

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Audit and Corporate Governance Committee 29 September 2017
AUTHOR/S: Executive Director (Corporate Services) / Policy and Performance Manager

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE 2016/17

Purpose

1. To consider and endorse the draft Annual Governance Statement 2016/17 for approval and sign-off by the Leader of the Council and Chief Executive as part of the statement of accounts for the year ending 31st March 2017, and to adopt an updated Code of Corporate Governance for the Council.

Recommendations

2. That the Committee:
 - (a) Endorse the draft Annual Governance Statement for approval and sign-off by the Leader and Chief Executive (**Appendix A attached**);
 - (b) Note that the final version of the Statement will be updated following the receipt of the External Auditors Opinion, to be notified to the Committee under separate cover, and
 - (c) Endorse the Code of Corporate Governance for the Council (**Appendix B attached**).

Background

3. There is a statutory requirement to publish an Annual Governance Statement. The AGS provides public assurance about the effectiveness of the Council's system of internal control and the Council's corporate governance arrangements and assurance framework.
4. CIPFA, in conjunction with SOLACE, has produced an updated framework for delivering good governance in local government, based on seven core principles:
 1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 6. Managing risks and performance through robust internal control and strong public financial management.
 7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.

5. Guidance from CIPFA and SOLACE suggests each local authority should develop and maintain a Code of Corporate Governance based on the new core principles set out above. The Code stands as the overall statement of the Council's corporate governance principles and commitments. It takes each principle in turn, and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance. It will be reviewed annually through the Annual Governance Statement process, which in future years will assess the Council's compliance with the Code and identify actions to enhance the code or address any limitations within it.

Considerations

6. The functions of the Audit and Corporate Governance Committee include consideration of the AGS prior to its inclusion in the annual statement of accounts. The AGS should explain the governance framework operating during the accounting period, assess the effectiveness of those controls and identify any significant issues and associated actions.
6. The draft AGS is attached. It retains the revised format first used for the 2012-2013 AGS, mapping core principles to the Council's performance framework into a simpler, plain English document which presents a strategic overview of good governance, with links and appendices providing the more detailed evidence base.
7. Six actions were identified as potentially significant governance issues requiring attention during 2016/2017. Details of actions taken in response to each are set out in Section 6 of the draft AGS.
8. In order demonstrate the integration between performance and governance, the final version of the Statement will cross-reference the Year-End Position Report on Finance, Performance and Risk, which was received by Scrutiny and Overview Committee and Cabinet in July 2017 and which sets out key achievements against the Council's Corporate Plan 2016-2021 and associated key performance indicators.
9. The final AGS will include the External Audit opinion for 2016/17 on whether the council has followed the right accounting processes, delivered value for money and that the Council's finances were adequately presented; this opinion is awaited, and upon receipt will be notified to the Committee under separate cover.
10. Internal Audit has identified the following potentially significant governance issues likely to require attention during 2017-2018 (as set out in Section 5 of the Statement):

(1) Financial Management System

The Council is in the process of implementing a new Financial Management System (FMS), Tech 1, for implementation across three authorities. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Shared Internal Audit has been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.

(2) *Combined Authority*

Appropriate governance arrangements need to be in place to ensure that South Cambridgeshire District Council's interests are protected through the work of the Combined Authority. The Council needs to develop effective partnership relationships with the new authority.

(3) *Gifts and Hospitality*

No assurance was report into this activity following internal audit. A lack of evidence was available in relation to declarations, although steps have been adopted to address this.

Implications

12. In the writing of this report, the following implications have been considered:

Financial

13. Good corporate governance and internal controls reduce the risk to the Council of financial loss.

Legal

14. It is a statutory requirement to produce an Annual Governance Statement under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Reporting Practice 2007 (CIPFA). Operating good corporate governance and internal control systems should demonstrate high ethical standards.

Risk Management

15. Failure to produce an Annual Governance Statement would affect the approval of the statement of accounts.

Equality and Diversity

16. Preliminary screening of the statement identified no significant equality and diversity implications, therefore a full Equality Impact Assessment is not required.

Effect on Strategic Aims

17. Delivering strategic objectives in an open, accountable and transparent manner provides evidence of strong governance. Improved service performance and a well-run business are integral of the objective to be an Innovative and Dynamic Organisation set out in the Corporate Plan 2017-2022, and to the wider delivery of the whole plan.

Background Papers: the following background papers were used in the preparation of this report:

Annual Governance Statement 2015/2016

Delivering Good Governance in Local Government – CIPFA/SOLACE 2016

Annual Audit Letter

Equality Impact Assessment: Initial Screening Document

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