



Exeter City Council

Annual Governance Statement

2016-17

Scope of Responsibility

Exeter 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. 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.

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, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the seven principles of good governance and the arrangements the Council has put in place to meet each of these principles:

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

A copy of the Council's code is available on our website at <https://exeter.gov.uk/Code>

The Purpose of the Governance Framework

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 purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.

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.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2017 and up to the date of the approval of the annual statement of accounts.

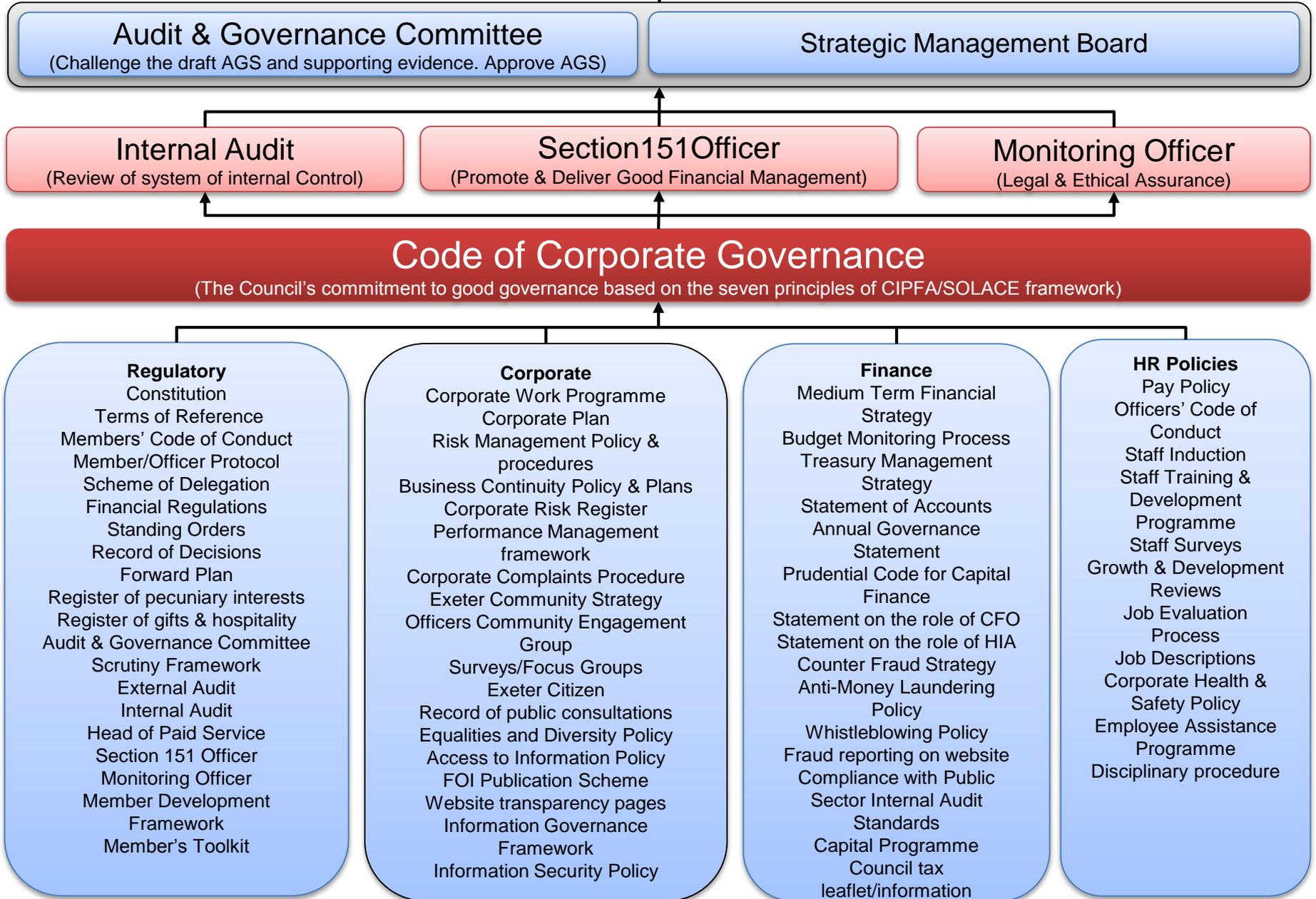
The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee. This last happened on 7 December 2016 and is due to be reviewed again in March 2018. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive and Growth Director, Deputy Chief Executive, Directors and Chief Finance officer (Section 151).

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

Annual Governance Statement



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 Strategic Management Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of Scrutiny Committee Corporate who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitors the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ 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, updates of the Council's Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

Corporate Governance Review

Internal Audit have undertaken a review of the Council's Corporate Governance Framework against the Framework *Delivering Good Governance In Local Government*, published by CIPFA in association with Solace in 2007, which sets the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure that it remains 'fit for purpose' and published a revised edition in spring 2016. The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- that there is sound and inclusive decision making
- and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

The results of this review have been reported to the Audit and Governance Committee.

Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. As required by regulations an annual review on the effectiveness of Internal Audit was undertaken in the form of a self-assessment against both the PSIAS and the Application Note using CIPFA's checklist. The results of the review confirm that the Internal Audit Service conforms with the PSIAS and that there are not issues of 'non-conformance' that need to be included in this statement.

All key systems were audited in 2016/17 and a total of 18 audit reports have been provided to management and the Audit and Governance Committee.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

External Audit

In September 2016 the Council's external auditor (KPMG) issued an unqualified audit opinion on the Authority's financial statements and a part qualified audit opinion in respect of Value for Money in that they concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned sustainable outcomes for taxpayers and local people **except for** its arrangements for procuring supplies and services effectively with partners and third parties.

Corporate Complaints

In 2016/17 the Council responded to 116 (2015/16 – 119) corporate customer complaints. All complaints were responded to by the relevant Assistant Director or Corporate Manager so that any issues identified could be actioned.

Performance Management

The Council are currently in the process of developing and implementing a new performance management framework. However, this is currently on hold until the new Senior Management Board (SMB) are in place in order that they will be able to input to the process. It is hoped that new framework will be presented to SMB before October 2017.

Update on significant issues 2015-16

Issue No.	Issue Identified	Summary of Action Proposed
1	STRATA – there are currently no performance measures in place which results in a lack of accountability	<p>The service standards were included as part of the updated business plan, which was approved by Strata JEC on 16/1/17 and full Council 21/2/17.</p> <p>Completed – no further action required.</p>
2	Separation of Duties – with considerable changes to the structure of the Council as it transforms the way in which services are delivered; separation of duties continues to be an area of concern.	This continues to be an issue and will be monitored quarterly by Audit and Governance Committee.
3	Reduction in resources – general reductions in staffing numbers increase the impact of staff absences and other service interruptions. Absences may also increase owing to greater pressure of work and loss of motivation. As reported above, Internal Audit are aware of instances where long term sickness is impacting on service delivery.	This continues to be an issue and will be monitored quarterly by Audit and Governance Committee.
4	Contract Regulations – current contract regulations conflict with the legislative requirements of the Public Contract Regulations 2015, therefore the Council is at risk of breaching legislation.	<p>A review of contract regulations has been being undertaken to provide an interim solution to be approved by Executive. A full review will be undertaken following the appointment of the new Procurement team.</p> <p>This will continue to be monitored quarterly by Audit and Governance Committee.</p>

Update on significant issues 2015-16

Issue No.	Issue Identified	Summary of Action Taken
5	<p>Procurement – the Council currently does not have a procurement function in place that is fit for purpose. A recent audit of procurement identified a number of shortcuts in the procurement process e.g. extending contracts rather than retendering, a lack of effective contract management. The Interim Procurement Officer left the authority at the end of March and has not been replaced. However, the Council has engaged a consultant to review the current procurement process to help meet the requirements of the Public Contract Regulations 2015 but this review has yet to be finalised.</p>	<p>New structure to deal with procurement was approved by Executive 11.10.16. AD Finance authorised to proceed to consultation stage in accordance with the Council's organisational change policy.</p> <p>Procurement Steering Group now in place and meeting monthly</p> <p>Final business case was approved by Executive 14.02.17.</p> <p>Job Evaluation forms for the new team have now been drafted and sent to HR. Following JE the posts will be advertised with a view to having the new team in place by September 2017.</p>
6	<p>Increase in commercial activities - as the Council but this review has yet to be finalised increases the number of new companies that it sets up e.g. Strata, ESCO (District Heating Scheme), there is a requirement for existing staff to act as directors of these new companies, sometimes without training or being fully aware of their responsibilities or liabilities under the role. Staff that take on a Directorship of a Council company have a conflict of interest i.e. they have a legal obligation to work in the interest of the company as a director, but that could mean they then don't work in the best interests of the Council. In addition, with the requirement to increase the Council's commerciality as a response to the current economic climate, staff must not forget the principles of public life and their obligations.</p>	<p>Training has now been delivered to all relevant staff and Councillors. The Council has now fulfilled its responsibilities regarding this issue.</p> <p>Completed – no further action required.</p>

Significant Governance Issues 2016-17

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, no significant issues have been identified. However we continue to enhance and improve our governance arrangements and these are listed in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Key area of focus
1	A new performance management framework is currently being developed. The new framework will be presented to SMB once the new appointments to SMB have joined the Council but is hoped that the system will be implemented by October 2017 at the latest.
2	Medium Term Financial Plan to be reviewed and updated to link to both corporate priorities and the corporate work programme and to include the Council's Value for Money Strategy
3	<p>Services are currently struggling to deliver the capital programme predominantly due to either a lack of resources in some service areas or a skills gap in respect of procurement processes and procedures in other areas.</p> <p>Lack of resources issues – Members need to make a decision whether to modify the capital programme to fit with resources available or to increase resources in order to meet expectations.</p> <p>Procurement training issues - once the new Procurement Team is in place, a series of training programmes will be embarked upon to support those staff with procurement responsibilities.</p> <p>The BID process in respect of the capital programme will be updated for 2017/18.</p>
4	The Council needs to continue its work to implement processes and procedures to ensure proper governance and management of its information assets. To date, work has been undertaken to draft the Information Governance Framework and a report is due to be considered by SMB which will give approval for the Council to compile an Information Asset Register to enable improved management of risks and security of the Council's information assets.

Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to focus on the key areas, with a view to further enhancing our governance arrangements and we will monitor their implementation and operation as part of our next annual review.

Signed:

Councillor Natalie Vizard
Chair of Audit & Governance Committee

Date:

Signed:

Dave Hodgson CPFA
Chief Finance Officer & Section 151 Officer

Date:

Signed:

Councillor Pete Edwards
Leader of the Council

Date:

Signed:

Karime Hassan
Chief Executive & Growth Director

Date: