

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2016/17

29 JUNE 2017

REPORT OF PORTFOLIO HOLDER: CLLR GUY ASHTON (PORTFOLIO HOLDER FOR FINANCE)

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WARD(S): GENERAL

PURPOSE

This report sets out the proposed Annual Governance Statement for 2016/17 and the proposed actions that will be undertaken during the year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit Committee approves the Annual Governance Statement for 2016/17 as set out in Appendix 1.
2. That the issues arising and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit Committee in six months time.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The Annual Governance Statement is a statutory document and integral to the governance framework at the Council that supports the achievement of the outcomes included in the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources necessary to implement identified improvements will be raised separately or through the budget process.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Regulation of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.
- 3.2 The Regulations also require that for a local authority the statement is an Annual Governance Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Portfolio Holder for Finance and Chairman of Audit Committee have been consulted on the content of the report and the issues that are to be included in the Annual Governance Statement. The internal Corporate Governance Group consisting of officers has also been consulted on the content of the report.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Not applicable

8 EQUALITY IMPACT ASSESSMENT

- 8.1 Not applicable.

9 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a
<i>Financial / VfM</i>	n/a	n/a
<i>Legal</i>	The Annual Governance Statement (AGS) is a statutory document required by the Regulation of the Accounts and Audit Regulations 2015,	The annual review of the effectiveness of the system of internal control supports the Council to identify and correct control weaknesses.
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	The preparation and publication of the AGS is a fundamental element of the Council's governance framework.	Having a robust AGS and governance framework provides the assurance that the council is delivering good governance.
<i>Other</i>	n/a	n/a

10 SUPPORTING INFORMATION:

10.1 As set out in Report CAB2132, the role of the Audit Committee with respect of the Annual Governance Statement is:

“To oversee the production of the Authority’s Annual Governance Statement and to recommend its adoption.”

10.2 This Report presents the Annual Governance Statement for the year 2016/17 for consideration by the Committee.

10.3 The Annual Governance Statement is a statutory document which explains the processes and procedures that are in place to enable the Council to carry out its functions effectively

10.4 This Statement provides an assurance to the Council and its stakeholders that good governance procedures and requirements are in place and is produced following a review of the Council’s governance arrangements and includes an action plan to address any significant governance issues that have been identified.

10.5 The Council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in an annual governance statement.

- 10.6 The Statement must be prepared in accordance with proper practices and has followed the CIPFA/ SOLACE Delivering Good Governance 2016 framework.
- 10.7 The AGS is a valuable means of communication. It enables the Council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place to manage risks of failure to deliver its outcomes and priorities.
- 10.8 Progress as at 31 March 2017 against the issues identified in the 2015/16 Annual Governance Statement is included in the Quarter 4 Governance Report (AUD188) elsewhere on this Committee's agenda.
- 10.9 The issues that have been identified as requiring consideration and action during 2017/18 are:
- **Asset Management** – the need to ensure that the Council has the capacity to deliver the recently approved Asset Management Plan,
 - **Partnerships** – ensuring that each of the Council's partnerships have the appropriate governance arrangements in place,
 - **Capacity** – ensuring that the Council has the capacity to deliver the outcomes included in the Council Strategy and Portfolio Plans by recruiting and retaining staff
 - **Data Sharing and Data Security** – adoption of the new requirements of the General Data Protection Regulations
 - **Procurement and Contract Management** – ensuring that the Council has robust contract management procedures and maintains a comprehensive contract register.
- 10.10 A number of governance related issues were identified following the Local Government Association (LGA) [Corporate Peer Challenge](#) that was undertaken during February 2017. The Peer Challenge Team highlighted nine key recommendations that can help the Council further improve services over the coming years.
- 10.11 There were three specific recommendations that have governance implications and these are as follows:
- Review political and partnership structures and forums including the operation and role of the Overview and Scrutiny Committee
 - Review the way in which the business is managed
 - Clarify roles, responsibilities and accountabilities
- 10.12 A separate [plan](#) that sets out the actions to respond to the recommendations arising from the LGA Peer Challenge has been drawn up and will be

monitored throughout the year and a progress update given to this Committee at its December meeting.

11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AUD157](#) – Corporate Governance Report and Annual Governance Statement, 28 June 2016

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Annual Governance Statement 2016/17

Appendix 2 – Annual Governance Statement – Action Plan

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Scope of Responsibility

- 1.1 Winchester 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, properly accounted for, and used economically, efficiently and effectively. Winchester 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.
- 1.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester 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 2016*.
- 1.4 This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 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 Winchester City Council's policies, aims and objectives, to evaluate the likelihood of

those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at Winchester City Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

3. **Methodology for preparing the Annual Governance Statement**

- 3.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;

- Heads of Teams completing a Statement of Assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Managers are asked to declare any weaknesses in their governance arrangements, including overdue and significant internal audit actions.
- An internal control checklist is provided to Heads of Teams to support the completion of their Statement of Assurance. The checklist requires the manager to self assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the individual Statements of Assurance by Corporate Governance Group, identifying those issues which are significant or which are common to more than one area.
- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The Council's Audit Committee considers the draft Annual Governance Statement at its meeting in June and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the Council's control environment.
- The Audit Committee approves the Annual Governance Statement in September and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.

4. **The Governance Framework**

- 4.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements and these are underpinned by the core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.

- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
 - Developing the capacity and capability of Members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 4.2 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of Cabinet, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.
- 4.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make some decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.
- 4.4 The Overview and Scrutiny Committee and Audit Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 4.5 The Council engages with its communities through a number of mechanisms, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 4.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in the Portfolio Plans. More detailed business and service plans are drawn up by teams across the Council, with targets set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

- 4.7 Progress against Portfolio Plans and budgets is monitored regularly by the Corporate Management Team, the Performance Management Team, Senior Managers and Portfolio Holders. The Overview and Scrutiny Committee receives reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress in delivery. The Cabinet (Major Projects) Committee oversees the implementation of the Council Programme of Major Projects, ensuring that they are managed effectively and in particular to monitor progress of each project against the planned timetable.
- 4.8 The Council has an officer Performance Management Team to monitor and direct monthly financial performance, service performance, progress on key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 4.9 The Council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 4.10 The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 4.11 The Council has set out the arrangements for managing risk in its Risk Management Policy which also includes a Risk Appetite Statement and is approved by Cabinet and reviewed annually.

5. **Review of effectiveness**

- 5.1 The authority has a statutory 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 Heads of Teams who have responsibility for the development and maintenance of a sound governance environment.
- 5.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the Data Protection and Freedom of Information Acts, and Equality requirements.
- 5.3 The Council has appointed the Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the Head of Finance should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Head of Finance is a member of the Corporate Management Team.

- 5.4 The Head of Finance is also a member of the Council’s Performance Management Team alongside the Chief Executive, Corporate Directors and Assistant Directors.
- 5.5 The Council has appointed the Head of Legal and Democratic Services as the statutory “Monitoring Officer” and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 5.6 All Cabinet reports are reviewed by the Head of Finance and Monitoring Officer. All reports to Cabinet are required to demonstrate how the matter links to the Council Strategy and Portfolio Plans, and highlight resource implications. Officers are also asked to draw out risk, equality, sustainability, management and legal issues as appropriate. Similar procedures are in place for the Scrutiny and Regulatory Committees.
- 5.7 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council’s Standards Committee deals with complaints relating to the conduct of Members.
- 5.8 Members’ induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.
- 5.9 The following diagram shows how the different inputs across the Council support the Annual Governance Statement.



6. Roles and responsibilities

- 6.1 **Elected members** are collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget.
- 6.2 **Managers and staff** have responsibility for the development and maintenance of a sound governance environment.
- 6.3 **Southern Internal Audit Partnership's** remit includes the Council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives. The Internal Audit Plan is based on the Corporate Risks Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Audit Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.
- 6.4 Part of this review process is an annual review report by the Head of Southern Internal Audit Partnership of the effectiveness of the Council's internal audit function. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.
- 6.5 **External Audit** provides an Annual Audit Letter, which includes a review of the Council's Annual Governance Statement and internal controls.
- 6.6 **Corporate Directors, Assistant Directors and Heads of Teams** complete annual statements of assurance and implement action plans identified as a part of this process.
- 6.7 **The Monitoring Officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are followed. He also reviews this Statement. Amendments to the Constitution are considered by Cabinet, the Leader, The Overview and Scrutiny Committee, the Standards Committee, the regulatory committees and Council from time to time as required to reflect managerial and operational changes.
- 6.8 An officer **Performance Management Team** is responsible for deploying risk management across the Council and the risk assessment of emerging issues, in addition to monitoring progress against Business Plans and budgets.
- 6.9 An officer **Governance Group** co-ordinates the preparation of this statement and recommends the statement to the Corporate Management Team. The Group monitors compliance in the risk management arrangements and keeps the self-assessment of governance based on the Code of Corporate Governance under review.

- 6.10 **The Corporate Management Team** reviews this statement and regularly deals with setting policy for risk management. It has a role in setting the culture and values, agreeing the Governance Framework, and implementing the framework throughout all its work.
- 6.11 **The Audit Committee** monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.
- 6.12 The **Cabinet** manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
- 6.13 The **Leader and Chief Executive** review and sign this Statement on behalf of the Council.

7. Significant Governance Issues

- 7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:
- **Asset Management** – the need to ensure that the Council has the capacity to deliver the recently approved Asset Management Plan,
 - **Partnerships** – ensuring that each of the Council's partnerships have the appropriate governance arrangements in place,
 - **Capacity** – ensuring that the Council has the capacity to deliver the outcomes included in the Council Strategy and Portfolio Plans by recruiting and retaining staff
 - **Data Sharing and Data Security** – adoption of the new requirements of the General Data Protection Regulations
 - **Procurement and Contract Management** – ensuring that the Council has robust contract management procedures and maintains a comprehensive contract register.

8. Assurance Summary

- 8.1 Good governance is about making running things properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way.
- 8.2 The Internal Audit Opinion for 2016/17 is that the Council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year has demonstrated controls to be working in practice.

8.3 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 during the year and as part of our next annual review.

Signed:

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Councillor C. Horrill
Leader of the Council
Winchester City Council

Dated:

Dated:

Annual Governance Statement 2016/17 – Action Plan

No.	Issue	Actions
1	Asset Management – the need to ensure that the Council has the capacity and skills to deliver the recently approved Asset Management Plan.	Regular monitoring and reporting of the progress against the actions in the Asset Management Action Plan to be undertaken. Internal Audit planned for 2018/19 to review the assurance over effectiveness and delivery of Asset Management Plan including repairs and maintenance to non-housing assets (planned and reactive)
2	Partnerships – ensuring that each of the Council's partnerships are properly constituted and have the appropriate governance arrangements in place.	Identify and record a database of all partnerships that the Council is participating in. Review the governance arrangements for each partnership. Working in Partnership internal audit included in Audit Plan and scheduled for 2017/18 which will review assurance over governance, contingency arrangements, exit strategies and hosting arrangements (accountabilities)
3	Capacity – ensuring that the Council has the capacity to deliver the outcomes included in the Council Strategy and Portfolio Plans by recruiting and retaining staff.	Development and approval of Workforce Development Plan for the Council. Quarterly performance monitoring which will identify slippage in delivering the outcomes in the Council Strategy and actions in Portfolio Plans Internal audit planned for 2017/18 to seek assurance over transformation initiatives including resource management. Programme and Project Management internal audit also scheduled for 2017/18 HR internal audit planned for 2017/18 which will review training and development, workforce development and flexible working.
4	Data Sharing and Data Security – adoption of the new requirements of the General Data Protection Regulations (GDPR).	Agreement that GDPR should be managed as a Council major project Completion of project plan for the implementation of GDPR Communicate to staff the changes in the regulations Information Governance internal audit planned for 2017/18 which review information governance arrangements incl DPA, FOI, Transparency and preparation for the GDPR in May 2018

No.	Issue	Actions
5	Procurement and Contract Management – ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.	Increase staff awareness of the requirement to maintain a contract register Training for staff on how to input contract data onto the public contract register Internal audit scheduled for 2017/18 that will review non-compliant/ effective procurement (DPA, FOI, Transparency etc, exposure to reputational/financial risk. Procurement internal audit scheduled for 2017/18 reviewing compliance with contract procedure rules and legislative requirements.