

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

27 JUNE 2022

CORPORATE GOVERNANCE

Report of the Corporate Director, Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To note progress and improvements on Corporate Governance related matters.
- 1.2 To note governance arrangements and changes made due to the Coronavirus pandemic.
- 1.3 To note the governance arrangements for the transition programme for Local Government Reorganisation.

2.0 BACKGROUND

- 2.1 The CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 and associated Guidance Notes, set out the standard for local authority governance in the UK. The Framework defines the principles that should underpin the governance of an organisation and provides a structure to assist individual authorities with their approach to governance. Local authorities should review existing governance arrangements against these Principles, develop and maintain an up-to-date Local Code of Corporate Governance, and report publicly on compliance with their own Code on an annual basis, and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes. This is done through the Annual Governance Statement.
- 2.2 According to the Terms of Reference of the Audit Committee, which have been reviewed and revised, its role in respect of Corporate Governance is:
 - (i) to assess the effectiveness of the County Council's Corporate Governance arrangements
 - (ii) to review progress on the implementation of Corporate Governance arrangements throughout the County Council

- (iii) to approve the Annual Governance Statements for both the County Council and the North Yorkshire Pension Fund
- (iv) to liaise, as necessary, with the Standards Committee on any matter(s) relating to the Codes of Conduct for both Members and Officers
- (v) to work with the Standards Committee to promote good ethical standards within the County Council
- (vi) to review the arrangements in place for ensuring good governance in the County Council's key partnerships and owned companies.

2.3 In relation to (i), (ii) and (vi) above, an annual report is submitted as set out in the Programme of Work and item (iii) is considered as part of the report relating to the Statement of Accounts. Issues are addressed by the respective Corporate Director alongside a report on internal audit work relating to that Directorate which is produced by the Head of Internal Audit.

3.0 LOCAL CODE OF CORPORATE GOVERNANCE

3.1 At the last meeting of this Committee it was resolved that the updated Local Code of Corporate Governance be recommended for formal approval by the Chief Executive (as permitted in the Constitution under the Officers' Delegation Scheme) in March 2022.

3.2 The Local Code was approved and as a result the updated Local Code is now available on the County Council website [here](#) .

4.0 ANNUAL GOVERNANCE STATEMENT 2021/22

4.1 The Annual Governance Statement (AGS) is being updated to reflect the current status of governance and internal control arrangements which continue to be fit for purpose within the County Council. The latest governance guidance issued by CIPFA is called Bulletin 06 Application of the Good Governance Framework 2020/21 and Meeting the Principles of Good Governance - The Impact of the Covid-19 Pandemic. The updating of the Statement has taken the guidance into account and has been amended to conform where appropriate. It also provides an assessment of the effectiveness of the Council's governance arrangements in supporting the planned outcomes. However it is recognised that there can be areas identified that require attention to address weaknesses and/or external challenges.

4.2 The impact of the Coronavirus has been taken into account again this year along with other significant issues, and Section 7 of the final draft of the AGS

which is due to come to this Committee in September will reflect the lessons learned and actions to be taken in the recovery from the Virus. This has been and continues to be an extra challenge for the Council, as well as facing delivery of a range of statutory services in a climate of ongoing financial challenge.

- 4.3 Local Government Reorganisation (LGR) in North Yorkshire has also been referenced as work to transition to the new arrangements is significant in scale and complexity. As a result it has featured strongly during the last year and this will continue until vesting day on 1 April 2023.
- 4.4 The draft AGS accompanies the Statement of Accounts (SoA) and will be circulated to the Committee.

5.0 DEVELOPMENTS IN 2021/22

- 5.1 Although the responsibility for managing the day to day aspects of the Corporate Governance agenda belongs to the Executive and the Management Board, wider Members also have to be actively engaged – the role of this Committee is therefore critical in this regard.
- 5.2 This Committee receives progress reports on a range of specific governance issues such as risk management and partnership governance through the year.
- 5.3 A full review and update of the Local Code of Corporate Governance and the Annual Governance Statement are also carried out, as has already been mentioned in the paragraphs above.
- 5.4 Other notable areas of recent work undertaken as part of the Corporate Governance agenda include the following:-
 - ➔ Standards Committee received and approved the standards regime amendments from the LGA Model Code of Conduct and Guidance of Standards in Public Life and these will be implemented from May 2022.
 - ➔ Information governance issues continue to be addressed and improved as part of ensuring the GDPR (General Data Protection Regulation) and Data Protection Act compliance.
 - ➔ The new Equality, Diversity and Inclusion policy statement was agreed and implemented.

- ➔ A full staff survey was carried out and there has been further development of the ways in which we engage with staff, including use of tools such as Microsoft products Yammer and Teams as part of NY Transformation.
- ➔ The carbon reduction plan with an associated implementation programme was produced by the Climate Change Group.
- ➔ The Induction policy has been refreshed in light of working from home and hybrid working.
- ➔ A training package for Directors of companies has been rolled out.
- ➔ A training programme following the review of the Pension Fund Committee self-assessment has been implemented. The Programme includes the Pension Board where appropriate.

6.0 CORPORATE GOVERNANCE CHECKLIST SUMMARY OF IMPROVEMENTS

- 6.1 The Corporate Governance Checklist is a self-assessment checklist and is in line with the 7 principles defined in the Local Code of Corporate Governance. The requirements of the document CIPFA Statement of the Role of the Chief Financial Officer in Local Government are also incorporated within the Checklist.
- 6.2 The Checklist is effectively a “live” document to monitor and review the overall Corporate Governance process within the County Council. Although a copy of the latest “version” is available to Members, a Summary is attached as **Appendix A** for ease of reference. This Summary shows:
- ➔ a sample of the improvements made in corporate governance between April 2021 and March 2022 in the left hand column.
 - ➔ some examples of improvements in corporate governance to be made between April 2022 and March 2023.
- 6.3 Areas of development and / or improvement continue to be identified as a result of the need to comply with new guidance and requirements as they are published.
- 6.4 The Checklist is used by officers in order to provide some assurance that all relevant areas of governance are being adequately addressed and, where relevant, gaps are identified with consequential actions to fill such gaps.

7.0 GOVERNANCE ARRANGEMENTS AND CHANGES MADE DUE TO THE CORONAVIRUS PANDEMIC

Decision Making

- 7.1 Following the restriction of public gatherings and promoting social isolation and distancing on 23 March 2020, the Council agreed to invoke the emergency decision making process that is identified in the Council's Constitution. This allowed the Chief Executive to make all appropriate decisions with appropriate consultation.

A successful adoption of a technological solution that enabled the requirements laid out in the *Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020* to be complied with then followed, and virtual meetings for committees were introduced.

- 7.2 The *Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020* lapsed on 7 May 2021. The County Council at its Annual General Meeting on 5 May 2021 resolved to continue with remote access, live broadcast committee meetings over the next months as the national Coronavirus recovery roadmap was implemented. These meetings were informal but open to the public to view and participate in, in accordance with the procedures set out in the County Council Constitution.

- 7.3 Any formal decisions that the Committee needed to make that were legally binding were made in consultation by the Chief Executive Officer using his emergency delegated powers, taking into account the recommendations of the Committee. All formal meetings of the County Council's committees continued to be held using video conferencing with a live broadcast to the Council's YouTube site.

At full Council on 18 May 2022 it was considered how to hold committee meetings from this date onwards. It was agreed that decision making meetings would be held in person in line with legislation. With regard to non-decision making meetings, it is the Chair's discretion whether meetings will be held in person or remotely.

Governance Arrangements in Directorates

- 7.4 Over the past year procedures and processes have continued to be followed within Directorates alongside the added responsibilities and governance arrangements linked to the Coronavirus pandemic. Services continued largely to manage successfully and adapt their ways of working to deliver services to the community, within both governance requirements and guidance issued by

Central Government relating to the pandemic. Decision making tended to be delegated to Corporate Directors and / or Executive Members and whilst consultation has taken place electronically, the process remains mostly unaffected.

- 7.5 From 18 May 2022 and going forward pre pandemic governance arrangements have resumed, however some business is conducted in a different way where more efficient and appropriate, such as some meetings are held virtually.
- 7.6 Examples of some notable improvements/changes to corporate governance arrangements linked to the impact of Coronavirus during the last year include the following:
- ➔ the plan to improve FOI and SAR performance back closer to pre Covid levels was completed.
 - ➔ how meetings were held was constantly reviewed as we worked through and progressed out of Covid after the expiry of the virtual meetings Regulations in May 2021.
 - ➔ new ways of working plans have been produced for post March 2022 in light of relaxation on Coronavirus restrictions.
 - ➔ a further review of Service Continuity Plans were further reviewed in light of the Coronavirus and other emergencies.

8.0 LOCAL GOVERNMENT REORGANISATION (LGR) GOVERNANCE ARRANGEMENTS

- 8.1 The Structural Changes Order for the new unitary Council required Parliamentary approval, and was laid before Parliament in January 2022 and gained approval in March 2022 following parliamentary debate. The Structural Changes Order puts in place the formal legal structures to create the new unitary council and sets out the intention for the County Council to operate a 'continuing authority' model. It also sets out the timings of elections, specifies wards and numbers of councillors and imposes legal duties on the county and district councils.
- 8.2 Transition Programme governance arrangements have been put in place and include the following:
- ➔ Member Governance – this involves all Councils' Members including a Members Implementation Board.
 - ➔ Officer Governance Arrangements – this involves all Councils and includes an Operational Group and Implementation Team.
 - ➔ Programme Workstreams - there are currently 15 workstreams across the programme. Underneath these work streams are a number of sub work streams, projects and task and finish groups.

- ➔ Programme Management Office (PMO) - the PMO has a clear structure and leadership and is responsible for the overall coordination of the programme and for commissioning work streams and resources on behalf of the Implementation Team as well as supporting the Executive.
- ➔ Independent Assurance for the Programme – this will be provided through a combination of third parties selected for that purpose; Veritau; and the final aspect to the assurance will be from the Department for Levelling Up, Housing and Communities.
- ➔ Risk Management - a full and comprehensive risk management process has been put in place, including an escalation framework.

Further details of the new unitary Council are available [here](#) .

8.0 RECOMMENDATIONS

- 8.1 That Members note progress on Corporate Governance related matters.
- 8.2 That Members note the improvements that have been made, and that are to be made in corporate governance (**Appendix A**)
- 8.3 That Members note the governance arrangements and changes made due to the Coronavirus pandemic.
- 8.4 That Members note the governance arrangements for the transition programme for Local Government Reorganisation.

GARY FIELDING

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June 2022

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Background papers: None

CORPORATE GOVERNANCE CHECKLIST

Examples of Improvements made between April 2021 and March 2022

Improvements	Reference	Requirement
	Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<ul style="list-style-type: none"> • Training provided to officers on decision making. (MoB). • Taken standards regime amendments from LGA model code of conduct to Standards Committee for approval and these will be implemented from May 2022 (MoB) • Implemented use of mod.gov system for an electronic Member Register of Interests (BK) • Code of Conduct for Planning reviewed (BK) - under query 	A.1.1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
<ul style="list-style-type: none"> • A managed corporate approach was continued with supply chains through the formation of the Supply Chain Resilience Board (GF) • Carried out a part update of the Procurement Framework following the EU Exit (GF) 	A.2.3	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
	Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> • Agreed the new Equality, Diversity and Inclusion policy statement (NI) • Completed the plan to improve FOI and SAR performance back closer to pre Covid levels (MT) 	B.1.1	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
<ul style="list-style-type: none"> • Rolled out training package for Directors of companies, some individual session to complete (BK) 	B.2.2	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively

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Improvements	Reference	Requirement
<ul style="list-style-type: none"> Interim arrangements for the LEP model have been managed through 2021/22 pending the outcome of the national review of LEPs (JF/VD). 	CFO (Principle 1) B.2.2	Review partnership arrangements to ensure that the authority always has access to financial advice in relations to its role in partnership.
	Principle C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
<ul style="list-style-type: none"> Carbon reduction plan with associated implementation programme produced by the Climate Change Group (NI) Rural Commission produced its final report (NI) 	C.2.1	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision
	Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
<ul style="list-style-type: none"> Full staff survey carried out in Summer 2021 (JB/PY) Further development of the ways in which we engage with staff including use of tools such as Microsoft products Yammer and Teams as part of NY Transformation Programme (JB/PY) Held AD Shared conversations for all middle managers and Chief Exec / middle manager sessions (JB) 	D.2.2	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
<ul style="list-style-type: none"> Further review of Service Continuity Plans in light of the Coronavirus and other emergencies has been carried out (GF) (GF) New ways of working plans produced for post March 2022 in light of relaxation on Coronavirus restrictions (GF) New enhanced ways of working developed and embedded such as less reliance on property and change in approach to delivery of services(linked to Coronavirus recovery work) (GF) 		
<ul style="list-style-type: none"> Constantly reviewed how meetings are held as we worked through and progressed out of Covid after the expiry of the virtual meetings regulations in May 2021 (BK) 	D.2.4	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances

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Improvements	Reference	Requirement
	Principle E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
<ul style="list-style-type: none"> Specific skills audit work carried out to assist with response first to Covid and then the Social Care crisis (JB/PY) 	E.1.1	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
<ul style="list-style-type: none"> Induction policy refreshed in light of working from home and hybrid working (JB/PY) 	E.1.4	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources
<ul style="list-style-type: none"> Training programme following the review of the Pension Fund Committee self-assessment has been implemented. The Programme includes the Pension Board where appropriate. (GF) 	E.2.4	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that on-going training and development matching individual and organisational requirements is available and encouraged
<ul style="list-style-type: none"> Implemented the HR system module that will integrate more effectively with the core HR/Payroll system (JB/PY) 	E.2.7	Holding staff to account through regular performance reviews which take account of training or development needs
<ul style="list-style-type: none"> Ongoing compliance of Coronavirus secure property arrangements in place (GF) 	E.2.8	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing
	Principle F	Managing risks and performance through robust internal control and strong public financial management
<ul style="list-style-type: none"> Established Programme Management approach to LGR including sixteen work streams with multiple sub work streams. (GF/RL) 	F.5.1	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
	Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability
<ul style="list-style-type: none"> Reported to Audit Committee (AC) with headline actions from the sub group on improving AC effectiveness (GF/MT) 	CFO Principle 3 G.3.2a	Ensure an effective internal audit function is resourced and maintained (Audit Committee review own effectiveness resulting in Improvement Plan)

Examples of Improvements to be made between April 2022 and March 2023

Improvements	Reference	Requirement
	Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
<ul style="list-style-type: none"> • LGR Organisational Development (OD) work stream is developing the Values and Behaviours Framework for the New Council (JB/PY) Mar 2023 • Produce Anti Money Laundering policy for new council, incorporating the latest anti money laundering regulations (MT) Mar 2023 • Updated Whistleblowing Policy going to Audit Committee (MT) June 2022 • Updated Counter Fraud Policy going to Audit Committee (MT) June 2022 	A.1.1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
<ul style="list-style-type: none"> • Work through the Corporate Governance LGR work stream to ensure that the new authority has a lawful constitution with robust policy frameworks in place (BK) Mar 2023 • HR and OD work streams will be working on policies and procedures for new council (JB/PY) Mar 2023 	A.2.3	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
<ul style="list-style-type: none"> • Work through the Finance LGR work stream for the new authority to ensure that there is a shadow budget and MTFS in place, and a common set of Financial, Procurement and Property Procedure Rules (GF) Feb/Mar 2023 • Continue with the Supply Chain Resilience Board to provide a managed corporate approach with supply chains (GF) Mar 2023 • Continue with the update of the Procurement Framework following the EU Exit and complete necessary changes (GF) Dec 2022 		

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Improvements	Reference	Requirement
<ul style="list-style-type: none"> Develop Constitution for the new council (BK) Apr 2023 	A.3.1	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
	Principle B	Ensuring openness and comprehensive stakeholder engagement
<ul style="list-style-type: none"> Work through the Locality Work stream and sub groups to make recommendations to members for required actions post April 2023 (NI) Mar 2023 	B.2.1	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
<ul style="list-style-type: none"> Review and revise arrangements for the LEP model in line with the Devolution deal for NYECMA (JF/VD) Mar 2023 	CFO (Principle 1) B.2.2	Review partnership arrangements to ensure that the authority always has access to financial advice in relations to its role in partnership.
	Principle C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
<ul style="list-style-type: none"> Develop the new council's Council Plan (NI) Feb 2023 	C.1.1	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions
<ul style="list-style-type: none"> Work through the carbon reduction implementation plan developed by the Beyond Carbon Group (NI) Mar 2023 	C.2.1	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision
	Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
<ul style="list-style-type: none"> Carry out LGR pulse survey starting in Spring 22 and then track every 8 weeks up to March 2023 (JB/PY) Mar 2023 	D.2.2	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
<ul style="list-style-type: none"> Further review and refinement of Service Continuity Plans relating in particular to cyber security issues to be carried out (GF) Mar 2023 		

Appendix A

Improvements	Reference	Requirement
<ul style="list-style-type: none"> • Test, monitor and review new ways of working plans produced for post March 2022 in light of relaxation on Covid restrictions (GF) Sep 2022. 		
<ul style="list-style-type: none"> • Harmonise policies for council tax and business rates (GF) Feb 2023 	D.2.8	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
	Principle E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
<ul style="list-style-type: none"> • Develop a wider understanding of staff skills to build an internal skills network for use across the council; this will go into the succession planning for the new council within the HR work stream (JB/PY) Mar 2023. 	E.1.1	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
<ul style="list-style-type: none"> • Produce induction policy for new council; being worked on via HR and OD work streams (JB/PY) Mar 2023. 	E.1.4	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources
<ul style="list-style-type: none"> • Carry out a training and support programme for budget managers (GF) Mar 2023. 		
<ul style="list-style-type: none"> • Develop and implement a new training programme including on-line training and face to face meetings for Pension Fund Committee and Pension Board as part of induction following May elections GF (Jun 2022) 	E.2.4	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that on-going training and development matching individual and organisational requirements is available and encouraged
<ul style="list-style-type: none"> • Produce new member induction training pack BK (Apr 2022) 		

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Improvements	Reference	Requirement
<ul style="list-style-type: none"> • Further develop the HR system for the new council to include a succession planning module (JB) Mar 2023. • Need to align IPM in readiness for new council being worked on through the OD work stream (JB/PY) Mar 2023. 	E.2.7	Holding staff to account through regular performance reviews which take account of training or development needs
<ul style="list-style-type: none"> • Ensure H&S compliant property arrangements continue as part of the LGR Property work stream (GF) Mar 2023 	E.2.8	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing
	Principle F	Managing risks and performance through robust internal control and strong public financial management
<ul style="list-style-type: none"> • Ensure a joined up risk management approach is in place for the new council (GF) Mar 2023 	F.1.2	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
<ul style="list-style-type: none"> • Ensure finance system is put in place for new council and is accurate and timely (GF) Mar 2023 	CFO (Principle 2) F.5.1b	Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role
	Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability
<ul style="list-style-type: none"> • Ensure coherent arrangements for internal audit service are in place for the new council (GF) Mar 2023 	G.3.2	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon

Appendix A

Improvements	Reference	Requirement
<ul style="list-style-type: none">Implement action plan to address the issues raised by the sub group on Audit Committee effectiveness once new members are in place post May 22 (GF/MT) Mar 2023	CFO Principle 3 G.3.2a	Ensure an effective internal audit function is resourced and maintained (Audit Committee review own effectiveness resulting in Improvement Plan)