

## Annual Governance Statement

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### Scope of Responsibility

Cambridge City 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. Cambridge City 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, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at [www.cambridge.gov.uk](http://www.cambridge.gov.uk) or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 Cambridge City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

## The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio<sup>1</sup> and operational level.
- The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- The Budget Setting Report, which sets out the Council's overall spending plans for both revenue and capital expenditure.
- The Treasury Management Strategy and an Annual Treasury Report which reviews treasury management activities during the year and complies with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- An independent Internal Audit function with a risk-based audit plan.
- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.
- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.

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<sup>1</sup> Portfolio Plans replaced by single Corporate Plan for 2016/17 onwards

- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.
- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The Programme Office, which commissions and monitors projects to implement change and transformation.
- The Council's consultations and surveys, including the budget consultation, which are undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- Governance arrangements for shared services are documented in shared service collaboration agreements.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.

- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
  - Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.
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CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report , together with how these deliver the same impact."

The Head of Finance is the Council's Chief Financial Officer and fulfils the role of the s151 officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met. Whilst line management responsibility rests with the Director of Business Transformation, the Head of Finance is a full member of the Council's Strategic Leadership Team and reports directly to the Chief Executive on financial matters.

## **Review of Effectiveness**

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the Chief Executive, the relevant Director, the Director of Business Transformation, the Council's Monitoring Officer, the Head of Finance (s151 Officer), the Leader of the Council and the relevant Executive Councillor. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team. Implementation rates of agreed actions are also reported to Civic Affairs.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

The Head of Finance is the Authority's Chief Financial Officer and is therefore responsible for the proper administration of the authority's financial affairs. The Head of Finance is line managed by the Director of Business Transformation but reports directly to the Chief Executive on financial matters and is a full member of the Strategic Leadership Team.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

## Action Plan to Address Significant Governance Issues during 2016-17

	Issue	Action	Target Date	Officer Responsible
1	<p><b>New Service Delivery Arrangements</b></p> <p>Different services delivery arrangements have been introduced across a range of Council services, including shared service arrangements with South Cambs District Council and Huntingdonshire District Council for the delivery of Building Control, ICT and Legal Services and a Housing Development Agency and Cambridge City Housing Company.</p> <p>Governance Arrangements have been established for these new service delivery arrangements, but it is important for the Council to understand whether these are working effectively and delivering expectations to our stakeholders with no undue risks.</p>	<p>Review the effectiveness of governance arrangements established for shared services and other service delivery arrangements to ensure they are working effectively.</p> <p>Identify any lessons learnt from the establishment of shared services and ensure these are communicated across the Council.</p> <p>An audit is included on the 2016/17 audit plan to undertake such a review.</p>	31 March 2017	Head of Internal Audit

	Issue	Action	Target Date	Officer Responsible
2	<p><b>Financial Management System</b></p> <p>The Council is in the process of replacing its current financial management system, Oracle, with a new system. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system, incorporating key controls into all processes.</p>	<p>Ensure a robust process is established for the migration of data to the new financial management system and that interfaces with other key systems are thoroughly tested as part of the implementation plan.</p> <p>Internal Audit to undertake additional testing to ensure the robustness of the above processes. (This is included as part of the 2016/17 audit plan).</p>	<p>31 March 2017</p> <p>31 March 2017</p>	<p>Head of Finance</p> <p>Head of Internal Audit</p>
3	<p><b>Budget Management</b></p> <p>A number of issues concerned with cost centre management arrangements have been highlighted following a recent audit of Project Delivery Arrangements within Streets and Open Spaces.</p> <p>Financial management and budgetary control are key elements of the Council's governance framework and it is important therefore that these are properly controlled.</p>	<p>Conduct audit of Budgetary control arrangements, which is included as a corporate audit in the 2016-17 audit plan.</p>	<p>31 March 2017</p>	<p>Head of Internal Audit</p>

	Issue	Action	Target Date	Officer Responsible
4	<p><b>Capital Variance Reporting Arrangements</b></p> <p>A number of issues regarding capital variance reporting arrangements have been highlighted by the audit identified in 3 above and also by the Finance Team and Capital Programme Board.</p> <p>The arrangements for budget monitoring and reporting of significant variances are again key elements of the Council's governance arrangements and it is therefore important that these processes are robust and reliable.</p> <p>A review of capital variance reporting arrangements by the Finance Team is now underway and a number of improvements to the process have been identified.</p>	Complete the review of Capital Variance Reporting arrangements and roll out agreed actions across the organisation.	31 March 2017	Head of Finance



	Issue	Action	Target Date	Officer Responsible
5	<p><b>Information Security</b></p> <p>Information Security remains a key risk to the Council and work is ongoing to implement appropriate controls and raise awareness of data security across the authority. A more structured approach to data incident reporting and responding has been developed and a recent audit of Data Security and Data Sharing Arrangements was given a significant assurance rating. This audit made a number of recommendations to ensure the Council has a complete record of what data it shares with other organisations and to mitigate the risk of future data breaches.</p> <p>There have been a relatively small number of minor data security breaches during 2015/16, all of which have been addressed appropriately or are being addressed.</p> <p>It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management.</p>	<p>Ensure implementation of agreed actions arising from recent audit review.</p> <p>The Information Security Group (ISG) to continue to raise awareness of data security issues and respond to data security breaches as appropriate.</p>	<p>30 September 2017</p> <p>31 March 2017</p>	<p>Head of Corporate Strategy (as Chair of ISG)</p>

	Issue	Action	Target Date	Officer Responsible
6	<p><b>Constitution/Financial Regulations</b></p> <p>In addition to the introduction of shared services across a number of key service areas, a new senior management structure has also recently been implemented across the Council.</p> <p>Both of the above will have implications for key roles and responsibilities as set out in the Council's Constitution and Financial Regulations.</p>	<p>Review and update the Council's Constitution and Financial Regulations/ Financial Procedures Rules to reflect the changes in the Council's new senior management structure and new shared service arrangements for Legal, ICT and Building Control.</p> <p>Consider the merits of removing Financial Regulations from the Constitution and maintaining them as a separate 'Technical Guide'.</p>	31 March 2017	Monitoring Officer/ Head of Finance (S151 Officer)
7	<p><b>Cambridge Live</b></p> <p>In April 2015 'Cambridge Live' was established as a charitable trust to take over the running of the Corn Exchange and the Folk Festival, plus a range of outdoor events on behalf of the Council. The Council continues to support Cambridge Live. It is now timely to review the arrangements between the Council and the trust to ensure the Trust is delivering to expectations.</p>	<p>Review the arrangements between the Council and the trust to ensure the Trust is delivering to expectations.</p> <p>A review of this area is included on the 2016/17 audit plan.</p>	31 March 2017	Head of Internal Audit

	Issue	Action	Target Date	Officer Responsible
8	<p><b>HSE Investigation</b></p> <p>A serious incident occurred at the Bonfire Night event in November 2015, in which a member of the public was seriously injured. An HSE investigation is still ongoing.</p> <p>The Council has conducted a review of its approach to managing events on its open spaces, based on advice received from the Health and Safety Executive (HSE), and continues to work with Cambridge Live to address issues arising from this incident.</p>	<p>Ensure that the lessons learnt from the outcomes of the above incident are effectively and appropriately shared with other services across the Council and put into practice to improve controls.</p>	31 March 2017	Strategic Director

	Issue	Action	Target Date	Officer Responsible
9	<p><b>Loss of Key Staff</b></p> <p>One of the key effects of the significant changes being implemented across the Council, as described in 6 above, is the considerable loss of knowledge and experience as staff, and in particular key staff, leave the organisation in a short space of time.</p> <p>This could have an impact on service delivery not only for the services concerned (i.e. ICT, Legal Services and Building Control) but also for the services that they support. This currently represents a significant risk to the Council.</p>	<p>Identify lessons that could be learned from experiences to date (particularly in relation to ICT) to help the organisation manage such transitions more effectively in future.</p> <p>Implement more robust arrangements for succession planning to ensure that where key staff are leaving the organisation, adequate preparation is made for this. This should include identification of their key roles and responsibilities, so that these continue to be fulfilled, and an appropriate handover plan, including handover notes and discussions. Where key roles and responsibilities are being transferred, it should be ensured that there is sufficient resource in place and that officers have the right level of skills and knowledge to undertake any new roles. Any changes in responsibility should be communicated across the Council.</p>	31 March 2017	Strategic Leadership Team