

Annual Governance Statement

1. SCOPE OF RESPONSIBILITY

City of York 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 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 also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk. This includes ensuring appropriate governance of council owned companies.

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the City of York Council's Local Code of Corporate Governance is available on the council's website at www.york.gov.uk.

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 2015, which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

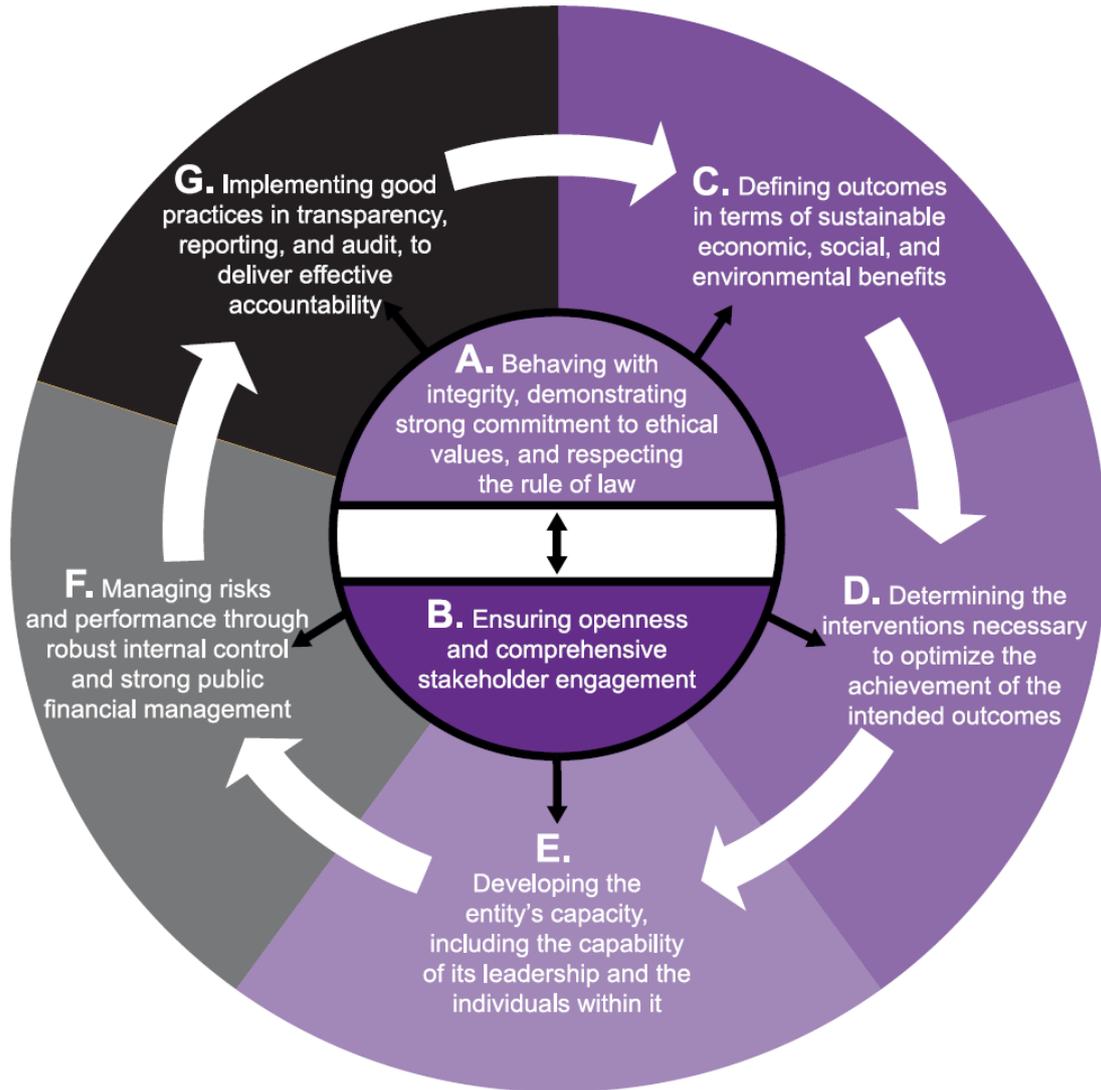
The governance framework comprises the systems and processes, culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control 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 the 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 overall Governance Framework, and in particular the system of internal control, described in this Statement, has been in place within the council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts for 2019/20

CORE PRINCIPLES OF GOOD GOVERNANCE

The diagram below taken from the *International Framework: Good Governance in the Public Sector (CIPFA/IFAC)* illustrates the 7 core principles of good governance in the public sector and how they related to each other. The council's Local Code of Corporate Governance sets out various documents and arrangements within these core and sub principles which demonstrate that the council continues to seek to ensure it remains well governed, and that to deliver good governance the council must seek to achieve its objectives whilst acting in the public interest at all times. The Code is reviewed annually as part of the preparation of the Annual Governance Statement and any amendments will be brought to the Audit and Governance Committee as part of this process.



3. OUR GOVERNANCE FRAMEWORK

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements which, taken together, contribute to the overall corporate governance framework. The key elements of the governance framework within the council are set out below:

Management and Decision Making Processes

Corporate management and leadership at officer level is led by CMT, and is supported and developed through the Corporate Leadership Group (CMT plus Assistant Directors). Decisions are operated in accordance with the council's constitution. The council has a Workforce Strategy which sets out the way the council will develop the skills of our staff to help deliver our key priorities effectively.

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation that reflects political and community objectives and acts as the basis for corporate prioritisation. The Council Plan expresses the council's key priorities until 2021. The aims and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

Full Council is responsible for agreeing overall policies and setting the budget. The Executive, which meets monthly, is responsible for decision making within the policy and budget framework set by Full Council. The Corporate Management Team (CMT), which meets weekly, has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The S151 Officer (Head of Corporate Finance & Commercial Procurement) and the Monitoring Officer (Director of Governance) review reports before presentation to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

Since May 2019, the Chief Executive was absent due to sickness absence until her departure through early retirement on 16th March 2020. In the intervening period a series of interim appointments were made and these have remained in place to date. Since May 2019 the Council has had an Interim Head of Paid Service and an Interim S151 Officer. For some time, the Council had an Interim Monitoring Officer until the permanent appointment of the Director of Governance & Monitoring Officer on 16th December 2019. The CMT, as a result, is a relatively newly established Team with the Corporate Director of Children, Education & Communities joining in December 2018 and the Corporate Director of Health, Housing and Adult Social Care joining in February 2019 to work alongside the Director of Public Health and the Corporate Director for Economy and Place.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment. It also oversees the financial reporting process and approves the final Statement of Accounts.

A Joint Standards Committee comprising members of the City of York Council and parish councils is responsible for promoting good ethical governance within the organisation and within local parish councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally.

The council appoints a number of scrutiny committees made up of councillors who are not members of the Executive. These Committees have the power to review or scrutinise decisions taken on behalf of the council and to make recommendations on matters affecting York residents. In doing so Committees may look at the activities of other organisations working in York and they have specific legal powers to require NHS bodies, the police, fire service and probation to provide information to help their work.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and have been brought together in one place within the council's Local Code of Corporate Governance, which is available on the council's website and contains live links to relevant documents.

The Local Code of Corporate Governance sets out how the council continues to ensure it remains well governed under the 7 principles set out in the CIPFA/ SOLACE framework 'Delivering Good Governance in Local Government', and is reviewed annually as part of the preparation of this statement, and any amendments will be brought to the Audit and Governance Committee as part of this process.

Financial Management

The Head of Corporate Finance & Commercial Procurement (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) in that:

- she is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- she is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the council's financial strategy; and
- she leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities:

- she leads and directs a finance function that is resourced to be fit for purpose; and
- she is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating full Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow best professional practice as set out in the Chartered Institute of Public Finance and Accountancy's guidance and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.

During the year all elected members have been reminded to regularly review and update their declarations.

The declarations of interest policy was recently revised and requires that declarations should be made in the Register of Staff Interests:

- As part of the new starter process (HR/Business Support led);
- On an ad hoc basis as conflicts arise (Manager/Employee led);
- Biannually for all officers at Grade 10 and above as part of the 'related parties' statement of accounts process (HR/Business Support led);
- On an annual basis for other officers who work individually or as a team in a service which procures/commissions goods/services on behalf of the council (AD/Service Manager led).
- Where a Director has identified the need for a member of staff, contractor or agency worker to complete a declaration.

In addition, biannual reminders will be sent out in March and October by Business Support on behalf of the Head of HR. In February and September each year the central register will be shared with each Directorate Management Team (DMT) for review. At this point all declarations received over the previous year will be reviewed by Directors and the Chief Executive. The Head of Business Support will arrange for Chief Officer returns to be published on the council's website. This is in line with best practice set by the Information Commissioner's Office to aid transparency and in the Public Interest.

Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit

The council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

In December 2019, the Director of Governance & Monitoring Officer commenced employment with the Council. This is a newly established post with a focus on delivering strengthened and robust governance to all aspects of the Council's governance and decision-making frameworks. The Monitoring Officer is a member of the Corporate Management Team (CMT).

Compliance with the council's governance arrangements is subject to ongoing scrutiny by Internal Audit and external review agencies (including external audit). The Governance, Risk and Assurance Group (GRAG), chaired by the Monitoring Officer, also monitors, reviews and manages the development of the council's corporate governance arrangements. The membership and terms of references of GRAG were refreshed in early 2020, and now has a clear reporting line to CMT as well as the Audit & Governance Committee. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.

Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of risk registers, to which all directorates contribute. The risk registers include corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk registers are used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions which comply with the Accounts and Audit Regulations, the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit. The council has also adopted an Audit Charter which defines the role and scope of internal audit work, its right of access and independence, reporting arrangements and the respective responsibilities of internal audit and management. The service in 2019/20 was provided by Veritau Limited, a shared service company jointly established by the council and North Yorkshire County Council. Veritau's internal audit and counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the council. Through its work Veritau also provides assurance to the Section 151 Officer and the Monitoring Officer in discharging their statutory review and reporting responsibilities. In addition the team:

- provides advice and assistance to managers in the design, implementation and operation of controls
- helps to maintain the council's counter fraud arrangements including policy framework
- supports managers in the prevention and detection of fraud, corruption and other irregularities.

Internal audit also maintains quality assurance processes to ensure audit work is undertaken to appropriate professional standards. This includes periodic external assessments of audit working practices.

Reports from internal and external auditors

The Monitoring Officer and the Interim S151 Officer regularly meet with the Head of Internal Audit. Throughout the year regular reports are presented to Audit & Governance Committee from both the internal and external auditors. The Head of Internal Audit also provides an annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. The Head of Internal Audit will also

highlight any significant weaknesses in control identified through internal audit work. The opinion in recent years has been 'Substantial Assurance'.

Internal Audit reports include an assurance opinion and an action plan to address any control weaknesses. Agreed actions are followed up every six months and the results reported to Audit & Governance Committee. The Committee also receives copies of any reports including 'Limited' or 'No Assurance' opinions.

The external auditor has regularly reported progress to Audit & Governance Committee and the quality of the council's accounts has been commented on favourably in recent years. They have also commented at these meetings that the council's financial sustainability and reserves position was deemed relatively strong compared with other authorities and that arrangements for measuring related risks were robust.

Performance Management

The council recognises the importance of effective performance management arrangements and has established the Business Intelligence Hub. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. Each directorate reports finance and service performance progress to members through the established Scrutiny arrangements.

Finance and service performance monitoring is reported regularly at CMT and Executive, and there is ongoing regular discussion of financial performance at CMT to ensure that the council is able to manage the major savings programmes.

Consultation and Communication Methods

The council communicates its vision, priorities and outcomes with different audiences to actively encourage open consultation and help demonstrate accountability. The council will first analyse audience groups and identify the most relevant and effective channels of communication to engage them. The council has a media protocol and social media policy to support communications, together with different communications plans. Examples of communication and consultation includes (this is not an exhaustive list):

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform audiences of the previous year's achievements and outcomes
- opportunities for the public to engage effectively with the council including attending and speaking at meetings and watching meetings live or recorded at www.york.gov.uk/webcasts
- residents' surveys and consultations via www.york.gov.uk/consultations including public consultation events – in the council offices, libraries, public transport and supermarkets
- budget and other consultation processes including statutory public notices
- customer feedback through the council's complaints procedure or other direct service feedback processes.

Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements. The council is actively involved in major development projects and of particular significance in terms of risk is the York Central Programme. Robust programme and project management, including protocols to maintain ethical walls are in place, to ensure that partnerships operate effectively across the council.

4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken, co-ordinated by the Governance, Risk and Assurance Group (GRAG), which comprises the Head of Corporate Finance & Commercial Procurement (the Section 151 Officer), the Director of Governance (the Monitoring Officer), and the Head of Internal Audit (Veritau Ltd). The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- Disclosure Statements signed by Directors identifying control weaknesses or significant issues
- any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk registers and any other issues highlighted through the council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2017/18 Annual Governance Statement.
- The council's counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption

The council recognises an ongoing need to review its governance arrangements, and in so doing created and recruited to the post of Director of Governance to support its commitment to delivering good governance and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems, and ensure compliance with relevant legislation. Having considered all of the principles, we are satisfied that the council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

This on-going review of the effectiveness of governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

5. Impact of COVID-19

Since March 2020, and certainly following the national government's introduction of "lockdown" on 23rd March 2020, the council has had to respond at considerable pace in order to ensure the support the City in staying safe.

The Interim Head of Paid Service established a system of Gold and Silver command Groups and urgent arrangements were put in place to ensure decision making at pace. The Monitoring Officer has provided details of this in her Annual Governance Report.

The Council's response to COVID-19 remains under constant review and the Leader of the Council and the Interim Head of Paid Service are proactively overseeing the formulation and implementation of a recovery plan to support the city.

7. SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2019/20. There were however some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements; included within this definition are more general issues relating to service delivery and national challenges which whilst not significant governance issues in themselves, represent important issues which affect the council across all areas. The Governance Risk and Assurance Group have reviewed all prior year issues and where still relevant have incorporated these into the 2019/20 Statement.

	Issue	Action taken to date / Planned
1 – Existing Issue, updated	<p>Financial Risks</p> <p>(i) Pressures - Impact of funding reductions</p> <p>-</p> <p>The council continues to face significant funding pressures and changes to both national and regional funding regimes which naturally present a potential risk to the council's overall governance arrangements.</p> <p>The Coronavirus pandemic will have a significant, ongoing financial impact on the Council. There is currently uncertainty around any future government funding and the long term impact on income streams, including business rates and council tax.</p>	<p>The Medium Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years. The council set a budget in February 2020 covering detailed proposals for 20/21 and outlining the strategic direction towards achievement of savings proposals for each directorate over the medium term.</p> <p>Budget reviews are being carried out during 2020/21 as part of the pandemic recovery planning. Further development of the medium term financial plan will be needed during the year to ensure continued financial resilience.</p> <p>The MTFS includes contingencies and a service risk reserve to assist in dealing with cost pressures generally.</p>
Existing Issue, updated	<p>The financial impact of Brexit is as yet uncertain but there is a potential impact on business rates income, investment returns and the tourist economy.</p> <p>The financial position of the health economy in York, and the impact that may bring for the Better Care Fund, and implications on the Adult Services budget</p>	<p>Ongoing discussions with Health Organisations in York, and reporting to Health & Wellbeing board</p>
	<p>(ii) Major capital projects</p> <p>The council has a number of major capital projects at different stages, including Guildhall, the Community Stadium, York Central, York Outer Ring Road, the Housing Delivery Programme and the Older People's Accommodation Programme (including Burnholme). As outlined above, the Coronavirus pandemic will have a significant, ongoing financial impact on the capital programme.</p>	<p>There are significant risks associated with the range of major schemes which have been identified in various reports, including the potential implications for both capital and revenue budgets. Key programmes include Housing Delivery and York Central. Ongoing regular reporting to various member meetings, alongside effective project management continues to be essential to ensure risks can be mitigated/ managed. The council has put in place dedicated project management expertise for its major projects, and invested in a project management system to manage programme / cost risks attached to these major projects. Major projects will need to be reviewed to assess any new risks and to ensure that the financial assumptions are still sound.</p>

		Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions has been factored into the project management and protocols are in place in respect of decision making to provide necessary ethical walls within the organisation and in line with the council's constitution.
2 – Existing Issue, updated	<p>Local Plan The Council has submitted a draft Local Plan for inspection, however a final version is yet to be approved. Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas of the city vulnerable to development proposals which the council will be unable to stop. Also given Ministerial statements failure to progress a plan could lead to interventions by Government into the City's planning services along with the removal of funding such as New Homes Bonus</p>	<p>At an extraordinary meeting of Full Council on 17th May 2018 members resolved to submit the Local Plan to the Planning Inspectorate for examination. The Local Plan was submitted on 25th May 2018. The next stage is an examination of the Local Plan by a planning inspector. There has been ongoing correspondence between the council and the inspector as part of this examination process and as a result, a number of modifications to the Plan were approved by Executive on 7th March 2019.</p> <p>Phase 1 hearing sessions took place between the 10th and 18th December 2019 and covered matters relating to legal compliance, housing need and green belt principle. The Inspectors asked the Council to complete some additional homework items which were submitted by end of March 2020. A letter was received on 12 June 2020 setting out some concerns which the Inspectors have in relation to the evidence provided in respect of the greenbelt. The Inspectors will not issue their interim report for Phase 1 until these concerns have been addressed. Dependent on the outcome of this report the hearings will either progress to Phase 2 or further work may be required prior to Phase 2 commencing. Updates to the Local Plan examination timetable and correspondence with the Inspectors can be found at www.york.gov.uk/localplanexamination</p>
3 – Existing Issue, updated	<p>Information Governance and information security The nature of the council's activities means that there are ongoing information governance risks as well as information and cyber security risks, which continue to require careful monitoring and management particularly the risks of financial, service and reputational damage.</p>	<p>Information governance arrangements require continual monitoring and review to ensure compliance with data protection legislation and the General Data Protection Regulation / data protection act 2018. Cyber security threats also require ongoing monitoring and the development of appropriate policy and technical responses. Continue to monitor and review for both information governance and information security using a variety of methods including data breach management</p> <p>Data Protection Impact Assessments (DPIA's) are completed before planned changes in data processing are made. Continue to work on embedding DPIAs as a legal compliance requirement across the council especially in projects.</p>

		<p>Improvements are being made in records management processes to ensure information is easily accessible and data is not retained for longer than is required. A review is underway as part of a wider records management programme of work, working alongside ICT and York Explore/City Archives</p> <p>Investment has been made in reviewing all council websites to ensure they are secure and this review is ongoing.</p>
4 - New issue	The Council's statutory roles of Head of Paid Service and s151 Officer are both filled on an interim basis	Two of the council's three statutory roles, namely the Head of Paid Service and the s151 Officer are both currently filled on an interim basis and both need to be filled on a permanent basis to add stability to the council's governance framework. In June 2020, the Staffing Matters and Urgency Committee approved a report to commence a restructure of the Corporate Management Team and one of the outcomes of this restructure is to ensure that both statutory roles are recruited to on a permanent basis.

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ANNUAL GOVERNANCE STATEMENT

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that an effective system of internal control has been in place and 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.

From the review, assessment and ongoing monitoring work undertaken, and supported by the ongoing work of internal audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

Signed

Dated

2020

Ian Floyd
Director of Customer & Corporate Services and Deputy Chief Executive

Signed

Dated

2020

Cllr Aspden
Leader of the Council