

North Somerset Council

REPORT TO THE

AUDIT COMMITTEE

DATE OF MEETING:

19 MARCH 2015

SUBJECT OF REPORT:

ANNUAL GOVERNANCE REVIEW UPDATE

OFFICER PRESENTING:

JEFF WRING - HEAD OF PARTNERSHIP

1. SUMMARY OF REPORT

This report provides an update on the issues identified within the 2013/14 review and a brief overview of the process for completion of the Annual Governance Statement for 2014/15.

2. POLICY

- 2.1 The council adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, in September 2013.
- 2.2 The Annual Governance Statement explains how North Somerset Council has complied with the Local Code of Corporate Governance and also meets the requirements of:
 - The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, specifically Regulation 4(2) in respect of the preparation and publication of a Statement on Internal Control; and
 - The Accounts and Audit (England) Regulations 2011, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (4) in respect of the preparation and publication of an Annual Governance Statement.

3. DETAILS

Update on 2013/14 Issues

As previously discussed in detail at previous committee meetings one significant issue was identified for inclusion within the 2013/14 statement regarding issues in connection with a Section 256 agreement the Council had with the NHS (PCT and then CCG). Appendix A details the full issue which was discussed in detail at the committee's meetings in July and September 2014. Following these meetings work took place to understand in more detail what had caused these issues and what actions were necessary to ensure they did not occur again.

Detail of these issues was presented at the December meeting of the Committee together with the proposed actions to address them. At that time many of the actions were either complete or in-progress and it is pleasing to note that since that time almost all actions are substantially completed and the areas for improvement are summarised again at Appendix B. It is the view of the Head of Audit that the issues have been fully recognised by the Council and substantially dealt with in terms of the formal process.

Process for 2014/15 Statement

An overview of the process for the compilation and approval of the Annual Governance Statement for 2014/15 is attached at Appendix C. This is similar to the process adopted in previous years.

The process diagram indicates the major steps in the process for compiling the statement and the outcome will be a final Annual Governance Statement ratified by Full Council following review by the Audit Committee.

4. CONSULTATION

This report describes the Annual Governance Review process which members are invited to comment upon.

5. FINANCIAL IMPLICATIONS

The Annual Governance Statement describes how the council complies with its Local Code of Governance which incorporates all the council's business and hence budget.

6. RISK MANAGEMENT

Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

7. EQUALITY IMPLICATIONS

None.

8. CORPORATE IMPLICATIONS

The production of an Annual Governance Statement is an explicit statutory requirement of the Accounts and Audit (England) Regulations.

The completed Annual Governance Statement is reviewed by the Council's External Auditor.

9. OPTIONS CONSIDERED

None.

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BACKGROUND PAPERS

Council's Local Code of Corporate Governance

Appendix A - Annual Governance Statement

Significant Issue – Review of S256 Arrangements

1. Introduction

As part of the process of completing the Annual Governance review, consideration was given to issues which had occurred during 2013/14 and whether they met the criteria for inclusion as a significant issue. After careful consideration the view of senior management was that only one area satisfied the criteria and the outline issue was summarised as follows in the Annual Governance Statement -

Adult Social Services – Financial Governance - S256 Agreements

The Council has been working positively in partnership with the NHS over a number of years to achieve better outcomes for residents and vulnerable citizens. In the last few years however significant health reforms have been enacted by central government resulting in the demise of Strategic Health Authorities and Primary Care Trusts and the creation of new commissioning bodies, NHS England and Clinical Commissioning Groups (CCG's)

Considerable sums of public finance have been and continue to be pooled and shared across the NHS and Local Government to achieve better outcomes. The systems are however potentially complex and a number of weaknesses over some of these arrangements have been identified as a result of detailed analysis of the Council's revenue accounts, specifically those involving S256 arrangements. The External Auditor has been fully informed at an early stage of the issues under discussion and the CCG has also accepted and agreed to review governance arrangements in the context of an open and transparent framework for decision making and reporting.

The detailed issues relate to transactions being identified in the final quarter of the year which resulted in variances within the Council's revenue accounts. This required a restatement of £5m of income which was received by the council in prior years but which had not been recognised within the revenue budget. The income was received from the CCG (formerly the PCT) - through a S256 agreement - in respect of funding for joint initiatives to introduce a co-ordinated partnership approach to commissioning arrangements.

The council's own expenditure associated with these joint schemes in prior years was less than originally estimated and so partial repayments totalling £1.8m to the CCG from the £5m were made at the end of 2013/14.

It was agreed therefore that in the context of new social care reforms, notably the Better Care Fund, improvements to financial governance are necessary to ensure there is full transparency over areas of such significance, which impact on vulnerable residents in our local community.

Mitigating Actions

Review of Arrangements

North Somerset Clinical Commissioning Group and North Somerset Council have agreed that they should review the overall governance and financial management arrangements in respect of shared finances across the NHS and Local Government in respect of Adult social care.

Appendix B – Summary of Recommendations

Roles & Responsibilities –

Recommendation	Priority	Timeframe	Status
Review of role of S151 Officer within organisational structure;	High	Dec 2014	Complete
Review and restructure of Finance Service in context of Transformation Programme & one-council approach;	High	Dec 2014	Complete
Corporate Management Team sign-off new finance structure model;	High	Dec 2014	Complete

Governance & Transparency Arrangements –

Recommendation	Priority	Timeframe	Status
Health & Wellbeing Board to review its role to maximise its effectiveness and report on appropriate issues;	High	April 2015	Substantially Completed
Council Lead Officers to review role of H&WB and associated governance functions in respect of S256 and similar arrangements;	High	April 2014	Substantially Completed
S151 Officer to ensure they establish appropriate finance involvement in Health & Wellbeing Board matters;	Medium	April 2014	Completed

Financial Management & Control –

Recommendation	Priority	Timeframe	Status
Formal instructions to be issued to all finance staff on following Financial Regulations and key policies;	High	Dec 2014	Complete
Ensure all closedown procedures are reviewed to ensure they remain appropriate and suitable;	High	Dec 2014	Complete
Review skills and competencies of all finance staff as part of PDR process;	Medium	Dec 2014	Complete
Ensure S151 sign-off in relation to key external funding agreements	Medium	Dec 2014	Complete

Appendix C – Annual Governance Statement Process

