

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

City of York Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is in the council's Constitution and on the council's website. This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2015, and accompanies the 2015/16 Statement of Accounts of the Council. It is a requirement to produce this Statement under regulation 6 (1)_ b of the Accounts and Audit (England) Regulations and that it is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is 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 designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The overall Governance Framework, and in particular the system of internal control, described in this Statement, has been in place within the Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts for 2015/16.

3. THE GOVERNANCE FRAMEWORK

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the council consist of strategic planning processes, political and managerial structures and processes, management and decision making processes, policies and guidance, financial management, compliance arrangements, risk management, internal audit, counter fraud activities, performance management, consultation and communication methods and partnership working arrangements.

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Council Plan expresses the council's Key priorities until 2019. The aims and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive, which meets monthly, is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT), which meets weekly, has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of CBSS) (Customer and Business Support Services) and the Monitoring Officer (Head of Governance and ICT) review reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The council implemented new scrutiny arrangements during 2009/10 and continues to seek to develop and improve these arrangements. During 2015 further improvements included the early publication of forward items for Executive, to allow for pre decision of Scrutiny items.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment, it oversees the financial reporting process and approves the Final Statement of Accounts.

A Joint Standards Committee comprising members of the City Council and Parish Councils is responsible for promoting good ethical governance within the organisation and within local Parish Councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a Member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally.

Peer Review:

In March 2016, the council opted to undergo a Peer challenge to assess how well we are meeting our aims to shape and deliver a strong vision for the authority and its services for the city. The Peer review team focused on three specific areas:

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- Progress since the previous LGA peer challenges undertaken in June 2013 and November 2014
- Behaviours and relationships
- Future plans

Details of the Peer challenge and resulting action plan can be found on the Council's website at the link below:

https://www.york.gov.uk/info/20036/performance_and_policies/31/peer_challenge

ICO audit

The Information Commissioner's Office (ICO) undertook a voluntary audit at the Council in August 2015. This onsite audit covered records management, subject access requests and data sharing. The ICO's overall opinion was that there was limited assurance with scope for improvement but that there was also good practice in a number of areas including archive and storage arrangements, information security checks and data sharing.

The council responded to the 90 recommendations for improvements to existing arrangements by formally documenting procedures and implementing further compliance measures. A follow up audit assessment in June 2016 by the ICO showed that the Council had completed 31 recommendations in full, 58 partially (with completion in the next 3 months) with 1 not yet completed. This provided assurance to the ICO that the agreed recommendations has been appropriately implemented mitigating risks identified thereby supporting data protection legislation and implementing good practice.

Management and Decision Making Processes

Corporate management and leadership at officer level is led by CMT, and is supported and developed through the Corporate Leadership Group (CMT plus Assistant Directors). Decisions are operated in accordance with the Council's constitution. The Council has a Workforce Strategy which sets out the way the Council will develop the skills of our staff to help deliver our key priorities effectively.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The council's Constitution
- Codes of Conduct for Council Members and Council Officers
- Protocol on Officer/Member Relations
- Financial Regulations and Procurement Rules
- Member and Officer Schemes of delegation
- Registers of Council Members' interests, gifts and hospitality
- Registers of Council Officers' interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing, the Prosecution of Fraud and Corruption and dealing with complaints
- Asset Management Plan
- Strategic Risk Register

Many codes and protocols form part of the constitution and are monitored for effectiveness by the Governance and Assurance Group (GAG). Amendments to the constitution are normally scrutinised by the Audit & Governance Committee prior to approval by full Council.

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Financial Management

The Director of Customer & Business Support Services (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the council's financial strategy; and
- he leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities:

- he leads and directs a finance function that is resourced to be fit for purpose; and
- he is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow best professional practice as set out in the Chartered Institute of Public Finance and Accountancy's guidance and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

Compliance with the council's governance arrangements is subject to ongoing scrutiny by the external auditors, Mazars and other external agencies. The Governance and Assurance Group (GAG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of

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Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.

Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of a risk register, to which all directorates have access. The risk register includes corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk register is used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the Council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2015/16 was provided by Veritau Limited, a shared service company jointly established by the Council and North Yorkshire County Council. Veritau's internal audit & counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the council. Through its work Veritau also provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team:

- provides advice and assistance to managers in the design, implementation and operation of controls
- helps to maintain the council's counter fraud arrangements including policy framework
- supports managers in the prevention and detection of fraud, corruption and other irregularities.

Performance Management

The council recognises the importance of effective performance management arrangements and established the Business Intelligence Hub. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. Each directorate reports finance and performance monitoring progress to members through the established Scrutiny arrangements.

Finance and Performance monitoring is reported regularly at CMT and Executive, and there is ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

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Consultation and Communication Methods

The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. The Council has in place an Engagement Strategy and media protocol. Examples of communication and consultation include:

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings and watching meetings live or recorded at www.york.gov.uk/webcasts
- residents' surveys and consultations via www.york.gov.uk/consultations including public consultation events – in the council offices, libraries, public transport and supermarkets
- budget and other consultation processes including statutory public notices
- providing a place for businesses, organisations and residents to publicly share their data, for free, so that anybody can connect to hundred's of up-to-date, searchable data sets and use them to make a difference in their local area at <https://www.yorkopendata.org/>
- citywide publications such as Our City and Your Ward and Streets Ahead (for 8,000 council tenants)
- internal communications within City of York Council to ensure staff and arms length partners are kept informed of communications
- regular interaction via the council's social media channels including Twitter and Facebook
- involvement in devolved budget decision-making at ward level
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements. The council has developed methodology and protocols during the year to ensure that partnerships operate effectively across the Council.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken, co-ordinated by the Governance and Assurance Group (GAG), which comprises the Director of Customer & Business Support Services (the Section 151 Officer), the Assistant Director of Customer & Business Support Services - Governance & ICT (the Monitoring Officer), and the Head of Internal Audit (Veritau Ltd). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period

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- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk register and any other issues highlighted through the Council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2014/15 Annual Governance Statement.
- The councils counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

Having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. The Council recognises an ongoing need to review its governance arrangements, and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems, and ensure compliance with relevant legislation.

This on-going review of the effectiveness of governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

5. SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2015/16. There were however some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements.

Also included in the table below are more general issues relating to service delivery and national challenges which whilst not significant governance issues in themselves, represent important issues which affect the Council across all areas. This includes in particular the financial challenges, the Local Plan, Adult Social Care and Devolution. This approach is in line with other Councils preparation of Governance statements.

	Issue	Action taken to date/ Planned 2016/17	Reports/ Decisions to be presented to
1	<p>Financial Risks</p> <p>(i) Pressures - Impact of funding reductions -</p> <p>The Council continues to face significant funding pressures and changes to both national and regional funding regimes which naturally present a potential risk to the Council's overall Governance arrangements.</p> <p>(ii) Major capital projects</p> <p>The Council has a number of major capital projects at different stages, including the Community Stadium,</p>	<p>The MTFS reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years. The council has set a one year budget in 2016/17 with services setting a 4 year direction of travel. Further update on the strategy, and the Councils response to the Governments offer to authorities that agree an efficiency plan will be taken to Executive in June/July.</p> <p>There are significant risks associated with the range of major schemes which have been identified in various reports.</p>	<p>Executive/ Council</p> <p>Executive/ Council</p>

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	<p>York Central, and the Older Peoples Accommodation Programme (including Burnholme)</p>	<p>Ongoing regular reporting to various member meetings, alongside effective Project Management will be essential to ensure risks can be mitigated/ managed.</p> <p>The Council has put in place dedicated project management expertise for its major projects, and invested in a project management system to manage programme/cost risks attached to these major projects</p>	<p>Audit & Governance Committee</p> <p>Scrutiny Committees</p>
<p>2</p>	<p>Local Plan</p> <p>Officers produced a publication draft Local Plan in autumn 2014. This process, however, was halted by Council resolution on the 9th October 2014. Following the Local Government Elections in May 2015 the agreement between the Conservative and Liberal Democrat Groups, to establish a joint administration for City of York Council from May 21st 2015 indicates that:</p> <p>‘We will prepare an evidence-based Local Plan which delivers much needed housing whilst focusing development on brownfield land and taking all practical steps to protect the Green Belt and the character of York.’</p> <p>Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas of the city vulnerable to development proposals which the Council will be unable to stop.</p> <p>Also given Ministerial statements failure to progress a plan could lead to interventions by Government into the City’s planning services along with the removal of funding such as New Homes Bonus</p>	<p>In response to both the Council resolution and the changed context officers have initiated a work programme culminating in a document focusing on housing and employment land. This document and supporting technical documents will be reported to Members in June. It is anticipated, subject to Member approval, that the document will be published for the six week consultation in July.</p> <p>The reports to Members in June will also sets out a project plan for the progression of the Local Plan. It will highlight the intention to consult on a publication draft plan early in 2017 following which it will be submitted to Government. This will be followed by an ‘Examination in Public’. This is a form of public inquiry where an independent planning inspector, appointed by the Secretary of State, will ‘test’ the document to see if it meets the requirements of the relevant legislation and to see if it is ‘sound’. Soundness is tested by considering whether the document is justified; effective and consistent with national policy. This could last up to 12 months.</p>	<p>Executive/ Council</p>

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3	<p>Adults/ Health Risks - Challenges of Better Care Act/ Pool budgets</p> <p>Adult Social Care is the biggest area of spend (excepting Housing Revenue Account and Education). There is an increasing and ageing population with more complex needs which could dominate council finance's in years to come.</p> <p>The Department continues to implement new duties imposed under the Care Act 2014 as well as pooling budgets with the Vale of York Clinical Commissioning Group in the Better Care Fund, a step in the longer term ambition to integrate Health and Social Care</p>	<ul style="list-style-type: none"> • Regular budget monitoring meetings and reports with all levels of budget managers within the Department • Robust plans in place to deliver savings proposals and develop mitigating actions where savings are not being met • Development of a new operating model which will prevent, reduce, delay and manage an individual's care needs and reduce the number of people needing ongoing statutory agency based support • Increase in reablement and community based support • Increase use of community assets and capacity • Ambition to pool more budgets in order to achieve system wide efficiencies and improve the customer/resident experience • Ensure appropriate governance is in place for the pooled budgets • Attendance at the appropriate level of cross organisation meetings to ensure Council's best interests and strategic aims are met • Complete the national stocktakes relating to how successful implementation of the Care Act has been and what further needs doing • Review Universal Information and Advice in line with the Care Act to support people to self manage • Change culture of workforce and population to promote self care/ management • Comprehensive Service plans with clear objectives 	Executive/ Health and Wellbeing Board, Scrutiny
4	<p>Devolution –</p> <p>Ensuring the Council is best positioned to be able to take advantage of devolution opportunities with particular benefit for the local economy</p>	Ongoing dialogue with neighbouring councils to maximise impacts	Executive
5	<p>External Reports from Mazars -</p> <p>Public Interest Report - During the year a Public Interest report was presented to Full Council. In summary this concluded that there were failings in governance by the</p>	The Council Responded to each of the 10 recommendations and action is underway to address each issue, including a report taken to executive on 28th April 2016. Further reports are	Executive

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	<p>Council, and that important governance issues should be applied to ensure future good governance of the Council's relationship with all of its trading companies. Ten specific Recommendations were made in the report</p> <p>Review of Project Management Arrangements for the Transformation Programme - A number of recommendations were issued in respect of:</p> <ol style="list-style-type: none"> 1) Programme Initiation 2) Programme Governance, Decision making & Communication 3) Programme Management & Resourcing 4) Procurement Process 5) Approach to Alternative solution 	<p>planned in June 2016.</p> <p>A number of reports have been taken to the A&G Committee during 2015/16 setting out the processes now in place for Project Management within the Council. This will continue to be monitored and further update reports presented to the Committee in 2016/17</p>	<p>Audit & Governance Committee</p>
<p>6</p>	<p>Information Governance - (Information security existing issue from 2014/15 statement) -</p> <p>(i) Information security - due to the nature of the issue there remains ongoing risks in terms of control of data, particularly in electronic form, and risks of financial, service and reputational damage.</p> <p>(ii) Information Governance</p> <ul style="list-style-type: none"> - Risk to individuals - Corporate risks - Compliance risks 	<p>Internal audit security checks have been undertaken during 2015/16 which have seen higher levels of security than previously. Further checks will be undertaken during 2016/17 and the committee will receive an update report during the year.</p> <p>The Council responded to the recommendations from the ICO audit during the year with 31 completed in full and 58 partially completed (due to be fully completed in 3 months)</p> <p>A highly visible campaign (Th!nk Privacy) was delivered to drive home the importance of information and data security delivered to staff and councilors.</p> <p>The CYC ICT Cloud security policy was developed and implemented, and the CYC Electronic Communications policy was distributed via MetaCompliance.</p> <p>Further actions planned for 2016/17 include completing the recommendations from the ICO audit, and carrying out a review of both the records management policy and the subject access request process.</p>	<p>Audit & Governance Committee</p> <p>Audit & Governance Committee</p>

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		The committee will receive an update report on progress during the year.	
7	<p>Absence Management - (Existing Issue from 2014/15 Statement) -</p> <p>Internal Audit work carried out during the year highlighted continuing inconsistencies in the recording of sickness on iTrent and evidence of supporting documentation. Along with a lack of progress in implementing the new iTrent module.</p>	<p>An Absence Management Project group has been established with the purpose of implementing the iTrent Absence Management module. Regular update reports will continue to be brought to the Audit & Governance Committee in 2016/17 to allow progress to be monitored</p>	<p>Audit & Governance Committee</p>
8	<p>Risk Management -</p> <p>The Council needs to reliably manage its risks to meet its strategic objectives and agreed priorities. This is particularly important given the range of issues/challenges set out in this AGS, and the range of complex projects, transformation, and changing legislation the Council has to respond to.</p>	<p>Ongoing reports will be presented to Audit Committee during the year including a risk appetite statement. This is intended primarily to offer a framework for members and senior officers to provide context around risk scores when these are provided as part of risk information.</p>	<p>Audit & Governance Committee</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
S Stewart
Acting Chief Executive

Dated

Signed
Cllr D Carr
Leader of the Council

Dated