LANCASTER CITY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2013/14 (DRAFT)

SCOPE OF RESPONSIBILITY

Lancaster 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, and which includes arrangements for the management of risk.

Lancaster City Council has approved and adopted a *Code of Corporate Governance*, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the code is on the council's website or can be obtained from the Internal Audit Manager, Town Hall, Dalton Square, Lancaster, LA1 1PJ.

This statement explains how the council has complied with the Code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to reviewing the effectiveness of the system of internal control and the publication of an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems and processes, and culture and values by which the authority is directed and controlled and the activities through which the council accounts to, engages with and leads the community. The framework 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.

The system of internal control forms a key element 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 Lancaster 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.

The governance framework has been in place at Lancaster City Council for the year ended 31 March 2014 and up to the date of approval of the *Annual Governance Statement* and the *Statement of Accounts*.

THE GOVERNANCE FRAMEWORK

The following paragraphs set out the key elements (as incorporated in the Code of Corporate Governance) that the council relies upon to deliver effective corporate governance.

- An annual review of the council's vision for the local area, consulting directly with the community. The council's vision, priorities and objectives are brought together and published in the three-year *Corporate Plan*.

- A performance management framework which establishes clear priorities, objectives and plans of action at corporate, service, team and individual levels

- Performance management systems which measure and monitor the quality of services delivered and provide elected members and officers with the information required to ensure that they are delivered in accordance with the authority's objectives.

- Arrangements for the executive to manage performance through the Corporate Management Team and portfolio performance review meetings.

- Review and challenge of performance through the overview and scrutiny function and particularly via the Budget & Performance Panel.

- The council seeks to ensure the economical, effective and efficient use of resources and continuous improvement in the way in which it exercises its functions, through reviews carried out by service managers, the overview and scrutiny function, Internal Audit and those conducted by the external auditors and other external agencies.

- The council's *Constitution* is the keystone to establishing the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. The *Constitution* sets out how the council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.

- The council's commitment to high standards of conduct and integrity is supported by established codes of conduct for employees and elected Members. Standards of probity are set out through the *Anti-Fraud, Bribery and Corruption Policy*, the *Raising Concerns at Work Policy* and the council's *Complaints Policy.*

- The Chief Officer (Resources) has statutory responsibility for the financial administration and stewardship of the council, in accordance with Section 151 of the Local Government Act 1972 and in compliance with the CIPFA Statement on The Role of the Chief Financial Officer (2010).

- The council adopts a bi-annually reviewed three-year *Medium Term Financial Strategy* to inform and support the council's key priorities and objectives. Rules for financial management and the scheme of delegation of the council are set out in the *Financial Regulations and Procedures* within the *Constitution.* Key financial systems are documented to define how decisions are taken and the processes and controls required to manage risks.

- The council's Audit Committee is charged with overseeing and, independently of the Executive and overview and scrutiny function, providing the council with assurance of the adequacy of its corporate governance arrangements, including the risk management framework and the associated control environment.

- The Chief Officer (Governance) is the council's designated Monitoring Officer, with responsibility for promoting and maintaining high standards of conduct and for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer is required to report any actual or potential breaches of the law or maladministration to full Council and supports the Standards Committee in its function of promoting and maintaining high standards of conduct of councillors and co-opted Members.

- The Cabinet is responsible for taking key decisions in line with the council's overall budget and policy framework; individual Cabinet members are responsible for taking non-key decisions. Any key decisions outside of the budget and policy framework are referred to Full Council. The council publishes a *Forward Plan* containing details of key decisions made on behalf of the council by Cabinet and by senior officers under their delegated powers.

- In taking decisions, compliance with relevant laws and regulations and with internal policies and procedures is promoted through a requirement for views to be obtained from relevant officers, including the Monitoring Officer and statutory Financial Officer (Section 151 Officer).

- The council aims to identify and meet the development needs of both elected members and officers.

- The *Code of Corporate Governance* sets out the council's commitment and approach to incorporating good governance arrangements in respect of its significant partnerships.

- The council's internal audit service is delivered by an in-house team required to operate to professional standards set out in the *'Public Sector Internal Audit Standards'.* The council has also set out a commitment to maintain an objective and professional relationship with its external auditors and other statutory inspectors.

REVIEW OF EFFECTIVENESS

Lancaster 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 the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following are the main processes applied in maintaining and reviewing the systems of internal control and governance and the key factors influencing their effectiveness:

- The council's Audit Committee and the Monitoring Officer have a duty to monitor and review the operation of the *Constitution* to ensure that its aims and principles are given full effect. It is a function of full Council to adopt and change the *Constitution* following recommendation(s) from the Monitoring Officer and/or Audit Committee

- The Chief Officer (Resources) has statutory responsibility for the financial administration and stewardship of the council, in accordance with Section 151 of the Local Government Act 1972. To support and reinforce this role, the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)

- The council's Overview and Scrutiny Committee has responsibility to consider and, if necessary, 'call-in' decisions made by Cabinet and the Budget and Performance Panel reviews the council's budget and performance at both a strategic and service level.

- The effectiveness of performance management arrangements is monitored by the executive, via portfolio performance review meetings and is reviewed by the overview and scrutiny function via the Budget & Performance Panel.

- The council promotes and maintains high standards of conduct by its elected members in accordance with the adopted Code of Conduct and the requirements of the Localism Act 2011. The Standards Committee has a role to provide assistance and advice to the council in this respect, and to deal with complaints of breaches of the Code of Conduct.

- The senior management structure has continued to develop, and aspects of the council's constitution, such as the scheme of delegation, have been updated to reflect this.

- It has been recognised that the diverse political makeup of the council, set in the context of the council's current democratic model (Cabinet and Scrutiny) can inhibit achieving consensus in the decision making process. Managing these pressures and maintaining efficiency in decision-making remains an important consideration as the period of austerity and ongoing budgetary constraints continues.

- The Audit Committee has responsibility for reviewing the Code of Corporate Governance and the adequacy of internal controls and risk management arrangements. It also monitors the performance and effectiveness of Internal Audit and considers and monitors the external audit plan.

- Internal Audit operates in accordance with the CIPFA statement on "the role of the head of internal audit in public service organisations" (2010) and is responsible for providing assurance on the effectiveness of the council's systems of internal control, including arrangements for risk management and governance. Internal Audit's role is to assist managers by evaluating the control environment, providing assurance wherever possible and agreeing actions to optimise levels of control. The council's external auditors place reliance on the work of Internal Audit in fulfilling their statutory duties and inspect Internal Audit work.

- The Internal Audit Manager is responsible for submitting an annual report to the Audit Committee detailing the performance of Internal Audit for the previous financial year, and giving an opinion on the effectiveness of the council's systems of internal control.

- In October 2013 the council's external auditors KPMG, in their *Annual Audit Letter*, issued an unqualified opinion on the council's financial statements for 2012/13. They also provided an unqualified conclusion on the council's arrangements for securing value for money and reported that they were *"…satisfied that the authority had proper arrangements for securing financial resilience and challenging how to secure economy, efficiency and effectiveness. "*. The external auditors made no high priority recommendations as a result of their 2012/13 audit work.

- Following the audit of the 2013/14 accounts, the external auditors are due to submit their ISA260 report (Report to those charged with governance) to meet the statutory deadline of 30th September 2014.

- The work carried out by both the council's external and internal auditors has indicated that effective internal financial controls exist within the council's main financial systems to ensure the accuracy and integrity of the information they provide.

SIGNIFICANT GOVERNANCE ISSUES

No new significant governance risks have been identified during the year. Progress on the two governance issues highlighted in the 2012/13 Governance Statement as requiring immediate attention is as follows:

- **Information management and governance arrangements**

   A significant body of work has been undertaken by the Information & Communication Technology (ICT) Service to meet organisational and technical requirements relating to the Government's Public Service Network (PSN) resulting in accreditation being achieved in May 2014. A piece of work covering wider corporate information governance arrangements will be undertaken over the coming year to ensure that the council's arrangements for collecting, storing, using and sharing information are robust and enable the most efficient and effective use of that information;

- **Democratic structures and cultural aspects of governance**

    Ongoing challenges are posed by having a "no overall control" council and increased pressures from the continued period of austerity. Together, these factors continue to present a need to ensure that democratic processes remain appropriate, efficient and effective and that all elected members, officers, and partners are able to operate positively in an environment of mutual trust and respect, whilst fostering a healthy culture of challenge and confident decision making.

As last year, the council's overriding challenge continues to be that of ensuring that the council and its partners can identify and meet the needs of the district's citizens, whilst responding to current and future financial constraints. It is recognised that this challenge requires ongoing attention to maintain and improve standards of governance in a period of significant organisational change, and continuous review will be necessary in key areas including:

- Developing the ways in which the council communicates with local people and enables them to be at the forefront of decision making to inform priorities, whilst raising awareness that due to limited resources, some services may be delivered differently, or not at all;

- Shaping services in line with the council's vision, ethos and priorities and developing arrangements to measure and maintain service quality;

- Strengthening services through the continuing development of both the workforce itself and of the organisation's leadership and management values and practices, including those relating to financial management.

The council proposes, over the coming year, to take steps to address the above matters to further enhance its governance arrangements. The council is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next governance review.

E Blamire
Leader of the Council

M Cullinan
Chief Executive

S Taylor
Chief Officer (Governance)
Monitoring Officer

N Muschamp
Chief Officer (Resources)
Section 151 Officer