



Coventry City Council

Public report

Report to

Audit and Procurement Committee

13th June 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Mutton

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

Annual Governance Statement 2015-16

Is this a key decision?

No

Executive summary:

The purpose of this report is to seek approval for the Annual Governance Statement, which forms part of the Statement of Accounts for 2015-16.

Recommendations:

Audit and Procurement Committee is recommended to consider and approve the Annual Governance Statement (attached at Appendix One), which accompanies the 2015-16 Statement of Accounts.

List of Appendices included:

Appendix One – Annual Governance Statement 2015-16

Other useful background papers:

Annual Governance Statement 2014-15

<http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=10797&Ver=4>

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Annual Governance Statement 2015-16

1. Context (or background)

- 1.1 Coventry 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. In discharging this responsibility, the City 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.
- 1.2 To demonstrate such arrangements, the City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of effective governance as reflected in the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.
- 1.3 The Annual Governance Statement ('AGS') explains how Coventry City Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The AGS also details key governance / control issues identified through the assessment that the Council faces in the coming year.

2. Options considered and recommended proposal

- 2.1 The Annual Governance Statement is informed by a review of the Council's governance environment, which is based on a number of sources including:
 - An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
 - The outputs from the Internal Audit Service, reflected in an annual report that identifies those issues, which in the opinion of the Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
 - A review of the effectiveness of the Council's system of Internal Audit.
 - Reports from external bodies during the year, including those from the Council's external auditors and other inspection agencies.
- 2.2 Section 5 of the Annual Governance Statement, attached at Appendix One, highlights those areas that the Council considers require internal control / governance improvements. This assessment is co-ordinated by the Acting Chief Internal Auditor, but also incorporates the views and opinions of senior officers. The key disclosures come from the following processes:
 - A review of progress against disclosures highlighted in the Annual Governance Statement 2014-15.
 - New disclosures identified as part of the assessment process outlined in section 2.1.

These processes are expanded upon overleaf.

2.3 Update on disclosures made in the Annual Governance Statement 2014-15 - A review of the seven disclosures highlighted in the Annual Governance Statement 2014-15 has found that the disclosures fall into two categories, namely:

2.3.1 Carry forward to the 2015-16 Statement - A number of governance / control issues remain in the Annual Governance Statement. These are detailed below:

- Achievement of improvement in Children's Services – The Improvement Board's governance arrangements were refreshed in 2015. Progress against the Improvement Plan is reported to the Improvement Board and regular updates are made to Scrutiny Board and full Council. A level of assurance is provided by the independent Chair of the Improvement Board and a Department of Education Advisor. The Department of Education undertake six monthly reviews of progress, with the most recent one undertaken in February 2016. Strengths and areas for development were noted with identified areas for increased oversight reported back to the Improvement Board. The most recent LGA peer review was undertaken in October 2015. Partners are fully engaged in the Improvement Board and in the Operational Group. A refreshed communications strategy is in place with a new senior leadership team. There is a regular Children's Services newsletter and blog from the Director of Children's Services. The Lead Member, Director of Children's Services and Executive Director, People undertake frequent frontline visits. Additional staffing have been recruited with a reduction in caseloads and the workforce strategy revised, with a new recruitment campaign launched in February 2016. A "signs of safety" approach has been launched, the Recording and Supervision Policy revised and a comprehensive Learning and Development programme is in place. There is increased audit activity to improve consistency and quality of practice which, aligned to the delivery of the workforce strategy are priorities for the Service.
- Ensuring the delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy – The savings strategies are not all being achieved in line with the initial target profile. However, the Council will be close to balancing its 2015-16 budgetary control position and has set a balanced 2016-17 budget such that, in overall terms, the Council is broadly delivering in this area of activity. Further funding cuts announced by Government mean that pressure will remain in the medium term.
- The delivery of the Kickstart programme – During 2015-16 significant progress has been made with the Kickstart programme, which was reported to Scrutiny Board in March 2016. The Friargate bridge deck has opened and the construction of the Council's building is underway. The property disposal plan is progressing to plan. The new Customer Service Centre opened in November 2015 bringing together reception points and providing the platform for new ways of working, digital transformation and channel shift. A new behaviours framework, staff appraisal scheme and Aspiring Leaders programme has been launched. The business case is progressing to plan and further savings of £500k have been delivered towards the Medium Term Financial Strategy customer journey / Kickstart target.
- To continue to implement the Education Improvement Strategy – Over the last three years the primary school improvement strategy has had a significant impact upon the percentage of pupils attending good and outstanding schools. Currently (February 2016), 85% of children attend a good or outstanding school compared with 81% nationally and there are no primary schools in Special Measures. As a result, the current strategy is continuing to be administered. Various refinements have been introduced to ensure that the strategy is well embedded within current practice. These include:

- The increased engagement of all schools within the day to day organisation and structure of the primary school partnership
- The clarification of the key purpose of all partnership groups and meetings
- The alignment of all systems with the new Ofsted Common Inspection Framework

Building upon the success of the school-to-school support strategy in primary schools, all secondary school head teachers are committed to making rapid improvement to secure improved outcomes (59% of secondary schools are currently good or outstanding). Since September 2015 secondary head teachers have adopted a refreshed approach to partnership working and have developed and implemented a new secondary school improvement strategy enabled by a central local authority infrastructure from January 2016. There has been unanimous buy-in from head teachers to adopt / implement:

- School-to-school support groupings which are led by Chairs who are system leaders (National Leaders of Education)
- Quality assurance monitoring of the impact of support
- An overarching secondary school Improvement Board chaired by the Director of Education that ratifies the funding allocation and brokers school-to-school support

All groupings have agreed to delivery of specific support for individual schools, including the provider of the support and the costings / timeframe. Support is currently being delivered and local authority quality assurance officers will begin to monitor the impact of the support towards the end of the spring term and during the summer term.

- Ensuring that robust processes and procedures exist to minimise the risk of fraud and error in relation to the award of council tax discounts and exemptions – An on-going programme of proactive reviews is undertaken by the Fraud and Error Team. During 2015-16 this resulted in 103 exemptions being amended with new bills being issued amounting to £125k. However, an audit review in March 2016 of the procedures administered by Council Tax highlighted areas for improvement in respect of the consistent application of processes in relation to the award of exemptions and discounts, including management oversight. Actions have been agreed with management to address this.

2.3.2 Closed from the 2014-15 Statement – Two disclosures have been closed as they are no longer viewed as significant governance / control issues facing the Council. These are outlined below:

- To address the concerns over the robustness of the payment process on respect of adult social care which are administered through the CareDirector system - This disclosure was based on a 2014-15 review of the system. A follow-up review was undertaken in July 2015 which confirmed that action had been taken to address the key concerns highlighted and as a result, moderate assurance was given that the payment process is adequately controlled.
- To undertake a review of the Council's Code of Corporate Governance – The planned review of the Code was postponed during 2015-16 in light of the fact that it was identified that CIPFA are planning to issue new guidance on the Code. As a number of the Council's key governance processes will be required to be reviewed in 2016-17, this issue has now been subsumed into a new disclosure, as detailed in 2.4 below.

2.4 **New Disclosures** – Two new disclosures have been identified for the Annual Governance Statement 2015-16. These are detailed below:

- To address the actions identified following the Information Commissioner's audit and implement the Council's wider Information Management Strategy. This issue was identified as part of the review undertaken to support the production of the Annual Governance Statement.
- In light of considerations such as new professional guidance being issued, to undertake a review of a number of the key procedures that underpin the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing procedure and the Fraud and Corruption Strategy.

3. **Results of consultation undertaken**

3.1 None

4. **Timetable for implementing this decision**

4.1 There is no implementation timetable associated with this report.

5. **Comments from the Executive Director Resources**

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal control / governance have clear and direct effects on finance within the Council. Since these vary widely, it is not useful to attempt to summarise them here, beyond noting that all systems and controls are designed to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement within the Statement of Accounts.

6. **Other implications**

6.1 **How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

The governance framework comprises the systems and processes (i.e. the internal control environment), and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. As such, without the continued focus and / or improvements to the systems of internal control / governance required for the seven areas identified, there is a likely increased risk that the Council may fail to deliver key objectives and corporate priorities.

6.2 How is risk being managed?

The key risk that exists is that planned action is not implemented. In terms of actions planned, they fall into two categories:

- Linked to an audit / external review – Irrespective of whether the review was completed by Internal Audit, External Audit or another external agency, a defined process exists to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is generally reflected in reports to a designated committee or board. When appropriate, it is the relevant committee / board's responsibility to ensure that where progress has not been made, prompt action is taken to address this fact.
- Agreed priority – In such cases, the areas are of such importance that they have been considered and managed through the Council's governance framework.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Karen Tyler

Name and job title:

Acting Chief Internal Auditor

Directorate:

Resources

Tel and email contact

024 7683 4035 – Karen.tyler@coventry.gov.uk
 Enquiries should be directed to the above person.

| Contributor/approver name | Title | Directorate or organisation | Date doc sent out | Date response received or approved |
|---|-----------------------------------|------------------------------------|--------------------------|---|
| Contributors: | | | | |
| Lara Knight | Governance Services Co-ordinator | Resources | 25/5/16 | 26/5/16 |
| Jasbir Bilen | Human Resources Business Partner | Resources | 25/5/16 | 1/6/16 |
| Names of approvers: (officers and members) | | | | |
| Finance: Paul Jennings | Finance Manager Corporate Finance | Resources | 25/5/16 | 26/5/16 |
| Legal: Julie Newman | Legal Services Manager (People) | Resources | 25/5/16 | 25/5/16 |

This report is published on the council's website:
www.coventry.gov.uk/meetings

Appendix One – Annual Governance Statement 2015-16

1. Scope of responsibility

- 1.1 Coventry 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. Coventry 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, Coventry 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 Coventry City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at:
http://www.coventry.gov.uk/downloads/download/1181/code_of_corporate_governance or can be obtained from Democratic Services.
- 1.4 The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of Regulation 6(1) (b) of The Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of the 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 on-going process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood and potential impact 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 Coventry City Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

3. The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements are documented in the City Council's Code of Corporate Governance and include the following:

- 3.1 There is a governance / internal control environment that support the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in published policy documents including the Council Plan. These high level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.
- 3.2 Coventry's Council Plan "*Coventry open for business*" was adopted in January 2014. It was subsequently revised and updated in July 2015 and is now called "*Coventry: A Top Ten City*". The plan sets out the Council's long term vision and priorities for the city for the next ten years. To deliver the vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active citizens and strong and involved communities. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.
- 3.3 Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users. This is evidenced through the Council's formal decision-making and performance management processes.
- 3.4 In October 2015, Coventry City Council agreed to join the proposed West Midlands Combined Authority, which is a model of governance for local authorities to act together to drive economic prosperity for the area. A Combined Authority is a statutory body in its own right supported by a devolution agreement with the Government and a constitution which sets out the terms of their funding and powers.
- 3.5 The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including:
- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.
 - How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Council facilitates policy and decision-making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee.
- 3.6 Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and officers. These are subject to regular review to ensure the Council continues to enhance and strengthen its internal control environment. Systems exist to ensure compliance with policies and procedures, including statute and regulations. Internal Audit, through its annual risk based plan assesses compliance with key procedures and policies.
- 3.7 The Council's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level are updated and reviewed regularly. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Strategic Management Board.

- 3.8 The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy reinforces the Council's commitment to creating an anti-fraud culture, whilst having effective arrangements in place in responding to allegations of fraud and corruption.
- 3.9 An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction with CIPFA guidance, and the Committee carries out an annual self-assessment to measure its effectiveness, based on recommended CIPFA practice.
- 3.10 For the financial year 2015-16, the Executive Director, Resources, was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Authority meets the five principles laid out in the CIPFA statement, namely:
- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
 - The CFO in a local authority must be 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 alignment with the authority's overall financial strategy.
 - The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
 - The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
 - The CFO in a local authority must be professionally qualified and suitably experienced.
- 3.11 The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2016:
- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March

2015, did not highlight any significant concerns. In the year CSWDC redeemed £3.3m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils and issued one 'C' ordinary share at par to Coventry City Council during the year. This share was then sold by Coventry City Council to Warwickshire County Council.

- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2015. The company's purpose is to hold shares in Coventry North Regeneration Limited.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2015.

4. Review of effectiveness

- 4.1 Coventry City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council has developed a comprehensive framework for overseeing its governance environment. This includes:
- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.
 - On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
 - Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
- 4.3 The review of effectiveness has also been informed by:
- Reports from the external auditors and other inspection agencies.
 - An annual assessment of the adequacy of internal controls / governance arrangements by each Director.

- The work of the Internal Audit Service during 2015-16. The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
 - A review of the effectiveness of the Council's system of Internal Audit.
- 4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

- 5.1 The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. To support this, the following key challenges exist:
- a) Continued focus on securing sustainable improvement in children's services.
 - b) Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy. This is underpinned by the delivery of significant financial savings from new strategies first set out in the 2015-16 Budget Report. Successful implementation of this stage of transformation will be fundamental to enabling the Council to achieve its immediate financial targets, and establish a basis for addressing future reported budget gaps which rise to £36 million by 2018/19.
 - c) The delivery of the Kickstart programme – the Council's plan for making savings, supporting city centre regeneration including business rate growth and rationalising its' office estate. This includes the delivery of a new Customer Service Centre which opened in November 2015, a Democratic Centre within the Council House and a new purpose built office at Friargate supported by a radically transformed approach to the way the Council works and engages with its customers. The Kickstart programme is creating the enabling environment for new ways of working and culture change within the Council, leading to a more agile, digitally enabled, modern organisation which is able to deal more effectively with demand changes and service transformation. Kickstart and customer journey savings targets are contributing towards the Council's medium term financial strategy.
 - d) To raise standards through evaluation and continuation of the Primary School Improvement Strategy and in partnership with the Local Authority and secondary schools a new system-led model of secondary school improvement.
 - e) To address the actions identified following the Information Commissioner's audit and implement the Council's wider Information Management Strategy. The Information Management Strategy Group will ensure oversight of this work and the way that information is managed across the Council and ensure that all legislative requirements concerning the use of information are complied with.
- 5.2 The review of internal control has also highlighted a number of areas for improvement. In each case, work is planned to address the issues identified and, where appropriate, audit reviews are planned to assess progress made. These are:

- a) To ensure that, alongside the programme of proactive reviews undertaken in relation to council tax exemptions / discounts, procedures to underpin the award of exemptions and discounts are consistently complied with.
- b) In the light of considerations such as new professional guidance being issued, to undertake a review of a number of the key procedures that underpin the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing procedure and the Fraud and Corruption Strategy.

5.3 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 and we will monitor their implementation and operation, as part of our next annual review.