Annual Governance Statement

Scope of Responsibility

Cambridge City 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 provides value for money. 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. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which is publicised on the Council website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement of internal control. It is subject to review by the Civic Affairs Committee when they consider both the draft and final Statement of Account and is approved by Civic Affairs Committee in advance of them agreeing the Statement of Accounts.

The Councils financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Head of Finance):
- Is actively involved and is able to bring influence on the Councils financial strategy;
- Leads the Council in the delivery of good financial management;
- Directs a fit for purpose finance function; and
- Is professionally qualified and suitably experienced.

In addition, the Head of Finance (designated Section 151 Officer) attends the Senior Leadership Team for any item they feel requires Section 151 Officer input. All statutory officers have regular 1:1 sessions with the Chief Executive.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2017 / 2018 to address these

issues will be reported regularly to Civic Affairs Committee with an assessment made in reducing the risk as part of their governance role within the Council.

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 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. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. 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 and potential impact of those risks being 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 2017 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[1] and operational level.
- The Council's Medium Term Financial Strategy, 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.

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[1] Portfolio Plans replaced by single Corporate Plan for 2016/17 onwards

- 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.
- 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 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.

Review of Effectiveness

The 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 Strategic Director, 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

Please note that the actions included in this action plan are to address both significant governance issues that have arisen during 2016 / 2017, but also forward looking matters identified for 2017 / 2018.

	Issue	Action	Target Date	Officer Responsible
1	**Project Delivery Arrangements** The Council is undertaking a wide range of complex and diverse projects across the authority both within individual service areas and as part of the Business Transformation Programme including the redevelopment of Park Street Car Park, the Digital Transformation Strategy and the Council House Building Programme. There are a number of key risks associated with the delivery of any major project and it is important that the Council has sound governance arrangements in place to ensure that all projects are delivered successfully to time and budget.	Robust project management will be employed across all programmes with regular monitoring and reported through to each Board. Close control will be in place for finance to ensure there is no project creep.	Ongoing	Chief Executive working with the Senior Leadership Team

	Issue	Action	Target Date	Officer Responsible
2	**Financial Management System** The Council is in the process of implementing its new Financial Management System (FMS), Tech 1, which is due to be fully implemented by 1 October 2017. 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. Internal Audit have been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.	Internal Audit to continue their involvement in the implementation of the new FMS to ensure: • the robustness of the data migration process; • that interfaces with other key systems are thoroughly tested; and • that system and user acceptance testing is robust. Further time has been allocated in this year's audit plan for this purpose.	1 October 2017	Head of Internal Audit

	Issue	Action	Target Date	Officer Responsible
3	**Procurement** Internal Audit involvement in a number of procurement exercises during 2016-17 has highlighted a lack of awareness and understanding of the new Public Contract Regulations (2015). Weaknesses were also identified in a recent audit of tender evaluation processes in some areas of the Council. The need to raise awareness of the above has been recognised and is being addressed through a series of training sessions to accompany the introduction of a new e-tendering system/contracts register.	Complete the programme of training sessions on the new e-tendering package and extend the programme if required. Review tender evaluation reporting procedures to ensure they are fit for purpose.	31 December 2017	Head of Commercial Services Head of Commercial Services in conjunction with the Head of Internal Audit
4	**Shared Services** Continuing changes to service delivery arrangements needs to backed up by appropriate and robust governance arrangements. Ongoing reviews are required as to the effectiveness and deliver of each service area.	Ongoing reports on finance, performance and delivery of outcomes will continue to be reported to the various Boards. Annual reports and Business Plans are submitted to various Scrutiny Committees	Ongoing	Programme Office

	Issue	Action	Target Date	Officer Responsible
5	**Cyber Security** 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. The risk of a cyber-attack is very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate against this risk, it is essential to raise awareness and commit to implementing a cyber-security, risk adverse culture.	Regular system monitoring and reports to all Councils on threats and actions to mitigate.	Ongoing	3C ICT
6	**Fraud, Corruption and Serious Organised Crime** Pilot studies have been undertaken in a number of regions which has resulted in a best practice check list being established to ensure that local authorities have sound and robust procedures to reduce the threat of SOC impacting on Council activities	Internal Audit to liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.	31 March 2018	Head of Internal Audit

	Issue	Action	Target Date	Officer Responsible
7	**Combined Authority** The Council needs to develop effective partnership relationships with the new authority.	Leader of Council is member of the Combined Authority. Strategy and Resources Scrutiny Committee will scrutinise Leaders work with the Combined Authority. Council officers to contribute to appropriate Combined Authority projects and working groups.	Ongoing	Chief Executive (and working group representatives)
8	**Loss of Key Staff** The Council has difficulty recruiting in some areas and, as services undergo change, may be more at risk of losing key personnel.	The Council will publish its organisational development strategy and continue to review its recruitment and retention policies.	31 March 2018	Strategic Leadership Team Head of Human Resources