

**EXETER CITY COUNCIL****ANNUAL GOVERNANCE STATEMENT 2012/13****1. SCOPE OF RESPONSIBILITY**

- 1.1 Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The 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 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 (England) Regulations 2011 in relation to the publication of a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.
- 1.4 In accordance with the 2012/13 Code of Practice on Accounting, the Assistant Director Finance has reviewed the authority's financial management arrangements against the governance requirements of the CIPFA Statement of the role of the Chief Finance Officer in Local Government. He is satisfied that the Council's financial management arrangements conform with each of the governance requirements.

**2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. 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, cost-effective services.
- 2.2 The Council's 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. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Exeter City Council for the year ended 31 March 2013 and up to the date of approval of the Annual Statement of Accounts. The Council supports the six core principles set out in *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services. The following paragraphs describe the arrangements in place to meet the six core principles of effective governance.

### 3. PRINCIPLE ONE - FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

3.1 The Council aims to use resources effectively and provide high performing, value for money services that focus on customer needs.

3.2 We have a comprehensive performance management framework that supports the effective monitoring and management of performance. The main elements of our performance management arrangements are summarised below:-

- **The Exeter Vision** is the city's community strategy. It was written in consultation with key partners in the city. It sets out the priorities for the city.
- The Council's **Priorities** support the themes of the Exeter Vision. They are reviewed regularly.
- Each service compiles a **Service Plan**, which identifies its key priorities for the forthcoming year. They identify ways of increasing service contribution to the Council's priorities.
- Each member of staff has an **Annual Personal Appraisal** where they review performance against targets and set objectives for the forthcoming year.
- The availability of quality, timely, accurate and comprehensive performance information is critical for the Council's decision-making process. **Performance indicators** are used to inform decisions on the allocation of resources and the setting of priorities and targets. They are also used to compare the Council's performance with other councils and to enable external bodies and the public to scrutinise the effectiveness of the various services that are provided. The Council uses a combination of statutory, local and management indicators to monitor performance.
- Directors regularly review performance indicator results and progress against planned actions. These are also reviewed every six months by Scrutiny Committees. The Council uses integrated performance management software to help focus on managing performance as well as reporting on it. Performance information is available to all officers and Members on a regular basis.
- Finally, the website and the Exeter Citizen are used to communicate performance to the public. A summary of our key achievements and overall performance is distributed to all households in Exeter with Council Tax bills.

3.3 A range of financial management measures are in place to ensure the effective use and management of resources including: -

- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
- A Capital Strategy that aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case'

linked to Strategic Objectives, and progress in delivering projects is formally monitored by Councillors and Directorate Management Teams.

- Financial stewardship is reported to Councillors quarterly, and is considered regularly by Directorate Management Teams. This is supported by an established budget monitoring process by managers and Accountancy staff.
- Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.

3.4 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

#### **4. PRINCIPLE TWO - MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

4.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. This is contained in the Council's Constitution which sets out how the Council operates and how decisions are made. In particular it sets out a clear statement of the roles of committees, the full council, members and senior officers.

4.2 The Constitution also includes a Member/Officer Protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.

4.3 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Resources Scrutiny Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management and internal control arrangements.

4.4 The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Strategic Management Team.

4.5 The Assistant Director Finance, as the s151 Officer, carries overall responsibility for the financial administration of the City Council.

4.6 The Monitoring Officer (Corporate Manager Legal Services) carries overall responsibility for regulatory compliance.

4.7 When working in partnership the Council will ensure that:-

- Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council
- Representatives understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

#### **5. PRINCIPLE THREE - PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR**

5.1 To ensure that members and officers exemplify good standards of behaviour the Council has in place appropriate codes of conduct. These clearly set out the standards of conduct and personal behaviour expected of members and officers. In particular, the codes put in place

arrangements to ensure that members and officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

5.2 The Council takes fraud, corruption and maladministration very seriously and has in place the following which aim to prevent or deal with such occurrences: -

- Anti-fraud and Anti-corruption Strategy
- Whistle Blowing Policy
- Human Resources Policies and Procedures regarding the disciplining of staff involved in such occurrences
- Fraud reporting facility on the website

5.3 The Council has a Standards Committee to advise the City Council on the adoption of Codes of Conduct with the aim of promoting and maintaining high standards of conduct by members and officers and the subsequent monitoring and updating of the codes.

5.4 The Council has a complaints procedure in place to receive and investigate any complaints that are made.

## **6. PRINCIPLE FOUR - TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK**

6.1 The Council's Constitution sets out how the Council operates and the processes for policy and decision making.

6.2 The full Council, comprising 40 Members, meets several times each year to decide the Council's overall policies and set the budget. In addition to recommending major strategies to the Council, the Executive is responsible for the most significant and day to day decisions which are not delegated to officers. There are three scrutiny committees which scrutinise the work of the Executive and the Council as a whole. They consider issues and review services within their remit and make recommendations to the Executive and the Council on its policies, budget and service delivery issues. Scrutiny Committees also monitor the decisions of the Executive and can in certain circumstances "call-in" a decision which has been made but not yet implemented.

6.3 The Forward Plan, which is published on a monthly basis, identifies key decisions which are likely to be made, either by the Executive or the Council, in the following four month period.

6.4 Other decisions are made by officers under delegated powers. The list of decisions made by officers in consultation with portfolio holders is maintained by Member Services, to whom completed delegated powers forms are sent. The decisions are also recorded on the Council's intranet. A record of delegated decisions in relation to staffing matters is maintained by Human Resources.

6.5 Policies and procedures governing the Council's operations include:-

- Financial Regulations and Standing Orders
- Data Protection
- Corporate Procurement
- Risk Management
- Freedom of Information
- Business Continuity

- 6.6 Internal Audit is an independent appraisal function that reviews all of the Council's activities, both financial and non-financial. Internal Audit provides a service to the whole Council in order to provide assurance on the arrangements for risk management, internal control and corporate governance, and to provide advice to support achievement of best practice.
- 6.7 Exeter City Council is committed to the effective management of risk at every level within the Council. A Risk Management Policy has been established that states the Council's objectives, approach, procedures and responsibilities. To support the policy, risk management procedures have been produced that explain how the Council's risk management process works. The procedures show the various documents used, and explain how the risk analysis form should be completed. The Council's risk management process is audited on a regular basis by its Internal Auditors using the enhanced systems based auditing approach they devised.
- 6.8 The Council maintains a corporate risk register but for reporting purposes it also maintains a summary risk register that does not include the 'low' risk ratings. Its purpose is for reporting half-yearly to the Scrutiny Committee - Resources the 'High' and 'Medium' risks, mitigating actions agreed and taken, etc. so that risk management progress can be monitored. Reports are also made to the Executive and the other two Scrutiny Committees on an annual basis.
- 6.9 Financial management processes and procedures are set out in the City Council's Financial Regulations and include the following:-
- Financial Management Responsibilities
  - Financial Planning
  - Control of Expenditure and Income
  - Banking Arrangements
  - Disposal of Assets
  - Insurance
  - Orders and Payment for Goods, Work or Services

## **7. PRINCIPLE FIVE - DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS**

- 7.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new members and officers undertake an induction to familiarise them with the policies, procedures, values and aims of the Council. The Council has also signed up to the South West Charter for elected Member Development.
- 7.2 There is a Councillor Development Framework which broadly outlines the skills and knowledge required by Councillors to perform their different roles and provides an indication of how they might carry them out effectively. It is not intended to be exhaustive or prescriptive but to provide a structure for officers to develop learning & development programmes and act as a prompt for new and existing Councillors to identify areas where they need support. This support could be in the form of information, training, facilitated workshops, coaching and mentoring, or opportunities to learn from observation. The framework is designed to be flexible, so that Councillors can work with officers to identify the most effective methods to meet learning development needs.
- 7.3 The Council has also developed its own Councillors' Information Portal. This gives members access via the intranet to a wide range of information on a range of key topics.

7.4 The Council recognises that the quality of the services provided by the Council depends on the quality of its employees. The Appraisal and Development Scheme is the way in which employees and their managers can identify their training and development needs and one way in which managers can talk to their staff about their work and the work of the Council.

7.5 A full programme of training and development is available to all managers to provide them with the understanding, knowledge and skills to carry out their managerial responsibilities effectively. This is managed centrally to achieve cost savings while enhancing equality of opportunity of accessing resources.

## **8. PRINCIPLE SIX - ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

8.1 As a community leader the City Council works with numerous partners to contribute to the overall quality of life in the city, but it is also concerned with providing the highest quality public services and the widest access to those services. Individual services are continuously assessing service levels and making improvements in line with legislative requirements and customer feedback.

8.2 The Council has a continuous programme of consultation and engagement with its residents and communities which informs its activity. A range of methods are employed to ensure that it hears the views of all our residents. These include:

- Wavelength - a citizens' panel which is made up of 1000 people representing all sections of the community.
- Community Forums – these give all citizens the chance to talk to the Council and partner agencies about issues that concern them.
- Surveys – used to obtain detailed feedback about services.
- Focus groups – used to obtain detailed feedback about services.
- Exhibitions and roadshows – used to launch new ideas and initiatives.

## **9. REVIEW OF EFFECTIVENESS**

9.1 The 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 managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.

9.2 The processes for maintaining and reviewing the effectiveness of the governance framework are: -

- Executive is responsible for considering overall financial and performance management and receives comprehensive reports throughout the year.
- Scrutiny Committee Resources monitors the overall financial performance of the Council and also discharges the functions of an audit committee including monitoring the effectiveness of risk management. Risk management reports and financial stewardship

reports are also presented to both Scrutiny Committee Economy and Scrutiny Committee Community as appropriate.

- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks
- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks
- Annual service planning to align service development against Strategic Objectives
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations
- Half-yearly reports to the Council's Scrutiny Committee - Resources on the work of and recommendations made by the Internal and the External Auditors
- Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements
- Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council
- Reviews and, where appropriate, update of the Council's Financial Regulations and Standing Orders

## **10. SIGNIFICANT GOVERNANCE ISSUES**

10.1 The following steps have been undertaken during the year to further improve our Corporate Governance Arrangements: -

- Reviewed the Council's corporate priorities following the new organisational structure.
- Revised the performance framework.
- Established a Member Working Group to review the current operation of scrutiny within the Council.
- Addressed recommendations made by the Council's external auditors in their Annual Audit and Inspection Report and other reports as appropriate.

As a result of a review of our overall arrangements, the following have been identified as actions over the coming year: -

- Implement the recommendations of the Scrutiny Review Member Working Group including the establishment of an Audit and Governance Committee
- Address recommendations made by the Council's external auditors.
- Review and address areas of concern highlighted in the Annual Report of Internal Audit namely:-

Separation of Duties – continues to be an area of concern with considerable changes to the structure of the Council as it transforms the way in which services are delivered as there are risks that systems of internal control and separation of duties could be significantly weakened resulting in likely increase in fraud, irregularities and errors. It is therefore important that processes and changes are effectively managed to ensure that internal controls are not compromised.

Data Quality – during the year internal audit have identified data quality issues, some more significant than others. Data errors can have a financial impact on the Council and it is important that managers remind staff of the importance of accurate data input.

**11. CERTIFICATION**

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: .....

Signed: .....

Date: .....

Date: .....

**Chief Executive**

**Leader of the Council**