

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10

1. Scope of Responsibility

- 1.1. 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.
- 1.2. 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.
- 1.3. 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 Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1. 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:
 - 2.1.1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - 2.1.2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - 2.1.3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - 2.1.4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - 2.1.5. Developing the capacity and capability of members and officers to be effective;
 - 2.1.6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.2. 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.
- 2.3. 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.
- 2.4. 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 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

3. The Council's Governance Framework

- 3.1. 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

- 3.2 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 Corporate Strategy expresses the council's priorities until 2012 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

- 3.3 The full Council is responsible for agreeing overall policies and setting the budget. The Executive is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT) 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.
- 3.4 The Executive meets every fortnight and the CMT meets every week. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The officer Quality Control Group also reviews reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered. New arrangements have been developed to introduce officer agenda planning for all Executive decisions. This will ensure that all reports receive a legal overview.
- 3.5 The council has new scrutiny arrangements which were introduced during 2009/10, the effectiveness of those arrangements are yet to be measured and articulated but Audit Commission feedback on Use of Resources for 2009/10 suggests that there are some good practices which set the standard for all of the committees to achieve during 2010/11.
- 3.6 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 Statement of Accounts.
- 3.7 The council has a Standards Committee that is responsible for promoting good ethical governance within the organisation. 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 Standards Committee has a membership that includes members of the council, members of the public and representatives

of the parish councils. In addition, the Chair of the Committee must be one of the independent members.

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

Management and Decision Making Processes

3.9 During 2009/10 the Corporate Strategy, under its Effective Organisation theme included the 'Improvement Plan' which was developed after a fundamental review of corporate governance arrangements in early 2009. Its aim was to secure continuous improvement of internal processes and governance frameworks, which in turn support effective service delivery. Nine individual areas for improvement were identified, and progress against milestones monitored throughout the year by Executive.

3.10 Corporate management and leadership is supported and developed through the Corporate Leadership Group.

Policies and Guidance

3.11 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
- The council's Business Model.

3.12 Many codes and protocols form part of the constitution and are monitored for effectiveness by the Officer Governance Group (see paragraph 3.19 below). Any amendments must be scrutinised by the Audit & Governance Committee prior to approval by full Council.

Financial Management

3.13 The then Director of Resources now 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.

3.14 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 alignment 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.

3.15 In delivering these responsibilities he leads and directs a finance function:

- that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

3.16 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:

- 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 Financial Reporting Standards;
- Joint budget and performance monitoring as outlined in paragraph 3.23 below.

Compliance Arrangements

3.17 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.

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

3.19 Compliance with the council's governance arrangements are subject to ongoing scrutiny by the Audit Commission 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

3.20 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 and investments 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.

3.21 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 quarterly by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

3.22 The council also operates internal audit and fraud investigation functions in accordance with the Accounts and Audit Regulations 2003 (as amended). The service in 2009/10 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

3.23 The council recognises the importance of effective performance management arrangements and has been working to secure further improvements in 2009/10. 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 financial based monitoring. During 2009/10 each directorate reported finance and performance monitoring progress to members through the revised Scrutiny arrangements. Corporate joint finance and performance reporting to CMT (monthly) and Executive (quarterly) takes place at a corporate level.

3.24 The council has embarked on an ambitious programme of efficiency improvements known as MoreforYork. The Programme was approved by members in principle in July 2009 and in detail, supported by detailed business plans, in October 2009. The MoreforYork Programme has a clear governance structure with CMT as its Programme Board and a clear project management approach with financial and performance monitoring processes in place.

Consultation and Communication Methods

3.25 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. These have been enshrined in the council's 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;
- the Talkabout Citizen's Panel;
- regular residents' surveys including the Place Survey;
- publications such as Your City and Your Ward;
- involvement in devolved budget decision-making at ward level;
- budget and other consultation processes;
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

3.26 The overall governance framework established by the council contributes to effective partnership and joint working arrangements. In addition, the council is seeking build on existing protocols for partnership working that ensure that the responsibilities are clearly defined to ensure that the relationship works effectively, for the benefit of service users. For each partnership the legal

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status of the entity is defined and also the extent that decisions taken by the partnership will be binding for each organisation. Regular review of the existing partnerships database is undertaken to monitor the extent of joint working and its effectiveness. An annual review of governance arrangements of the council's key partnerships is undertaken and further development of this work is covered in paragraph 5.2 below.

4. Review of Effectiveness

4.1 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) and the Head of Legal, Civic and Democratic Services (the Monitoring Officer), the Assistant Director of Customer & Business Support Services (Customer Service & Governance) 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 identified and included on the Corporate Governance Assurance Statements signed by each Director;
- 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 Chief Internal Auditor, presented to the council's Audit and Governance Committee;
- significant issues and recommendations included in reports received from the Audit Commission and other inspection agencies;
- the results of internal audit and fraud investigation work undertaken during the period;
- the Review of the Effectiveness of Internal Audit;
- the MoreforYork efficiency programme, including the organisational review;
- 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 including the review of significant partnership governance arrangements;
- the outcomes of service improvement reviews and performance management processes;
- progress in dealing with control issues identified in the 2008/09 Annual Governance Statement.

4.2 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

5.1 In considering the significant internal control issues contained within the 2008/09 AGS, it is noted that the following enhancements have been achieved, mostly through the actions resulting from council's 2009/10 Improvement Plan:

- improved corporate Human Resource structures and frameworks including the development of a Workforce Development Plan;
- improvements in the quality and consistency of financial monitoring processes;
- a review of internal communications with improvements informing the design of the new corporate intranet;
- further development of the Health and Safety Framework;
- development of the Single Corporate Equality Scheme and action plan, and further development and delivery of Equality Impact Assessments;
- introduction of internal performance challenge processes;

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- development and approval of an Information Governance Policy & Strategy and related action plans;
- development and launch of the council’s Business Model which provides the council’s standard framework of governance rules and procedures to officers.

5.2 In addition to the above, a number of issues referred to in the 2008/09 AGS have been partially actioned in 2009/10 and will be further progressed during 2010/11 and beyond (through the named plans in brackets):

- project and programme management (Chief Executive’s Directorate Plan);
- partnership governance including shared use of resources (Improvement Plan);
- officer Code of Conduct awareness including a revision of current procedures such as the Whistleblowing Policy, and the delivery of a training programme to cover this and the findings of a recent Fraud Awareness survey (Customer & Business Support Services (C&BSS) Directorate Plan).

5.3 New areas identified through the effectiveness review at Section 4 above, are outlined below with details of the plans which will be monitored by the OGG during 2009/10 for evidence of improvement:

- Organisational leadership and cultural change (Improvement Plan/MoreforYork Programme Project Plan);
- Improved use of scrutiny, including training for members and officers (Improvement Plan);
- Improvements to officer and member decision-making processes (Improvement Plan);
- Improved compliance with Financial Regulations and Contract Procedure Rules to ensure lawful, effective and efficient use of the council resources in relation to procuring goods and services (C&BSS Directorate Plan);
- Compliance with the requirements of the new Information Governance Strategic Framework (C&BSS Directorate Plan);
- Improved processes for bank reconciliations during 2010/11 (C&BSS Directorate Plan).

5.4 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 A. Waller
Leader of the Council

Dated