

Annual Governance Statement for Norfolk County Council 2017-18

1. Introduction

1.1. The Accounts and Audit (England) Regulations 2015 require that:

- The Council must conduct a review at least once a year of the effectiveness of its system of internal control,
- Findings of this review should be considered by the Council,
- The Council must approve an Annual Governance Statement; and
- The Annual Governance Statement must accompany the Statement of Accounts.

For Norfolk County Council (the Council) the Audit Committee undertakes these duties on behalf of the Council.

1.2. The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reported to the Audit Committee on 19 April 2018 that, in his opinion, the system of internal control, including the arrangements for the management of risk during 2017-18, was acceptable and therefore considered sound. The Committee agreed with this opinion. This statement has been approved, along with the Statement of Accounts, at the 31 July 2018 meeting of the Audit Committee.

1.3. As part of producing this statement, Executive Directors have completed and signed an Annual Positive Assurance Statement and completed a supporting departmental assurance table.

2. Scope of responsibility

2.1. The Council is responsible for ensuring 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way it exercises its functions having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2.2. The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014). The Code was approved by the Policy and Resources Committee on 26 March 2018. If you require any further information regarding this statement please

contact Mr. Simon George, Executive Director of Finance and Commercial Services, Norfolk County Council, County Hall, Martineau Lane, NR1 2DW.

- 2.3. Through the application of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, the Annual Governance Statement must include reference to controls where significant activities take place through a group entity. This includes Companies that the Council owns or part owns.
- 2.4. This statement explains how the Council has complied with the Code of Corporate Governance and meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2015, in relation to the publication of an Annual Governance Statement.
- 2.5. The Council administers the Norfolk Pension Fund and the Norfolk Firefighters Pension Fund. The governance arrangements are statutorily prescribed. The Council complies with these requirements. For further details, please consult the [Norfolk Pension Fund Governance Statement 2017](#).
- 2.6. The Council hosts or is represented in several Joint Committees, which are:
 - Norfolk Records Committee,
 - Norfolk Joint Museum Committee,
 - Eastern Shires Purchasing Organisation (ESPO),
 - Norwich Highways Agency Committee,
 - Eastern Inshore Fisheries and Conservation Authority
 - Norfolk Parking Partnership Joint Committee
 - Norfolk and Waveney Joint Health Scrutiny Committee.
 - Road Casualty Reduction Partnership Board
- 2.7. The Council has ten subsidiary companies and one legislator company, detailed below:

Active Companies:

 - The largest wholly owned company by the Council is the Norse Group Limited. It is the parent company of NPS Property Consultants Limited, Norse Transport, Norse Eastern Limited, Norse Commercial Services Ltd and Norse Care Ltd, plus their subsidiaries. These companies are referred to throughout this statement as NORSE. The governance arrangements for NORSE are included in the body of this report. Where there are unique arrangements these appear at the end of each section and where the arrangements are specific to NORSE, they appear in a separate section. For more information regarding NORSE and its services, please refer to its website at <http://www.norsegroup.co.uk>
 - Hethel Innovation Ltd, is wholly owned by the Council, see link for further information at <http://hethelinnovation.com/>.
 - Independence Matters is a Community Interest Company (CIC) which started trading 1 November 2013. The Council owns 49% of the shares for the initial contract period of three years which was extended for two years. For more information regarding

Independence Matters please refer to its website at <http://independencematters.org.uk/>.

- Norfolk Safety Community Interest Company (CIC) operates in partnership with Norfolk Fire and Rescue Service, and provides a range of risk management, training and development and other services to public bodies, third sector organisations and businesses. For more information please refer to website <http://norfolksafety.org/>
- Legislator 1656 Limited is a holding company which is jointly owned with Norwich City Council and is controlled through each party owning 50% of the voting share capital. The company owns a 4.9% share in Norwich Airport Limited and 100% of Legislator 1657 Limited whose principal activity is the leasing of investment properties.

Non Active companies:

- The Great Yarmouth Development Company, which is jointly owned with Great Yarmouth Borough Council, with each party owning 50%. The company is currently in the process of being closed.
- Norfolk Energy Futures Ltd is wholly owned by the Council. The company is currently in the process of being closed.
- Norfolk Regeneration Company Limited (NRC) is a wholly owned by the Council. It is currently dormant.
- Educator Solutions Ltd, incorporated on 15 April 2016, is a wholly owned by the Council. It is currently dormant.
- Public Law East Limited, incorporated on 13 February 2017, is a wholly owned company. It is currently dormant.
- Repton Property Developments Ltd, incorporated on 27 July 2017, is a wholly owned by the Council.

Where appropriate the wholly owned/partly owned companies have Council Member and/or Officer representation on their boards of directors. An audit has recently been undertaken (and not yet reported) of Norfolk Safety Community Interest Company. All other significant companies have signed an Annual Positive Assurance Statement and completed a supporting assurance table.

2.8. The Council is a partner in five pooling arrangements, detailed below:

- The Norfolk Learning Difficulties Pooled Fund now exists only as a legal entity as part of the arrangements for commissioning Learning Difficulties health services. The Council now receives funding directly from Central Government as part of the formula funding
- Norfolk Pharmaceutical and Medicines Management Pooled Fund. The Council and the Clinical Commissioning Groups (CCG's) entered into an agreement to provide a

pharmaceutical and medicines management service in Norfolk. The Council provides financial management for the Pooled Fund

- There is a Better Care Fund pooled arrangement in place, covering the five CCGs in Norfolk. The Better Care Fund (BCF) requires local authorities with responsibility for social services and CCGs to create a pooled commissioning fund for the provision of integrated health and community care services, with a priority purpose of supporting the integration of health and care. The pooled fund is secured through an agreement under section 75 of the National Health Service Act 2006. The Norfolk and Waveney Chief Officer Group oversees the governance of the pooled fund. The Better Care Fund plan, which sets out how funds are spent, is required to be approved by the Health and Wellbeing Board. The Council administers the pooled funds
- Norfolk County Council is a member of the Norfolk Business Rates Pool which as of 2018-19 now includes all seven district councils. The Pool enables Norfolk Authorities to retain revenue from additional business rates growth by avoiding a levy on growth which would otherwise be payable to Central Government. The pooled funds are used to support economic development projects in Norfolk with Norfolk Leaders approving the allocation of funds to projects. More information on the Pool can be found in the latest [Norfolk Business Rates Pool Annual Report](#). Item 11 (page 199) of the October 2017 Policy and Resources Committee
- Norfolk County Council acts as the accountable body for the [Infrastructure Investment Fund](#) (referenced on page 224). The 2013 Greater Norwich City Deal allows, amongst other things, access to £60 million of Public Works Loan Board (PWL) borrowing at a favourable rate to fund strategic infrastructure. The agreement included a commitment from Broadland District Council, Norwich City Council and South Norfolk Council to pool CIL income, and in October 2015 an agreement including Norfolk County Council was signed to pool CIL income in order to create a substantial local growth fund to support local infrastructure projects.

2.9 Norfolk County Council has been designated to manage the 2014-2020 France (Channel) England Interreg Va European programme.

Assurances were provided by the UK Government in October 2016 that for projects selected prior to the actual exit date, partners from the UK will have their full funding guaranteed.

The programme is an EU Commission programme funded through the Cohesion Fund and provides up to €223M of grant covering the geographic area of South and East England and Northern France. This will leverage up to a total of €315M of funds (with match funding). The programme budget is agreed by the French and UK Governments. The Cooperation Programme (CP) was approved by both national governments and by the Commission in October 2015. For further information please refer to website <https://interreg5a-fce.eu>

Within the Council, a Project Board has been set up to oversee the management of risks this initiative generates for the authority.

The Audit Authority reports to the Audit Committee on progress made against the strategy and plan. Should significant issues arise and fail to be resolved with regards to the management and control system, these would be reported to the Audit Committee. No such issues were reported in 2017/18.

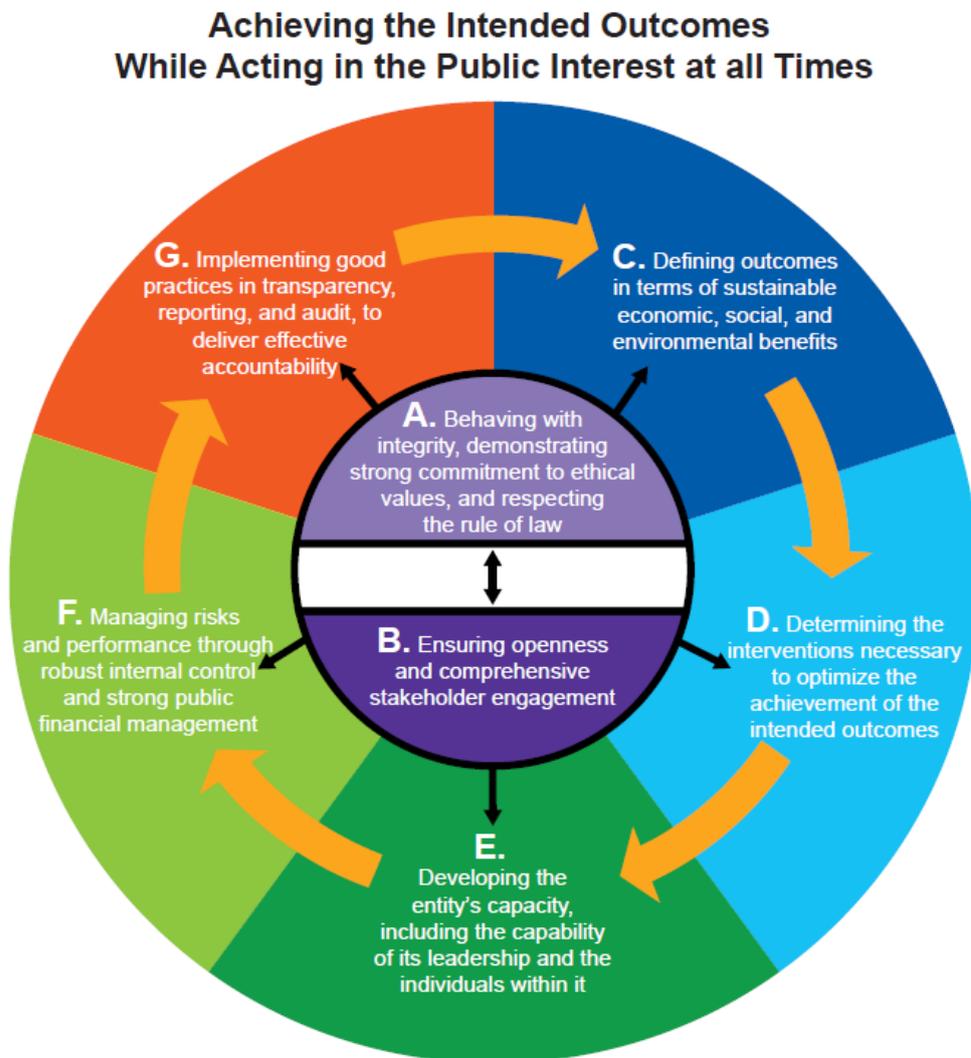
The programme also has its own governance arrangements involving Member States and EC representatives.

3. The purpose of a governance framework

- 3.1. A governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and consider whether they have led to the delivery of appropriate, cost effective services.
- 3.2. The system of internal control is a significant part of that framework 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 to identify and prioritise such risks, it evaluates the likelihood of them being realised and the impact they would have should they be realised and helps manage them efficiently, effectively and economically.
- 3.3. All wholly owned companies have a system of governance which is the responsibility of their Board of Directors and designed to give the Directors adequate information to review the activities of the Group and review and control the business risks.

4. The Governance Framework

4.1. The council achieves good standards of governance by applying the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (The 'International Framework').



4.2. This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times. As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

4.3. The Council's [Code of Corporate Governance](#) details the arrangements in place to comply with each of the principles. The Annual Governance Statement reviews the effectiveness of those arrangements.

5. Effectiveness of the governance framework

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

That review is informed by:

- The work of the Managing Director and Executive Directors within the County Council who are responsible for the development and maintenance of the governance environment
- The Statutory roles of the Council's Monitoring Officer and Section 151 Officer
- The signed departmental assurance statements received and signed by Executive Directors
- The Annual Governance Statement working group
- Work performed by Internal Audit
- Comments made by the external auditors and other review agencies and inspectorate
- Systems and controls carried out as outlined in the Code of Corporate Governance.

Responsibility for this annual review has been delegated to the Audit Committee. Overall it is considered the Council's governance arrangements continue to be fit for purpose, in accordance with the governance framework.

5.2 The effectiveness of the governance framework can be demonstrated by the following:

	Principles	Comment
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<p>Executive Directors have confirmed services comply with the Council's Constitution, Financial Regulations and key policies and procedures which include for declarations, compliments and complaints and whistleblowing. Relevant topics, for example health and safety, are reported to committees during the year.</p> <p>There are up to date registers of Members interests and register of gifts and hospitality published for each Member on the Norfolk County Council internet.</p> <p>The Standards Committee met twice during 2017-18. The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.</p> <p>Progress on the Council's Equality, Diversity and Inclusion objectives 2017-2020 was reported to the Policy and Resources committee in January 2018.</p> <p>An Annual report of the Monitoring Officer will be made to the Audit Committee at the 31 July 2018 meeting. There are no exceptions to report.</p>

	Principles	Comment
B	Ensuring openness and comprehensive stakeholder engagement.	<p>Committees and Full Council have met regularly throughout the year. These are open meetings and the agenda and public reports are available to the public prior to the meetings. There is also provision for the public to ask questions. Decisions taken at these meetings have been recorded in minutes. The agendas, public reports and minutes are available on the Council website, with the exception of certain confidential information.</p> <p>NCC's vision and strategy for 2018-2021 is published on the internet.</p> <p>A Norfolk Strategic Planning Framework has been approved. It includes the shared objectives with Norfolk's Local Planning Authorities (including Norfolk County Council).</p> <p>During the year the Council has engaged with individual citizens and service users effectively. The Council embraced the philosophy "We Asked, You Said, We Did" approach to consultation and promotes material advising the public and other stakeholders of the key findings from consultations and how they have been considered. An example of this was in respect of budget saving proposals.</p> <p>As well as formal consultations the Council runs a variety of events and manage a variety of panels or forums. In doing so, these create opportunities for open dialogue with people who use our services enabling them to feedback their views, interests and concerns relating to the services we offer. Our key events and public forums included a Business Rates Consultation Event, Make it Real Older People's forum, In Care Council, Norfolk Youth Parliament and Residents' panel.</p> <p>There is an agreed Communication Strategy and Media Protocol. Roles and responsibilities for communication should be clear.</p>
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.	<p>The previous County Council Plan 2016-19 had set out the Council's previous strategic ambition, priorities and the areas of the Council's business where it needs to make the fastest improvements to secure Norfolk's long term future. It was refreshed during the year.</p> <p>The vision for Norfolk in 2021 was approved by Full Council on 12 February 2018. This sets out the direction</p>

	Principles	Comment
		<p>of the Council in the next three years and what it would like to achieve.</p> <p>The 'Vision for Norfolk 2021 Caring for our County' outlines the Council's commitment to:</p> <ul style="list-style-type: none"> - Building communities we can be proud of - Making the most of our beautiful County - Starting a new relationship with Norfolk families - Investing in children and families - Helping our population remain independent, resilient and well - Getting our own house in order. <p>The approach is guided by four key principles:</p> <ul style="list-style-type: none"> - Offering our help early to prevent and reduce demand for specialist services - Joining up our work so that similar activities and services are easily accessible, done well and done once - Being business-like and making best use of digital technology to ensure value for money - Using evidence and data to target our work where it can make the most difference <p>The Council has also identified seven priorities to bring focus and energy to this phase of transformation – under the banner of 'Norfolk Futures'. These priorities are:</p> <ul style="list-style-type: none"> - Safe children and resilient families - Promoting independence for vulnerable adults - Local service strategy - Smarter information and advice - Towards a Norfolk housing strategy - Digital Norfolk - Commercialisation. <p>There is focussed activity on each priority, with County Leadership Team sponsors and Senior Officer Business Leads.</p> <p>Each Committee has produced a 3 year plan, setting out how their areas of responsibility will be shaped by the ambition and principles of "Norfolk Futures" and promote the council's vision. These plans were approved by Service Committees in March 2018. Progress against</p>

	Principles	Comment
		<p>overall transformation is being monitored by the Policy and Resources Committee.</p>
D	<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>During the year each Service Committee received performance monitoring reports on the identified key areas (vital signs). These included performance dashboards and a detailed review of those areas not performing as expected. These provided both quantitative and qualitative performance information.</p> <p>In parallel, each Departmental Management Team reviewed performance at least monthly, with challenge provided by the Business Intelligence function.</p> <p>The specific targets included in the County Council Plan 2016-19 are monitored through reports to Service Committees. Where performance is not meeting expectations, the reasons why are discussed and the required action to perform performance is identified. An example of this can be found here on page 91.</p> <p>The vital signs have recently been updated for all departments, to ensure the most important areas are monitored. Each department has produced a Plan on a Page and are being reported to Service Committees. These detail 'what we'll do', 'how we'll do it' and 'how we'll know if we've made a difference'.</p> <p>External challenge has been provided through benchmarking, inspections and peer reviews. Details of inspections and peer reviews are included in Appendix 1.</p>
E	<p>Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<p>During the year the County Leadership Team signed off an Organisational Effectiveness Strategy and plan including key priorities on leadership, shared purpose and performance.</p> <p>To embed the refreshed County Plan and strategy, a refreshed performance development framework has been developed and is now being rolled out to all managers in April 2018.</p> <p>Refreshed key people measures have been signed off and work has been underway to refresh the Council's values and key leadership attributes for roll-out in April 2018.</p>

	Principles	Comment
F	<p>Managing risks and performance through robust internal control and strong public financial management.</p>	<p>Corporate and departmental risk registers are up to date and are being used by managers as a management tool.</p> <p>Reporting of risk management activity to Members and senior management is embedded; for instance corporate risk registers have been reported quarterly and annually to the Audit Committee and the County Leadership Team. Departmental risk registers have been reported quarterly to the Service Committees. The quality and range of data and information included in these reports has been strengthened to better inform on progress with managing specific risks and give them a better overview of the risk profile of each service. The risk management framework and policy have been updated during the year, as reported in the Annual Risk Management report (page 188).</p> <p>Under the Fire and Rescue Services Act 2004 (The Act), the Council is the statutory Fire and Rescue Authority (FRA). The Act makes it a statutory requirement for the Fire and Rescue Authority to produce an Integrated Risk Management Plan. Norfolk FRA published its Integrated Risk Management Plan (IRMP) for 2016-2020 in February 2016. The latest annual Norfolk FRA Statement of Assurance, covering 2016-17, was approved and published in March 2018.</p> <p>Performance monitoring is reported through to Committees.</p> <p>The Managing Director and Executive Directors have confirmed approved protocols, signed contracts and effective governance arrangements are either in place or in the process of being put in place for work performed by third parties.</p> <p>Performance of wholly owned companies is monitored by Senior Officers and Members attendance at Board Meetings.</p> <p>The Council has effective overview and scrutiny. Decisions are made by all-party committees with membership reflecting the overall political makeup of the Council. Committees debate, challenge and make decisions. The Member Training Programme ensures Members are aware of their responsibilities in decision making. This includes being sufficiently challenging and ensuring they have the appropriate level of support and information to enable them to make an informed decision.</p>

	Principles	Comment
		<p>The Council has robust internal control:</p> <ul style="list-style-type: none"> • An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April meeting. There were no exceptions to report. • Systems and processes for financial administration, financial control and protection of the Council's resources and assets are in place and these are continually reviewed to ensure they meet the Council's business requirements. These controls are clearly described in the Council's Medium Term Financial Plan agreed by the Council in February 2018. In addition, a Going Concern Statement has been produced to provide additional assurance. • Effective internal control arrangements are in place. These include financial guidance, budgetary systems, monitoring systems, delegation arrangements, accounting procedures, information systems and authorisation and approval processes. • Annual accounts are published on a timely basis. • An effective internal audit function is resourced and maintained. • Risk management arrangements are effective. • An effective Audit Committee is in place. • Measures are in place to prevent, detect and investigate fraud and corruption. • The internal audit team is compliant with the relevant professional standards, namely the United Kingdom Public Sector Internal Audit Standards. From January 2017 these were updated and are now known as the International Standards for the Professional Practice of Internal Auditing. An external review was undertaken by CIPFA in May 2017. • Outstanding corporate high priority audit recommendations are followed up to ensure controls are put in place as soon as possible. A summary of the outstanding corporate high priority audit findings is reported to the Audit Committee. <p>Information Asset Owners of key systems provided assurance during a data quality audit that in their opinion</p>

	Principles	Comment
		<p>controls and processes are robust enough to ensure good quality data. All Executive Directors have confirmed there are processes in place to ensure the quality of data is maintained to enable effective decision making to be made. Action plans are in place following internal audit work on Information Security during the year and has been included as a Corporate Risk (RM003). The Council has had a plan in place for the General Data Protection Regulation (GDPR) preparations which is regularly reviewed by the County Leadership Team.</p> <p>We have strong public financial management. Responsible Budget Officers are responsible for managing their budgets effectively. At the end of every month financial information on expenditure is produced including forecast expenditure and the planned impact on earmarked reserves. Finance Monitoring Reports are discussed at Service Committees.</p>
	<p>Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>During the year the Council has published information, including reports, in a manner which is accessible to citizens and other stakeholders. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames.</p> <p>Reporting on performance, value for money and the stewardship have been included in the Annual Report, Statements of Accounts and Annual Governance Statement.</p> <p>The Audit Committee has considered matters of governance, including internal audit, risk management, anti-fraud and corruption, the annual statement of accounts, treasury management and external audit during 2017/18.</p> <p>An Annual Internal Audit Report from the Executive Director of Finance and Commercial Services/Chief Internal Auditor was made to the Audit Committee at its 19 April. There were no exceptions to report.</p> <p>All Executive Directors have confirmed staff are aware of their responsibility to report upwards any unresolved matters of concern about internal control.</p>

5.3 Wholly owned Companies have completed assurance statements confirming the effectiveness of their governance framework, with the exception of Norfolk Safety Community Interest Company where an audit has been carried out during the year. No concerns have been identified.

6. Review of Effective Action on Significant Governance Issues 2016/17

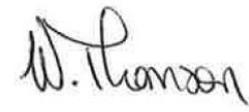
6.1 There were no significant governance issues reported in 2016-17.

7. Significant Governance Issues

7.1 There are no significant governance issues to report for 2017-18.



Councillor Andrew Proctor
Leader of the County Council



Dr Wendy Thomson CBE
Managing Director

Notes:

Note 1: The following senior officers have contributed to drafting this statement

- Managing Director
- Executive Director of Adult Social Services
- Executive Director of Children's Services
- Executive Director of Community and Environmental Services
- Executive Director of Finance and Commercial Services (Section 151 Officer)
- Strategy Director
- Head of Democratic Services
- Head of HR.

Executive Directors who have produced signed Annual Positive Assurance Statements and supporting assurance tables

Executive Director of Community and Environmental Services
Executive Director of Adult Social Services
Executive Director of Finance and Commercial Services
Executive Director of Children's Services
Strategy Director

Appendix 1

External Reviews carried out during the year

	Comment
3	<p>Finance and Commercial Services</p> <ul style="list-style-type: none"> • The overall key message in the external auditor’s (EY) Annual Audit Letter (available on the Council Finance webpage Statement of Accounts 2016-17) was that an unqualified opinion was issued on the Council’s accounts for 2016-17. • The County Council was also given an unqualified ‘Value for Money’ opinion, within the Annual Audit Letter 2016-17. • The controls within the payroll function are audited annually by internal audit. <p>HR</p> <ul style="list-style-type: none"> • The Health & Safety function is ultimately answerable to the HSE and in the last year we had one investigations by the HSE. The HSE concluded that our systems were satisfactory. There is a third investigation which is ongoing at this point. <p>nplaw</p> <ul style="list-style-type: none"> • NpLaw had its external Lexcel (the Law Society's legal practice quality mark for excellence in legal practice management and excellence in client care) assessment in March 2018 and its accreditation as a legal practice was renewed. <p>Children’s Services</p> <p>The re-inspection Ofsted report dated January 2018, in respect of children in need of help and protection, children looked after and care leavers, recognised Norfolk County Council had shown a significant increase in the pace of change, with visible and effective interim senior leaders working purposefully to tackle critical weaknesses. The support for children looked after, care leavers and children with a plan for adoption has improved and most receive timely, effective help. However, these services still require improvement to be good. The service provided to children with a plan for adoption is outstanding.</p> <p>Community and Environmental Services (CES)</p> <ul style="list-style-type: none"> • An internal audit (resourced by BDO) was carried out on the compliance with NDR Contract Management and an internal audit was completed for the NDR Scheme of Delegation. An acceptable opinion was given for both audits.

	Comment
	<ul style="list-style-type: none"><li data-bbox="274 250 1506 331">• Norfolk Community Learning Services were shortlisted as one of the six finalists for the most improved Council category, in the Municipal Journal awards 2017.<li data-bbox="274 380 1369 416">• Other accreditation obtained by CES have been appended at Appendix 1.