) continues to bring broadband improvements across North Yorkshire, despite the challenges of funding, technology and State Aid. SFNY achieved superfast broadband coverage of 86% by April 2015 during Phase 1 and is on track under Phase 2 to deliver 89% by the end of 2016 and 90% by the middle of 2017. Proposed Phase 3 plans could see this lifted to 95% by the end of 2019. An option for a Phase 4 to provide improved broadband for the final 5% is being considered for inclusion once Phase 3 outcomes are known, probably in 2016.
<p>Information Governance</p> <p>Information Governance continues to be a</p>	<p>A series of actions will take place which continue in line with previous strategies</p> <ul style="list-style-type: none"> a) Further Information Governance sweeps by Veritau and disciplinary 	<ul style="list-style-type: none"> Information Governance sweeps by Veritau continue to take place. Unfortunately human errors continue to happen and so work is ongoing to raise awareness,

<p>stubborn issue despite significant profile given to the issue. This is primarily as a result of greater use of electronic information and a heightened awareness and reporting within the council of incidents.</p>	<p>actions being pursued against those where appropriate</p> <ul style="list-style-type: none"> b) Rollout of the refreshed training for Information Security and other related material before the end of 2015. c) Implementation of the data sharing protocols between statutory partners and sharing of good practise to assist information sharing (rather than obstructing information exchanges). d) On-going communications to staff to ensure good Information Governance including messages from Management Board and associated campaigns 	<p>provide guidance and to maintain unannounced compliance audits.</p> <ul style="list-style-type: none"> • The refreshed training for in depth mandatory online learning courses has been carried out. All identified employees must complete the training by the end of March 2016 otherwise their annual increment could be in jeopardy. • The data sharing protocols have been signed by various agencies. Work is on-going to extend the list of signatories. • Key messages continue to be given in order to maintain awareness raising.
<p>Delivery of savings / improvements across Central Services</p> <p>Various savings projects and initiatives are being led within Central Services which are contributing to 2020 North Yorkshire and related initiatives.</p>	<ul style="list-style-type: none"> a) Identify and implement opportunities for savings and improvements between the County Council and Selby District Council as part of the Better Together Programme. b) Implementation of the 2020 Finance Programme to improve financial systems and priorities financial support to greatest areas of risk. c) Pursue opportunities to rationalise business support staffing and make further savings through smarter procurement where spending can be aggregated and centralised. d) Joining up of support services so that Managers across the council find it easier (for example by using feedback) 	<ul style="list-style-type: none"> • The Selby Better Together Programme continues to deliver benefits and most recently the T&C services have been combined to provide increased efficiency and effectiveness. • The 2020 Finance Programme has delivered the technical roll out of the new finance system Oracle Financials and online forecasting. Work is ongoing to ensure budget managers are sufficiently trained to use this new system.

APPENDIX B

Central Services Directorate

Risk Register: **month 0 (Sep 2015) – summary**
 Report Date: 19th November 2015 (pw)

Identify			Person		Classification											Fallback Plan				
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
▼	15/161 - Information Governance	Ineffective information governance arrangements lead to unacceptable levels of unauthorised disclosure of personal and sensitive data, poor quality or delayed responses to FoI requests, and inability to locate key data upon which the Council relies resulting in loss of reputation, poor decision making, fine, etc	Chief Exec	CD SR	H	L	M	L	H	1	5	31/03/2016	M	L	M	L	M	4	Y	CD SR
◀▶	15/11 - 2020 North Yorkshire Change Programme	Failure to successfully implement the Programme and Modern Council ways of working resulting in inability to meet financial savings requirements, sub-optimal decision making and poorer quality of services.	Chief Exec	CSD SR AD T&C	M	H	H	H	H	2	16	31/10/2015	L	H	H	H	M	3	Y	All Mgt Board
◀▶	15/179 - Library Service Re-configuration as part of 2020 Stronger Communities Programme	Failure to successfully reconfigure the service by building on existing models of community ownership &/or co-production so that Library Services will be delivered through a community hub infrastructure , in multi purpose buildings where customers can access a range of services, failure would result in legal challenge, impact on customer service in this and other areas, missed opportunities to strengthen communities and unmet savings targets	Chief Exec	CSD AD LC&CS	M	L	M	H	H	2	9	30/06/2015	L	L	L	M	H	3	Y	CSD ACE Selby

Central Services Directorate

Risk Register: **month 0 (Sep 2015) – summary**

Report Date: 19th November 2015 (pw)

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	15/186 - Stronger Communities	Failure to develop and implement greater community capacity to provide sustainable local support and services, within the context of reduced government funding, resulting in further reduced services in the community, missed opportunities relating to community libraries, universal provision for children, young people and families, community transport and prevention services for older and vulnerable adults	Chief Exec	CSD AD PP	M	L	H	M	M	2	10	30/04/2015	L	L	H	M	M	3	Y	CSD PP HoSC
◀▶	15/162 - Capacity and Skills	A lack of capacity and skills within Central Services leads to a significant decline in service quality &/or insufficient progress in carrying out required developments.	Chief Exec	CSD Mgt Team	H	M	L	M	L	2	3	31/07/2016	M	M	L	M	L	4	Y	CSD Mgt Team
◀▶	15/180 - Customer Programme	Failure to develop and implement Customer Programme such that our approach meets the needs and demands of our customers and supports the councils' (NYCC and Selby) necessary service redesigns and savings.	Chief Exec	CSD ACE Selby	M	M	M	H	M	2	2	30/11/2015	M	M	M	M	M	4	Y	CSD ACE Selby
▼	15/166 - Organisational Performance Management	Failure to align the performance management framework with the Council strategy and/or use the correct metrics to measure performance results in reduction in service performance, efficiency and effectiveness; reduction in value for money; loss of reputation and suboptimal financial savings	Chief Exec	CD SR	M	M	M	H	M	2	7	31/12/2015	L	M	M	M	M	5	Y	CD SR
◀▶	15/183 - Health & Safety	Major Corporate Health and Safety failure resulting in injuries, claims, reputational and service delivery impact and possible prosecution	Chief Exec	CD SR	L	M	M	M	H	3	8	31/03/2016	L	M	M	M	H	3	Y	CSD SR HoHSRM

Central Services Directorate

Risk Register: **month 0 (Sep 2015) – summary**

Report Date: 19th November 2015 (pw)

Identify			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	15/29 - Ensuring Legality	Failing to ensure that the Council acts lawfully in its operations resulting in challenge, non delivery of decisions, financial implications and loss of reputation particularly given service and statutory obligations	Chief Exec	CSD ACE LDS	M	L	M	M	M	4	6	31/07/2016	M	L	M	M	M	4	Y	CSD ACE LDS
	15/184 - Central Services Savings Plan	Failure to deliver the Central Services savings plan for the duration of the Change Programme (up to 2019) resulting in inability to meet the budget, rationalise support services and enable the change programme	Chief Exec	CSD Mgt Team	M	M	M	M	M	4	4	30/09/2016	M	M	M	M	M	4	Y	Chief Exec
	15/185 - SmartSolutions	Failure to successfully implement the SmartSolutions approach resulting in reduced financial benefits for Traded Services, poor customer feedback, missed opportunities and failure to adequately embed innovation within the Council workforce.	CD SR	AD SR (CYPS) & Prop	M	L	M	M	M	4	13	30/04/2015	L	L	M	M	M	5	Y	AD SR (CYPS) & Prop

Key	
	Risk Ranking has worsened since last review.
	Risk Ranking has improved since last review
	Risk Ranking is same as last review
- new -	New or significantly altered risk