NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

2 MARCH 2017

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 2016/17 together with proposed actions. These areas were considered at the meeting of this Committee on 23 June 2016. The relevant part of the SoA is attached as **Appendix A** together with comments and updates on progress since that meeting.

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 via a sieving process 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 2016 (date of last progress report to the Committee) are as follows:
- One risk was deleted from the register at the last review. This was SmartSolutions (this risk is still included on the Strategic Resources risk register).
- Two risks have significantly changed:
  - The Ensuring Legality risk has corporate governance included in it and is known as Corporate Governance and Ensuring Legality
  - The Reconfiguration of Libraries risk is now known as Library Service Transfer to Community Ownership
    - 3 risks have been added:
      - Property Service
      - Commercialisation and
      - Major Emergencies in the Community.

      This last risk now resides on the Central Services risk register rather than the Corporate risk register.

- Ranking changes occurred on the Information Governance and Performance Management risks. Although they are not shown as increasing on this 6 month report, these 2 risks worsened in their post risk reduction assessment at the annual review in September 2016 and have remained the same at the 6 month review.

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

- Business plans have been developed for nearly all of the community libraries.
- A wholly owned Property Service company has been set up for property design and estate management.
- In the Commercialisation risk, commercial challenge sessions were carried out for all traded services. And financial targets were formulated in all traded services' business plans.
- For Major Emergencies an NYCC action plan, based on a debrief report's recommendations following the Christmas 2015 flooding incident, was developed and implemented.
- Related to the NY Change Programme, a review of the Behaviour and Skills framework and other relevant key documents was carried out, and a review of governance and areas of future focus of the Programme Board was completed.
- Linked to the NY Change Programme, an LGA corporate peer review was carried out and a subsequent action plan is being implemented.

Unsurprisingly there is a high degree of correlation between the Directorate Risk Register and the Statement of Assurance.

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

March 2017

STATEMENT OF ASSURANCE 2015/16
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 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 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 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 2015/16 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 2015/16 (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 2016	**Action Proposed**	**Action Taken**
Medium Term Financial Strategy The MTFS, as agreed in February 2016 identified a £14m funding gap up to 2020. The government's Spending Review now extends to 2020 and the Council needs to decide whether it accepts the government's offer of a multi-year settlement.	a) Decision to be made by 14 October 2016 as to whether to accept the government's offer of a multi-year settlement as part of an overall efficiency plan. b) In April 2016, proposals to help achieve the £14m funding gap over the period to 2020 were submitted and then a decision on which proposals to be taken forward was made. Subsequent to that process, it is now required to work the proposals to be taken forward to have a project brief created which will outline the benefits achievable and therefore how the £14m funding gap can be bridged. Target completion for project briefs is by December 2016. c) In order to deliver the projects identified, through the above process, and the existing 2020 projects, the Council needs to consider availability of resource. Through this consideration, a proposal for additional resource will be set out in the budget in February 2017 and / or quarterly reports throughout 2016/17. d) Review of and feed in to the government's proposals for business rates retention and possible "needs review" for local	• The County Council have accepted the draft multi-year settlement however at time of writing, the final settlement figure has not been announced • The County Council signed off proposed Budget including revised savings initiatives on 15th February. • The MTFS has been updated accordingly which now shows £9.8m gap over the period to 2020. Further work being undertaken to identify additional opportunities. • £1m of resource has been agreed for the year 2017/18 to continue support for the 2020 Programme.

	government funding, with consultation response by autumn 2016. Monitoring of agreed plan for 2016/17 Better Care Fund and preparation for potential 2017/18 Plan through Health & Wellbeing Board.	
2020 North Yorkshire Programme 2015/16 was the first full year of the 2020 North Yorkshire Programme and for 2016/17 it is a case of continue to run the programme to reap the benefits expected. Central Services plays a critical role within the Programme, in addition to the Directorate getting direct benefits, it acts as the Programme Management Office providing support and leadership to the Programme and thus ensuring benefits are achieved across NYCC.	a) Building on the comments from the LGA Peer review, further develop good practice in production of business cases, ensuring a consistent application across the council will be complete by April 2017. b) Strategic Investment Board to ensure quality business cases are developed and investment is aligned with the council's corporate objectives. c) Refresh the council's Vision for 2020, ensuring it remains relevant and focused, by December 2016.	• A 12 month review of Strategic Investment Board has been undertaken, in has found that overall the governance arrangements have improved the quality of business cases. • The Council Plan was approved by County Council on 15th February. This strategy sets out 4 key ambitions for the Council.
Property Plans have now been formulated for rationalising large parts of the Council's property estate as part of the 2020 Modern Council programme. However the plans require investment and more detailed plans. In addition, there is also a need for the new arrangements relating to property design and management to bed-in. This includes the contract	a) Following expiry of the Jacobs contract in April 2016, the team were tasked to establish effective delivery of property design / management and estates management with the new provider, Mouchel. Further review of property actions required post mobilisation of Mouchel contract. b)The property rationalisation business case continues to be completed with a target date of March 2017 for when efficiencies can be gained.	• The North Yorkshire Property Services company was created in order to bring the property design services previously being delivered by Mouchel into a Local Authority Trading Company. It has been successfully operating since November 2016. • The property rationalisation business case is now expected in May 2017.

with Mouchel and the internalisation of some service delivery.		
Superfast North Yorkshire 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.	a) SFNY undertaking a procurement with £20.5m funding from NYCC/BDUK and ERDF to secure further coverage. Procurement will complete by May 2017 in line with project plan (with key milestones). b) Subsequent to the procurement a delivery plan has been produced to manage roll-out of superfast broadband. The plan is targeting coverage of superfast broadband that will exceed 95% on completion of any Phase 3 contract in 2018/19.	• The procurement has commenced and is on track to hold negotiations with suppliers in March.

SmartSolutions / Commercial
 	
The Council's commercial arm, SmartSolutions, is transforming the way in which NYCC transacts services with external partners. The LGA peer review remarked that the Council is moving in the right direction with commerciality and should push on.
 	
The Council's commercial strategy, as informed by SmartSolutions, is creating two broad work streams:
 	
• 'Universal offer' – which aims to increase commercial awareness across all staff, including cost consciousness, innovation and an
	a) For the universal offer, the workforce development team have targeted a date of March 2017 to roll out procured training packages to appropriate staff. This training will be delivered through a range of online and classroom based modules.
	
	b) For the business planning aspects, there are additional steps required by November 2016 to further understand the market position & context which will help inform the current opportunity.
		• The procurement has been awarded for the workforce commercial training, teams/individuals have been identified and the training will start from March/April.
		• A series of commercial challenge sessions have been held reviewing the quality of business plans put forward. These sessions will help in a number of areas:
		  o Greater clarity on how commercial targets will be achieved in the MTFS
		  o Additional insight to aid shaping the commercial strategy
		  o Challenge back to service areas to act in a more commercial way

• entrepreneurial culture • 'Market offer' – which is a business plan around how the authority will target growth of profitable income		
Strategic Support Central Services had identified an opportunity to improve use of data across the council, including decision making and strategy setting. This was reinforced by the LGA peer review, who commented that data can be a powerful tool to drive performance improvements. Strategic Support covers the functions of Strategy, Performance Management and Data & Intelligence	a) The project brief was signed off by May 2016 which summarised the options for the Strategic Support functions and a decision was taken on which direction to take. b) Subsequent to that the outline business case was signed off by August 2016. This has now focused the project towards a single solution which can be worked towards. c) Implement the solution by end June 2017.	• Staff consultation on restructure of Strategic Support concludes on 28th February. Project still on track for implementation on 1st July.
Information Governance Ensure effective information governance arrangements are in place across the Council and where sensitive information is shared with other organisations	a) Review and update service information asset registers in line with policy guidelines by March 2017 b) Work within services in a prioritised order to ensure information is secure and transferred securely by March 2017 c) Ensure individual information sharing agreements are completed for each data sharing activity (some agreements are already in place and this work will continue)	• A desktop review of service information asset registers has been carried out. A full review and refinement of IARs will take place over the next 4 months. • Further unannounced compliance audits have been carried out in service areas handling sensitive information. Further guidance and training has taken place and 'tools' have been provided (eg. secure e mail facilities) to increase information security. • The majority of key partners in North Yorkshire have signed the Multi Agency

	d) Continue communications to staff to ensure good Information Governance including messages from Management Board and associated campaigns e) Review existing training approach and investigate additional team based reviews to embed practice. Review to be completed by December 2016 and new approach implemented thereafter.	Overarching Information Sharing Protocol. Discussions are ongoing with other organisations that have been identified as potential signatories. • Communications to staff continue to highlight the importance of information security and examples of potential breaches. • The training approach and changing the culture of employees has been reviewed. Services handling sensitive information are being assisted initially. Further discussions about the improvement of the training framework and existing training continues.

Delivery of savings / improvements across Central Services
 	
Various savings projects and initiatives are being led within Central Services which are contributing to 2020 North Yorkshire and related initiatives.
	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)
		• The Selby Better Together programme has moved forward with the definition of three workstreams:
		  o Customer & Community
		  o Shared ICT
		  o Smarter Working / Regeneration & Investment
		
		• Technical implementation of Oracle Financials concluded with many budget managers now accurately forecasting. Remaining areas of work have been identified in order to tackle the remaining budget managers who are unable to produce a forecast.

Change	Identity		Person		Classification														Fallback Plan	
	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		
◀▶	15/11 - 2020 North Yorkshire Change Programme and beyond	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	H	H	H	H	H	1	17	31/03/2017	M	H	H	H	M	2	Y	All Mgt Board
◀▶	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	6	31/03/2017	M	L	M	L	H	2	Y	CD SR
◀▶	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	8	31/03/2017	L	L	H	M	M	3	Y	CSD PP HoSC
◀▶	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	H	M	H	M	2	10	31/01/2017	L	H	M	M	M	3	Y	CD SR

Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat	FBPlan	Action Manager
◀▶	15/202 - Property Service	Failure to provide effective and efficient management of property including the transition to an internally managed company (comprising asset management, corporate accommodation, investment and delivery, traded services, property design and estate management) that meets the requirement of the County Council leading to less efficient management and maintenance of the corporate estate, ineffective project delivery and missed opportunities including additional trading.	Chief Exec	CD SR	H	M	M	M	M	2	7	31/03/2017	M	M	M	M	M	4	Y	AD SR (CYPS) & Prop
◀▶	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	5	31/03/2017	M	M	L	M	L	4	Y	CSD Mgt Team
◀▶	15/180 - Customer Programme	Failure to develop and implement Customer Programme that meets the needs and demands of our customers and supports the NYCC's (and Selby's) necessary service redesigns, savings and improves performance and customer satisfaction	Chief Exec	CSD AD LC&CS	M	M	M	H	M	2	8	31/03/2017	M	M	M	M	M	4	Y	CSD AD LC&CS
◀▶	15/201 - Commercialisation	Failure to successfully secure commercial opportunities within Central Services resulting in lost net income to support budget savings, unresilient service, unskilled and insecure workforce	Chief Exec	CSD Mgt Team	H	M	M	M	L	2	3	31/03/2017	M	M	M	M	L	4	Y	CSD Mgt Team
◀▶	15/179 - Library Service Transfer to Community Ownership	Failure to delivery new Community Libraries by 1st April 2017 resulting in 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	5	31/03/2017	L	L	L	M	M	5	Y	CSD AD LC&CS

		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		
◀▶	15/183 - 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	10	31/03/2017	L	M	M	M	H	3	Y	CSD SR HoHSRM
◀▶	15/200 - Major Emergencies in the Community	Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	Chief Exec	Chief Exec	L	L	H	L	H	3	3	31/08/2017	L	L	H	L	M	3	Y	Chief Exec
◀▶	15/29 - Corporate Governance and Ensuring Legality	Failure to ensure adequate Corporate Governance arrangements across the County Council to ensure that the Council acts lawfully in its operations and decision making resulting in inadequate control and stewardship, challenge and 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	9	30/06/2017	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	31/07/2017	M	M	M	M	M	4	Y	Chief Exec