

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* and the recently published addendum. 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(3) of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

Corporate governance is the system by which the council directs and controls its functions and relates to the communities it serves. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the *Good Governance* framework and adapted for local authorities. They are defined as follows:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

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- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability.

The extent to which the principles of corporate governance are embedded into the culture of the council will be assessed in this statement. Furthermore the council has to be able to demonstrate that it is complying with these principles.

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 governance framework has been in place at the council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts for 2013/14.

3. **The Council's 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

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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 priorities until 2015 and priorities 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 Cabinet, 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 Cabinet and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of CBSS) and the Monitoring Officer (Head of Legal and ICT) review reports before they are presented to the Cabinet 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 these arrangements.

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.

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The council has established new arrangements for dealing with ethical standards issues following the abolition of the previous statutory regime. 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.

The Audit and Governance and Standards Committees have committed to working together improve the oversight of corporate governance

Management and Decision Making Processes

As part of the refreshed strategic council plan, a core organisational capability is included as a priority theme, ensuring that the organisation is adequately equipped to deal with financial, organisational, employee and Customer priorities. Over the last year a Workforce Strategy has been approved which sets out the way the Council will develop the skills of our staff to effectively deliver our priorities.

Corporate management and leadership at officer level is lead 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.

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

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- Strategic Risk Register
- The Council's Business Model (2009 version).

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

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

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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 Statements of Recommended Practice, Accounting Codes of Practice, 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 Officer Governance Group (OGG) 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 Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the 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

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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 2011 and the Public Sector Internal Audit Standards. The service in 2013/14 was provided by Veritau Limited, a shared service company established by the City of York and North Yorkshire Councils. Veritau's Internal Audit & Counter Fraud Team undertakes 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 control environment operating within the council. Through its work the team 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
- support to 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 has continued to work to secure further

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improvements in 2013/14. This includes establishing the Business Intelligence Hub, within the Office of the Chief Executive. 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. During 2013/14 each directorate reported finance and performance monitoring progress to members through the established Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

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

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.

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
- regular residents' surveys
- publications such as Your Voice and Your Ward
- involvement in devolved budget decision-making at ward level
- budget and other consultation processes including the on-line 'You Choose' budget survey.
- 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. In addition, the council is seeking to build on existing protocols for partnership working by ensuring that responsibilities are clearly defined relationships works effectively, for the benefit of service users. Further development of this work is covered in the section on Significant Governance Issues below.

4. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its 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. This review has been co-ordinated by the Officer Governance Group, 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
- 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 2012/13 Annual Governance Statement.

Significant Governance Issues

General Comments and Financial Matters

The following are general matters that attention is drawn to, but which are not specifically considered as a weakness in Governance. They relate to overarching issues, or specific matters which the Council's Statement of Accounts will address.

- **Financial Pressures** - The financial pressures facing the Council naturally represent a potential risk to the Council's overall Governance arrangements. Savings have had to be made in many areas that form a part of the Governance Framework, including reductions in finance, ICT, performance, ward committees, Democratic services, and internal audit, and significant further savings across all areas will be required which themselves increase risks. Whilst crucial elements of the framework will be prioritised, there will be a need to keep under review the overall impact of the budget reductions to ensure that the overall Governance Framework remains effective.
- **Significant Matters within the accounts (e.g. liabilities)** - there is also a need to highlight the financial issues in respect of Lendal Bridge/Coppergate income from fines. There remain risks associated with this income, however these will be properly considered/addressed as part of the Statement of Accounts, and as such can be considered to be being properly provided for.

Review of 2012/13 Significant Issues

(i) Areas no longer considered a major concern

A review has been undertaken of the significant internal control issues that were contained within the 2012/13 AGS. The following items have all made significant progress/improvement and are no longer considered to be significant concerns, but it should be noted that in all areas the Audit and Governance Committee will receive ongoing reports:

- **Embedding of project and programme management – (Office of the Chief Executive)**
Update reports have been presented to the Committee during the year setting out the progress that has been made. It is recommended

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the Audit & Governance Committee receive a regular 6 monthly update report on the project management arrangements, and that the Committee continue (as they have done in the past) to identify particular major projects, and seek assurances on risk management issues relating to those projects. Members should perhaps consider having a greater role in emerging/new projects, to seek assurances that risks are being adequately considered at an earlier stage.

- **A refocus on Business Continuity, in particular a focus on the Council move to the new offices (West Offices project plan)**
The Committee has received an update report during the year on the progress that has been made in improving Business Continuity arrangements, and the move to West Offices. It is recommended that the Audit & Governance Committee continue to receive a regular 6 monthly update report on the progress made throughout the year and that this is incorporated into the forward plan.
- **Freedom of Information Process**
During the year the Committee has received reports setting out the improvements that are being put in place to the process for dealing with FOIs within the Council. As reported to the Committee there has been an improvement in performance in recent months, and further work is planned to ensure performance continues to improve. The Committee will continue to receive regular reports on FOI performance and this is incorporated into the Committee's forward plan.
- **The Role of the Audit Committee in Democratic Governance**
During the year, the Committee have taken a greater role in Democratic Governance and has received a number of reports on democratic governance including reports on the review of the petitions scheme, review of the Council's scrutiny arrangements, reports on the proposed changes to the public participation scheme, and on a protocol for filming and recording at Council meetings. The Forward plan will continue to give Democratic Governance prominence in the work of the Committee.

(ii) Areas where concerns still remain

The following areas were included in the 2012/13 AGS as significant Governance matters, and whilst there has been progress made, there remains some concerns. The progress is identified below, along with the

recommended actions and lead area.

- **Information Governance including compliance with the requirements of the Information Governance Strategic Framework, including ensuring that information security requirements are adhered to (CBSS)**

There have been significant improvements in Information governance during the year, as reported to members in update reports. There are however further improvements to be made regarding the following specific area where there remains a Governance Concern

- **Information security** – continued ongoing risks associated with the control of data, particularly in electronic form, and risks of financial, service, and reputational damage. It is recommended a further update report focusing on Information Security is presented to the Committee and is incorporated into the forward plan. Members should also consider receiving a training session on this issue.
- **Partnership Governance including the shared use of resources**
The council has made significant improvements to Grant funding arrangements during the year, with recommendations made following the Scrutiny review of Grants, these being incorporated within the updated financial regulations and standard legal agreements. This issue is no longer considered a Major Governance concern.

However, the following issue is still considered to be a Governance concern:

- **Partnership Governance** - The Committee was provided with an update report during the year which included a number of recommendations. It is recommended this element remains a significant governance issue for the purpose of the Annual governance statement and a further report be brought back to the Committee to report on progress made to implement the recommendations.

New Issues

New areas identified through the effectiveness review at Section 4 above are outlined below with details of the plans which will be

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monitored by the OGG, and the Audit and Governance Committee during 2014/15 for evidence of improvement:

- **Adult Social Care** – Concerns in respect of Adult Care services were highlighted to the external auditors during 2013, and they were asked (as part of their consultancy services work) to support the Council in analysing the pressures the service is facing. Subsequent to this the Council established an improvement process with peer challenge. There has also been strengthening of capability at senior levels, with further actions planned. An agreed action plan focussed on management information and resource and performance management has also been produced. However, this remains an area of significant risk, with the service facing very significant financial pressures, challenges in service delivery, and major national changes. It is recommended the Committee receive an early report on the challenges facing the service, the council's plans to address these, and an understanding of the impact of national legislation on service delivery.
- **Absence Management Process** – Improvements are considered necessary in the council wide process for accurately recording and managing absences. It is recommended that the Committee receive an early report on the position, and then agree a follow up report during 2014/15. This will be produced by the HR service.

In summary:

- Good progress has been made to address a range of issues identified in last year's Annual Governance Statement. have made good progress, and Details of the work done have been reported to the Committee during the last 12 months. All of these areas will continue to feature at the Audit and Governance Committee to ensure continued oversight.
- The following areas are identified as major areas requiring focus by the Committee in the next 12 months :-
 - Information Security,
 - Partnership Governance,
 - Adult Care
 - Absence Management

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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
K. England
Chief Executive

Dated

Signed
Cllr J. Alexander
Leader of the Council

Dated