

CAMBRIDGE CITY COUNCIL

REPORT OF: Strategic Director (Interim)

TO: Civic Affairs Committee

28 June 2017

WARDS: All

DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT LOCAL CODE OF CORPORATE GOVERNANCE

1 INTRODUCTION

- 1.1 The purpose of this report is to update Civic Affairs Committee on the progress made to reduce the risk of issues for the Council to address, which were identified as areas to improve internal controls within the Annual Governance Statement (AGS) for 2015 / 2016.
- 1.2 It also sets out to identify new risks which, at this stage, are considered appropriate for potential inclusion in the AGS for the financial year 2016 / 2017. Also included is a revised Draft Local Code of Corporate Governance.
- 1.3 The format of the AGS has changed for this financial year due to an update in the overall Governance Framework (recommended by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives) which now sets out the seven key principles of good governance.
- 1.4 **Appendix 1** details the issues reported in the 2015 / 2016 AGS and the actions taken since to mitigate these risks.
- 1.5 **Appendix 2** details those new issues that were considered for inclusion in the future AGS, prior to its production and signing by the Chief Executive and Leader of the Council. The Council has an opportunity to address some of these issued before the final production of the Statement.
- 1.6 **Appendix 3** details the new Code of Local Governance to be adopted by the Council reflecting the new Governance Framework.
- 1.7 **Appendix 4** details the draft AGS which reflects the seven key principles of the Annual Governance Framework and reflects the issues identified in Appendix 2.

2 RECOMMENDATIONS

2.1 Members of Civic Affairs Committee are required to note prior to the consideration of the draft Statement of Accounts:

- Note the arrangements for compiling, reporting on and signing the AGS;
- The progress made by the Council on issues reported in the 2015 / 2016 AGS;
- The issues emerging during 2016 / 2017 considered for inclusion in the AGS;
- The new Local Code of Corporate Governance to support the introduction of the new Governance Framework; and
- The draft AGS for the financial year 2016 / 2017.

3 BACKGROUND TO THE AGS

Scope of the AGS

3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

Arrangements for Compiling the AGS

3.2 CIPFA, in conjunction with SOLACE, have produced a framework for delivering good governance in local government. This framework is used as a guide in compiling the AGS for the City Council.

3.3 Arrangements for compiling the AGS have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy, Head of Finance (the Council's s151 Officer), coordinated through Internal Audit.

3.4 Assurances from the work of the Internal Audit team relating to 2016 / 2017 have been reviewed and have been used to inform the AGS and its associated action plan.

- 3.5 One of the key messages coming out of the CIPFA / SOLACE guidance is that good governance relates to the organisation as a whole and there should be corporate ownership of the AGS and governance arrangements.

Arrangements for reporting on and signing off the AGS

- 3.6 The draft AGS and Action Plan is being presented to the Members of this Committee for them to review and advise the Leader and Chief Executive upon, prior to it being signed off by the Leader and the Chief Executive.
- 3.7 Members are asked to consider the Head of Internal Audit's Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

4. 2015 / 2016 AGS ACTION PLAN: PROGRESS

- 4.1 Nine actions were identified for resolution and progress or completion has been made on each one. The current status for each is as follows:

1...**New Service Delivery Arrangements.** Internal Audit review has been commissioned and is in final stage of drafting. Ongoing.

2...**Financial Management System.** The 3 Council system remains under development and the timetable for implementation has slipped. Internal Audit has put significant resources in as part of the project group to ensure issues / risks are minimised. Ongoing.

3...**Budget Management.** Internal Audit review has been deferred as resources have focussed on 2 above which is closely linked. Ongoing.

4...**Capital Variance Reporting Arrangements.** As a result of the review of project governance arrangement council-wide, the Capital Programme Board will take a key role in monitoring capital project delivery, including the review of capital variances. Terms of reference are under development. Capital expenditure monitoring reports and processes have been further developed during the year to provide more accurate and relevant information. Work is on-going to enable direct reporting from the new FMS.

5...**Information Security.** Improved arrangements have been implemented with better monitoring.

6...**Constitution / Financial Regulations.** Regular reviews are in place to ensure remain current / relevant.

7...**Cambridge Live.** Internal Audit review of the arrangements is ongoing and will report on subsequently.

8...**HSE Investigation.** New arrangements have been adopted.

9...**Loss of Key Staff.** Regular monitoring is in place to identify any gaps in resources so that action can be taken to address.

5. 2016 / 2017 AGS: NEW ISSUES FOR CONSIDERATION

- 5.1 **Appendix 2** to this report details the action plan to address significant governance issues during 2017 / 2018.

6. LOCAL CODE OF CORPORATE GOVERNANCE AND AGS

- 6.1 The preparation of the AGS is undertaken in accordance with the “Delivering Good Governance in Local Government Framework 2016” guide, published by CIPFA. The main principles underpinning the guidance from CIPFA continues to be that local government is developing and shaping its own approach to corporate governance, taking into account the environment in which it operates. The framework is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders. The framework defines the principles that should underpin the governance structures of the organisation, and provides an opportunity to test existing governance structures and principles against those set out in the framework by:

- Reviewing existing governance arrangements
- Developing and maintaining a Local Code of Corporate Governance; and
- Reporting publically on our compliance with our Local Code

- 6.2 Guidance suggests each local authority should develop and maintain a Code of Corporate Governance based on seven *new* core principles, supported by sub-principles, that should underpin the governance structure for the whole Council. The seven new core principles of good governance are as follows:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.

- 6.3 The Council first adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then. The Code stands as the overall statement of the Councils corporate governance principles and commitments. As a result of the changes, The Code has been fully reworked to place a greater emphasis on its outcomes / outputs in line with the new 7 Principles. A copy of the draft Code is given in **Appendix 3**.

6.4 Finally, the draft AGS (**Appendix 4**) has been developed alongside the associated Action Plan.

7. CONSULTATIONS

7.1 Key officers have been consulted in compiling the 2016 / 2017 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.

8. CONCLUSION

8.1 The draft AGS and draft Code of Corporate Governance set out the governance framework for the City Council as at 31 March 2017 and identify a number of issues where action is planned to improve the level of governance.

9. IMPLICATIONS

(a) **Financial Implications**

None

(b) **Staffing Implications**

None

(c) **Equality and Poverty Implications**

None

(d) **Environmental Implications**

None

(e) **Procurement**

None

(f) **Consultation and communication**

None

(g) **Community Safety Implications**

None

BACKGROUND PAPERS: The following background papers were used in the preparation of this report:

- Delivering Good Governance in Local Government (CIPFA 2016)
- Accounts and Audit (England) Regulations 2015

To inspect these documents contact Steve Crabtree on extension 8181.

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