

Combined Assurance



Status Report West Lindsey District Council

Contents

| | |
|-------------------------|------|
| <i>Introduction</i> | 3 |
| <i>Key Messages</i> | 4 |
| <i>Critical Systems</i> | 5-10 |
| <i>Strategic Risks</i> | 11 |
| <i>Projects</i> | 12 |
| <i>Looking Ahead</i> | 14 |

DRAFT

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Introduction

This is the first combined assurance report for the Council.

Working with management we have been able to show what assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance ‘unknowns or gaps’.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.

Scope

We gathered information on our:

- **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **key risks** – found on our strategic risk register or associated with major new business strategy / change.
- **key projects** – supporting corporate priorities / activities.

Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We leverage assurance information from your ‘business as usual’ operations. Using the ‘3 lines of assurance’ concept:



Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.

Key Messages



Over the last 12 months we have focussed on:

- Strengthening governance generally,
- Understanding our services in more detail,
- Embedding our approach to Localism,
- Strengthening our outcome focus,
- Strengthening our commercial and financial awareness,
- Strengthening our approach to project management,
- Identifying staff and member development needs to help develop them in their roles

The combined assurance report provides a good level of confidence that the Council is well run.

To strengthen governance, further work is required around performance management, project management, our evidence base for decision making, partnership governance and risk management.

The council has a number of significant pressures and risks presented by the

current economic climate and central government reforms in response.

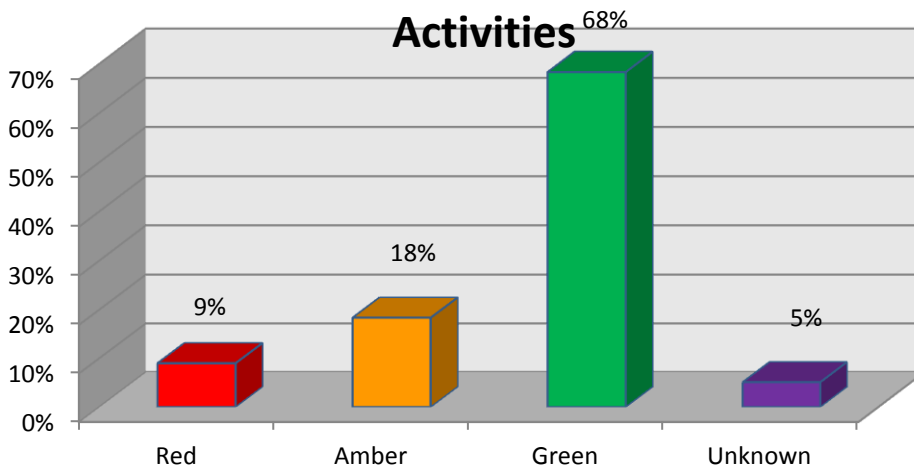
Improved horizon scanning and risk awareness and management will ensure the council is well positioned to respond to these changes and exploit any opportunities that they present.

The council has a strong commitment to entrepreneurialism and addressing these opportunities from a commercial perspective, which has developed over the last 12 months. This should help the council maintain a strong financial position in the medium to long-term.

With regards to project management, there have been indications of concerns with some key projects, which the council has acknowledged and an independent audit has been commissioned to identify any lessons that need to be learnt.

A programme of In Depth Business Reviews aims to provide a level of independent assurance and constructively challenge management assurance by identifying areas to improve governance and therefore strengthen the assurance.

Overall Assurance Status - Your Critical Activities



Critical Systems



Critical systems within the combined assurance report are divided into four sections:

Transactional

Transactional services refers to the agreed set of services and functions run by the council. Each service area should have clarity of its purpose, and understanding of the stakeholders and clear processes for delivery and managing performance.

Governance and Strategy

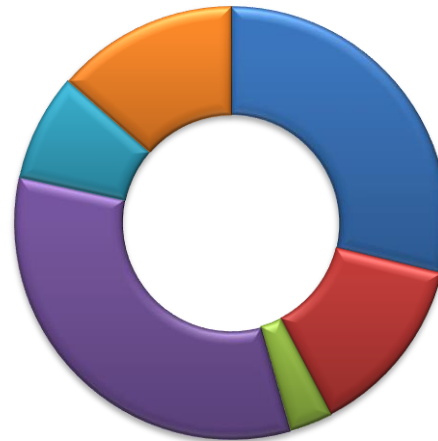
This section includes corporate governance framework, risk management, partnerships and project management. Human Resource management is also included along with key strategies.

Localism

The Localism Programme aims to support community capability and capacity for self-help. This section includes big society, neighbourhood planning.

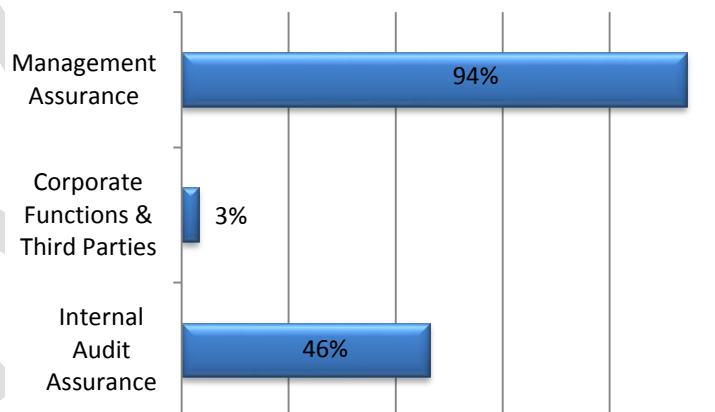
Due Diligence

This includes those functions that support the running of the Council and ensure compliance with policies.



- Transactional
- Governance and strategy
- Localism
- Due Diligence
- Strategic Risk Register

Who Provides Your Assurance



Transactional Services

At a high level, transactional services are expected to deliver services to an agreed level of quality focusing on reducing demand, reducing cost, increasing income and improving customer satisfaction. Services need to be aware of their risks and manage them effectively.

The council has a desire to promote channel shift to self-service via the website and therefore all transactional services should be identifying ways to support this.

Over the last 12 months 63% of transactional services have been the subject of an In Depth Business Review to understand the demands, customer needs, wants and satisfaction, value for money and how the service benchmarks nationally.

Generally, the In-Depth Business Reviews could support the level of assurance provided by management based on the current performance of services. However a number of recommendations have been made for each service area, which, either improve customer satisfaction, improve value for money, improve resilience, promote self serve and strengthen governance.

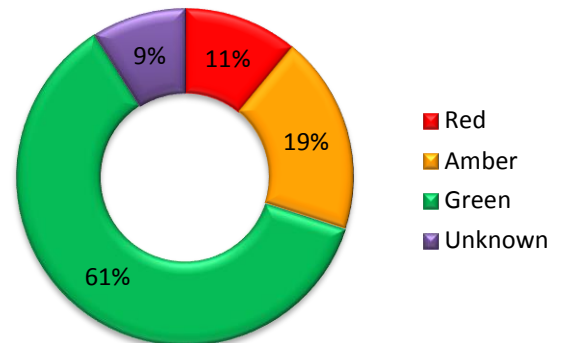
Improving Governance and Assurance

In terms of improving governance generally within these services, the following cross cutting recommendations have been made:

Ensure all service areas have clarity of purpose and objectives,

Ensure all service areas have clear visibility of their finances and service demands and understand how to use this information to manage services,

Critical Activities - Transactional



Ensure all service areas have appropriate balance scorecards in place to ensure an effective performance management process is adhered to,

Ensure all service areas have up-to-date risk logs with clear mitigating actions which are reviewed regularly.

Proposals for all four area listed above have been made by the in depth business reviews for the areas that have been reviewed. For those areas that haven't been reviewed, further work needs to be undertaken to understand current performance.

Governance and Strategy

A lot of work has been done in this area to strengthen the corporate governance framework, improve the capability of staff and members to fulfil their respective roles and to improve communications.

Member development reviews have taken place throughout the year with a good level of attendance and appraisals have been given a renewed focus.

Member development, appraisals, emergency planning, communications and the governance framework have all received substantial assurance from internal audit, which gives confidence in their delivery.

The Corporate Plan is reviewed annually and a new reporting system has been developed to track progress and delivery to that plan.

Risk Management training has continued throughout the year and the risk strategy has been refreshed. Further work is required to continuously encourage the identification and management of risks at all levels.

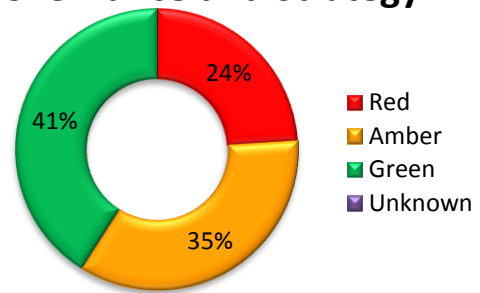
There is clear guidance for staff appraisals and development, which has received substantial assurance from Internal Audit. Appropriate policies for the effective management of staff are in place.

The performance management framework will be further influenced by the recommendations of the in depth business reviews and the creation of a challenge and improvement committee subcommittee on progress and delivery.

Key strategies to strengthen the council's financial sustainability have been delivered. This includes the budget strategy and the commercial strategy (in draft form), which outlines how the council aims to manage with increased financial insecurity and reduced government grants.

Through the In Depth Business Review process it has become clear that there is not

Critical Activities - Governance and Strategy



a consistent approach to strategy development. In some areas, information used to develop strategies and allocate resources has been out of date or used out of context. This can result in the miss allocation of resources and unsafe decisions.

Improving Governance and Assurance

- Undertake risk identification workshops with transactional services to develop a generic set of operational risks and necessary actions to monitor and mitigate.
- Agree a governance process for periodic third-party review of risk monitoring and litigation processes/actions
- Agree a governance process for periodic third party monitoring of progress to staff development plans
- Develop an agreed approach to strategy development to include the inclusion of all relevant stakeholders,
- Establish a strong central research and analysis team which can ensure that data used for decision-making is up to date and presented in context,
- Prioritise strategy development to address those areas of high risk.

Localism

With ever decreasing resources coupled with increasing demands from communities, West Lindsey have adopted an approach to localism which aims to build the capacity and capability of our communities to adapt to the reduction in public sector funding and focus more on self-help and helping each other.

This work is delivered by our Localism team, which are also responsible for community safety and antisocial behaviour and neighbourhood planning.

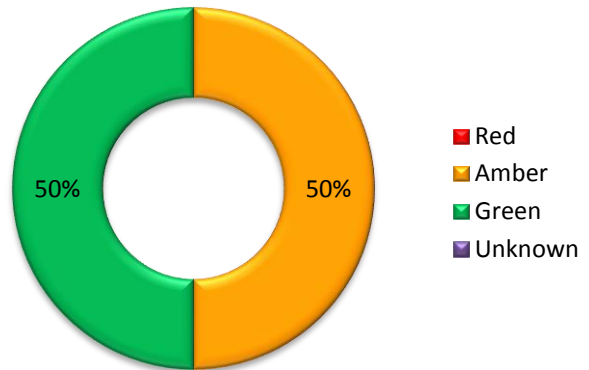
Our approach to localism has been well received in the main and has supported the delivery of a number of community projects and encouraged the uptake of volunteering.

Significant work has been undertaken in this area to work with communities to identify their priorities and help develop action plans for improvements. These priorities have been included in the Corporate Plan Refresh. There has also been an increase in community action and external funds levered in to support local projects.

The assurance map identifies that no assessments have been undertaken for community safety and antisocial behaviour to provide any assurance in these areas and that our approach to localism and neighbourhood planning is identified as amber.

The scrutiny function is scheduled to undertake a review of our approach to localism to take on board comments from communities, members and staff to help inform future delivery.

Critical Activities - Localism



Improving Governance and Assurance

In order to improve governance:

Reviews of antisocial behaviour and community safety should be undertaken and assurance levels provided,

Focus should be given to the evidence base used to inform communities of the current state of their areas to help inform priorities set,

A review of the approach to localism will be undertaken by the challenge and improvement committee to provide a degree of second line assurance. This will include engaging with the public, members and staff to gather views and recommendations across the board.

Due Diligence

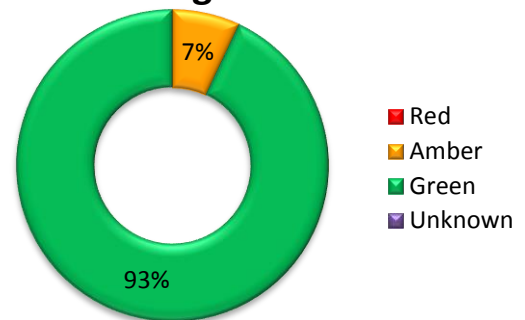
Most due diligence areas have an overall assurance status of green, which is reassuring.

Improving Governance and Assurance

Ensure all processes covered within the two diligence section are clearly documented including internal check and review point to provide stronger confidence on management Assurance

To include periodic checking by a corporate governance team for high risk due diligence various to increase the frequency of inspection

Critical Activities - Due Diligence



Suggested Next Steps:

1. **Transactional Services:** The recent reviews across the service area have identified a number of improvements which will improve the value for money position and customer experience of services. These recommendations will be prioritised and delivery monitored.

A stronger performance management framework needs to be in place to strengthen the management assurance provided by transaction services.

2. **Evidence Base for Strategic Decisions:** Further work needs to be undertaken to strengthen the evidence base for strategic decision-making. This will ensure that information used to inform communities about their area and to inform decision-making are up-to-date and put in context. This also includes the pro-active delivery of briefing papers by service areas to the core management team and members to ensure that they are informed of significant changes which may affect the council. This will enable us to assess any strategic risks and put the necessary actions in place to manage them.
3. **Project Management:** project management needs to be strengthened to ensure that all key projects follow clear governance. Continuing with the current approach this should include minimum requirements and clear simple guidance to ensure successful delivery. Benefits realisation reviews need to be introduced across all key projects.
4. **Partnerships:** Further work needs to be undertaken on key partnerships to ensure that the necessary governance arrangements are in place to ensure successful delivery.
5. **Scrutiny:** The scrutiny function will take on a stronger roll around the progress and delivery report and the corporate plan priorities to challenge stakeholder involvement in setting priorities, performance of services and progress of key projects.
6. The Internal Audit Plan for 2013 /14 includes the following activity:
 - Progress and Delivery of the Corporate plan
 - Partnership Management
 - Risk Management
 - Project Management
 - Welfare reform
 - Asset Management, utilisation and disposal

The outcome of these audits will help to inform our action plans and next steps

Strategic Risks



Council's highest rated Strategic Risks

Financial Sustainability

Leadership Capability

Ability of the Community

The core management team maintain the strategic risk register and ensure appropriate horizon scanning and that steps are taken to make sure that the council is well-positioned to manage any risks which come to fruition or to take advantage of changes. Strategic risks are shared with policy committees.

The Core Management Team are generally risk aware and prepared to take calculated risks. Improved discipline around registering strategic risks, assigning a risk owner, assessing risk status and identifying monitoring and mitigation actions would help strengthen governance and provide a framework against which to test assurance.

The significant risks facing the council are reflected in the Councils Strategic risk register. The top three identified are:

Financial sustainability in current financial climate resulting in further severe local government funding reduction or a shortfall in planned income

The risk has been on the horizon for a number of years and has come to fruition a number of times. The council has always maintained a strong focus on financial sustainability and has identified budget reductions and increased income to address this.

So far our approach has proven successful with no compulsory redundancies to date and no significant reductions in front line service. The Core Management Team have sent a strong simple message from the top that we need to find £3 million in three years. Arrangements have been put in place to resource the delivery of the changes required.

Leadership capability amongst members and managers to pro actively drive and take difficult decisions is vital in order to adapt to the new environment.

Member development plans have been underway this year to identify development needs and a stronger focus has been placed on the staff appraisal system to be clearer about objectives and development needs to successfully deliver. Corporate Leadership and Commercial Awareness development programmes have been run over the last 12 months.

The ability of the community to adapt to the reduction in public sector funding and focus more on self-help and helping each other will be essential in reducing demands on council resources while ensuring that change happens where necessary within our communities.

The Localism Programme aims to support community capability and capacity for self-help. A review of the approach to date has been commissioned by the scrutiny function, the findings of which will help us adapt our approach moving forward to ensure that we are achieving the desired outcomes.

Projects



Over the last 12 months our approach to project management has been amended to provide clarity on outcomes for each project and focus more on gaining assurance than adhering rigidly to process.

Templates and guidance have been refreshed and a number of staff across the organisation that regularly manage projects have been through a structured training programme.

Although there is flexibility in the use of templates and documentation used, the key messages given are that for all projects, project managers must be able to demonstrate:

What it is we are trying to achieve (including the evidence of need)

That there is a robust plan in place to deliver

That they can manage the change (including stakeholder, risk, issues and change management and communications)

This approach is being developed across all programmes of work.

Key projects of a political and commercial nature are being managed by the Commercial Board, which is chaired by The Chief Executive.

This board has established a clear work programme and is currently in the process of developing project boards for each area and resourcing them appropriately.

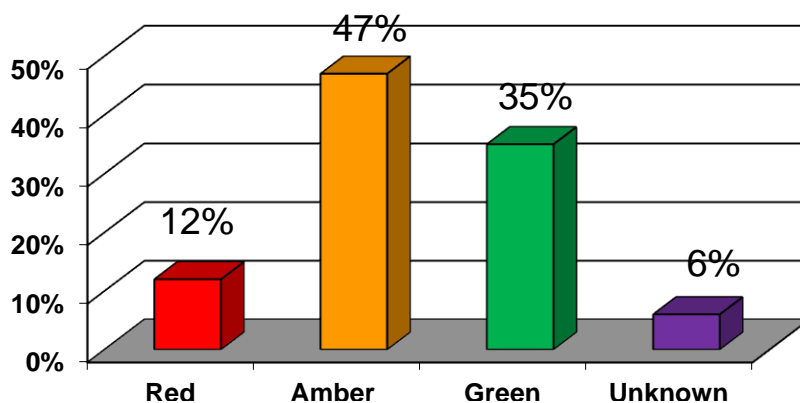
In addition, we are working with a leadership development partner to identify a process for prioritizing projects.

Improving Governance and Assurance

In order to improve governance and assurance in project management:

1. A level of scrutiny should be provided to business cases and the evidence base to ensure that they are robust,
2. A level of scrutiny should be provided to project plans to ensure that they are robust and identify key milestones through to completed delivery,
3. A level of scrutiny should be applied to the change management plan to ensure they cover all relevant areas in sufficient detail.
4. Consistency should be applied across all key projects to ensure good governance and successful delivery.

Assurance Status - Your Key Projects





Partnership Governance

Through the In Depth Business Review process it has been identified that there is an inconsistent approach to partnership governance.

Through a discussion with the Core Management Team it was agreed that strong governance arrangements should be in place for partnerships where:

1. The council is committing significant resources to the partnership,
2. The council is committed to adopting policies or changing working practices to support partnership objectives based on similar commitments made by others, or
3. The partnership is critical to the successful delivery of the councils corporate priorities

Partnership governance arrangements should include as a minimum:

1. Clear articulation of the outcomes that the partnership seeks to achieve and the objectives for ensuring delivery,
2. Clear accountability for delivery of the objectives,
3. A clear timeline for delivery,
4. A partnership risk log,
5. Agreed channels of communication,
6. Minutes of meetings,
7. A performance management framework to track delivery and the achievements of outcomes.

As part of the internal audit program for 2013/14, Audit Lincolnshire will be undertaking an audit of governance arrangements for the council's key partnerships. The findings of the audit will inform an improvement plan for partnership governance.

Improving Governance and Assurance

1. Developed a register of key partnerships,
2. To develop guidance all recommended governance arrangements for partnerships,
3. Ensure all partnerships have a delivery board which they report regular programs and Issues through

Looking Ahead



People

With a complex and changing public sector landscape, the Council will need people resources that are flexible, responsive and have the appropriate skills for delivering in the new environment.

We will need to understand our current skills and any gaps and develop a strategy for addressing these.

Money

Financial Austerity within the public sector has been on-going for a number of years and is expected to continue for some years to come. As a Council WLDC has already experienced funding reductions of around 30% of its government funding and reductions of £2m have already been announced for the next 2 years. This is in addition to increasing costs and responsibilities and reductions in other income streams. All of these factors point towards a bleak financial future; however, WLDC has responded positively so far and is well placed to continue to respond positively and effectively in to the future.

Welfare Reform

The Welfare Reform Agenda has already started to be delivered. Spare room subsidy changes have been implemented as has the Benefits Cap. West Lindsey has in common with all Billing Authorities introduced its own Local Council Tax Support scheme for working aged customers.

The reduction in Benefit levels will have an impact on local people and may increase the draw on support services provided by West Lindsey and other public bodies.

The next stage of the reform will be the introduction of Universal Credit to replace 6 existing Benefits. Housing Benefit is one of the 6 benefits to be replaced and as West Lindsey is responsible for the administration of Housing Benefit.