

# Report to Audit Committee

Agenda  
Item:

**A.8**

Meeting Date: 30 July 2020  
Portfolio: Finance, Governance and Resources  
Key Decision: Not Applicable:  
Within Policy and  
Budget Framework YES  
Public / Private Public

Title: DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20  
Report of: Corporate Director of Finance & Resources  
Report Number: RD19/20

## Purpose / Summary:

The Draft Annual Governance Statement (subject to Audit) for 2019/20 has been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, and is attached at appendix A. This will be formally approved following the completion of the audit process.

There are no areas of weakness which need to be brought to Members attention at this time.

## Recommendations:

Members are requested to note the contents of the 2019/20 Draft Annual Governance Statement, noting that this statement will accompany the annual Statement of Accounts following the audit process.

## Tracking

Audit Committee:	<b>30 July 2020</b>
Overview and Scrutiny:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND**

- 1.1 The CIPFA/SOLACE Framework document “Delivering Good Governance in Local Government” requires the Council to revise and update its Local Code of Corporate Governance, evidence the principles of Good Governance and to produce an Annual Governance Statement signed by the S151 Officer, Leader and Chief Executive.
- 1.2 The Framework also requires the Council to draw up an Action Plan in order to address weaknesses and to ensure that continuous improvement of the system of control is in place.

## **2. ANNUAL GOVERNANCE STATEMENT**

- 2.1 The Draft Annual Governance Statement for 2019/20 is attached at **Appendix A** which has been prepared in accordance with the CIPFA/SOLACE framework.
- 2.2 Work was undertaken by Council Officers to update the Good Governance Principles, demonstrating the Council's conformance with the CIPFA/SOLACE framework and the principles contained within the Council's own Code of Corporate Governance. This review is reflected in the Annual Governance Statement.
- 2.3 Various sources are in place to provide assurances over the Council's governance framework, including:
  - Annual internal audit opinion;
  - Self-assessment questionnaires completed for main financial systems and directorate assurances;
  - Attendance at Operational Risk Management group;
  - Attendance at Management Briefing;
  - Receipt of corporate communications;
  - Summary updates for key Council meetings (Inc. Full Council, Executive, JMT and SMT);
  - External Audit Review of Statement of Accounts – Unqualified Opinion
  - External Audit Review of Value for Money – Unqualified Opinion
  - External Reviews:
    - LEXCEL Accreditation
    - Assessment of compliance with disclosure and barring process performed by DBS.
    - Achievement of the Silver Better Health at Work Award
    - Annual ICT Health Check
    - Peer review by Local Government Association

2.4 The following key developments of the Council's governance framework are noted in the annual governance statement:

- Refreshing of employee and management competency standards and associated updates to induction and appraisal processes.
- Ongoing update of Directorate Scheme of Sub-Delegations to Officers
- Continued development of Information Governance and Records Management Framework;
- Incorporating an annual assessment of counter-fraud activity against best practice by Internal Audit.
- Achieving the Silver Health at Work Award and other developments within the employee assistance programme.
- Agreed action plan in relation to recommendations made as part of the Local Government Association peer review (To be implemented in 2020/21)

2.5 There are no areas of significant weakness identified in this year's Annual Governance Statement.

2.6 The Internal Audit opinion of **reasonable** assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31<sup>st</sup> March 2020 is recorded with elsewhere on the agenda (Internal Audit Annual Report).

2.7 In terms of the requirements of the updated Good Governance Framework, the Council's Local Code of Corporate Governance currently reflects good governance principles and was approved by the Audit Committee on 27 September 2017.

### **3. ACTION PLAN**

3.1 There are no new areas of risk arising from the Audit reviews or from the Risk Registers that need to be drawn to Members' attention, although the Risk Register is continually under review and is being updated to reflect the potential impact of COVID-19.

### **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

4.1 Members are requested to note the contents of the 2019/20 Annual Governance Statement.

### **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

5.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

**Contact Officer: Alison Taylor**

**Ext: 7290**

**Appendices Appendix A – Draft Annual Governance Statement 2019/20  
attached to report:**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- **None**

**CORPORATE IMPLICATIONS/RISKS:**

**Legal** - The Audit Committee's terms of reference require it to oversee and approve (later in the year) the authority's Annual Governance Statement.

**Finance** – included in the main body of the report

**Equality** – included in body of report, 'Equality Objectives

**Information Governance** – There are no Information Governance implications for this report

**Property Services** - There are no property related implications for this report



**Scope of Responsibility**

Carlisle City Council ('the Council') is responsible for ensuring that its business is conducted both in accordance with the law and proper, appropriate standards. In addition, the Council must seek to ensure that public money is safeguarded, 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 and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA/Solace Framework '*Delivering Good Governance in Local Government*'. A copy of the Code can be obtained from the Council's Corporate Director of Finance & Resources. The Council has also recognised the requirements of the 2010 CIPFA application note '*Statement on the Role of the Chief Financial Officer in Local Government (2015)*' and the CIPFA Statement on the '*Role of the Head of Internal Audit (2010)*'.

This statement explains how the Council has complied with the Code and application note and also meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

**The Purpose of the Governance Framework**

The governance framework comprises the systems, 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 the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only 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, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts for 2019/20. It should be noted that from the end of March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged.

## **The Governance Framework**

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

### **The Council's vision of its purpose and intended outcomes**

The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a guiding document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015. The plan time period has now expired, and it will be refreshed in 2020/21 based on the agreed priorities of the new Executive (there was a change of administration following the reorganisation of the Council in May 2019). Due to the aforementioned change, during 2019/20 the Council continued to progress and report on the priorities listed in the 2015/18 plan.\_

### **The Council's vision – implications for governance arrangements**

The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of it. The plan is accompanied by a 'Plan on a Page', this sets out the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

### **Measuring the quality of service for users**

The Council's Performance Management framework, including Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels such as Carlisle Focus, Customer Contact Centre, online surveys and social media. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impact of key decisions are recorded in each of the Executive papers ensuring that appropriate assessments form part of all the Council's key and non-key decisions.

The work of the Transformation SMT sub-group has continued to develop service delivery following the launch of a new 'carlisle.gov' website. The focus is on the development of digitising Council Services, with an emphasis on using SharePoint websites and developing Information Governance. Performance in services provided to customers is monitored through management information indicators, highlighting short and medium term trends which are reported to the corporate Senior Management Team<sup>1</sup>. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive<sup>2</sup> and relevant Overview & Scrutiny Panels with progress made in 2019/20 detailed below:

During 2019/20 the Council was subject to a peer review from the Local Government Association. An action plan to address further improvements to the governance and decision-making process has been agreed and will be initiated in 2020/21.

---

<sup>1</sup> The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

<sup>2</sup> See Report to Executive for full details, 4<sup>th</sup> Quarter Performance Report 2019/20

## **PRIORITY – Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle**

The City Centre redevelopment projects have been a focus, promoting the development opportunities and regeneration opportunities within the city centre (including Carlisle Station, Caldew Riverside, The Citadel, English Street and The Pools), with a draft business case prepared for the Future High Street Fund and shared with MHCLG. Ongoing development of the outline business cases has continued in the year to support the Borderlands Inclusive Growth Deal.

Support has continued for the delivery of a Carlisle Enterprise Zone at Kingmoor Park. So far this has delivered of approximately 200,000sqm of new employment related floor space, across 73ha creating an additional 3,000 jobs and representing private sector investment of £109m. The Enterprise Zone is effective from 1st April 2016 with the retention of business rates for a period of 25 years.

The Carlisle Lake District Airport commenced commercial passenger flights on 4 July 2019. We will continue to work with Carlisle Airport to support any future development plans.

The £345 million Borderlands Inclusive Growth Deal was awarded in March 2019. The Heads of Terms agreement were signed in June 2019 prior to the summer recess of the Scottish Government, it can typically take twelve months to agree and sign a deal based on the experience of other areas. The deal would then progress to the implementation and delivery phase, timescales for which would be dependent on individual projects or programmes. The key projects for Carlisle are Carlisle Railway Station, Citadels and Caldew Riverside.

The Infrastructure Delivery Plan remains aligned to the Carlisle District Local Plan 2015-30 and is critical to development of a masterplan and delivery strategy for St. Cuthbert's Garden Village. Progress includes ongoing engagement with infrastructure providers, continued research into funding streams and ongoing viability work.

The Local Industrial Strategy (LIS) was adopted by the LEP in 2019, we have continued engagement with the LEP and subgroups to ensure support to the LIS and emerging projects.

The Council continues to support the delivery of the city region Skills Plan aligned to business growth, sustainability requirements and the LEP Skills Strategy. The emerging Economic Strategy will contribute significantly towards the achievement of this objective through the exploration of the requirements of businesses and therefore linking requirements with targeted support, including through the Growth Hub.

The St Cuthbert's Garden Village Masterplan covering housing, design, employment land, community facilities, transport and infrastructure has been incorporated into a Development Plan Document (DPD), with an ongoing review of viability options and engagement with infrastructure providers.

## **PRIORITY - Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents**

The Council has completed an assessment of updated costs for the proposed Sands Centre Redevelopment and a decision was made by Council in June 2019 to progress the delivery of new leisure facilities at the Sands Centre. The Council's capital programme reflects the £25.5million scheme and funding with completion of the scheme anticipated in mid-2021. Progress continues to be made enabling work on-site and at the former Newman School site. Due to the Coronavirus epidemic some challenges have been encountered with regard to



supply of materials and labour. In addition, the Sands Centre events hall was requisitioned as a Covid-19 Recovery Centre and was for a period converted into a temporary hospital facility.

The Council continues to work with key partners to deliver the World Health Organisation Phase VI Healthy City Action Plan. Phase VII details were released in 2019 for review. Work on mapping the links to the Cumbria Health and Wellbeing Strategy, Cumbria Public Health Strategy and the 6Ps will assist in action plan development. The Carlisle Partnership has completed further development of the Place Standard, with a funding submission to the National Lottery being successful.

The Carlisle Partnership continues to support and develop the Food City Partnership which includes: Local Healthy Eating Options; Carlisle Food Charter; food sector supply chain development; food skills; education and tourism. A mapping document has been developed to capture activity and identify need. The City Council was successful in its application to Sustainable Food Cities for both the campaigns grant and the coordinator grant, the award has been extended due to the current Covid-19 crisis.

Work has been undertaken with partners to promote workplace health across the partnership. The Council has led by example by achieving the Better Health at Work Silver Award (December 2019), we are now working towards a Gold Award.

### **PRIORITY – continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working and visiting in Carlisle**

Kerbside recycling collections were extended to additional properties across Carlisle and at the same time the range of recyclable material collected from households was extended. Website pages and new literature have been developed to promote recycling and address some public misconceptions. Technical Officers have carried out resident surveys and supported events in supermarkets. This work was reviewed in year and considered as business as usual. It will be delivered through service planning with progress being monitored through existing KPIs.

Air Quality Assessment has been approved and monitoring results continue to show downward trends. We participated in the Clean Air Day on the 20th June and an Air Quality Report was presented to the Health and Wellbeing Scrutiny Panel on the 11th July. This work was reviewed in year and considered as business as usual, to include KPIs and dedicated report for Scrutiny.

### **PRIORITY – Address current and future housing needs to protect and improve residents' quality of life**

A Draft Strategic Housing Market Assessment has now been received and is being finalised. This evidence base will feed into the Emerging Housing Strategy.

Work with partners to monitor progress against Carlisle's Inter-agency Homelessness Strategy 2015-20 continues. The current strategy ends in 2020 and as such a thorough review has been undertaken in 2019/20 in line with statutory guidelines to shape the next 5 years' priorities in line with local needs and government priorities. National and Countywide external funding streams and commissioned services are in place to positively address homelessness issues.

The drive to improve standards in the private rented sector (including student accommodation) through inspections, advice and, where necessary, enforcement continues.

The Council continues to develop and promote the Council's Empty Homes Service by delivering advice and information to empty homes owners.

The annual mandatory Disabled Facilities Grant Programme in respect of applications received has been completed. The revised Regulatory Reform Order Strategy is in place to improve expenditure compatible with the discretionary grant.

The Council has developed local solutions to ensure opportunities to maximise the delivery of affordable homes which respond to locally evidenced needs. We work proactively towards maximising the affordable housing delivery, through working in partnership with local Housing Associations, developers, HCA, and strategic partnership groups – such as the Cumbria Housing Supply Group and Cumbria LEP.

### **PRIORITY – Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential**

A rolling events programme is in place to raise the profile of the city, with new events in 2019/20. A new star gazing event was held at Talkin Tarn, organised in partnership with the North Pennines AONB. A successful 'City of Lights' four-day event was delivered with partners. The centre-piece of the City of Lights event was a stunning visual spectacle in Carlisle Cathedral, visitors could see numerous buildings and local landmarks in the Court Square and Citadels area of the city illuminated with coloured lights and projections.

Work continues with Carlisle Ambassadors to raise the profile of Carlisle through business engagement. Over 190 businesses are now members and Carlisle Young Ambassadors has been established with growing interest. Carlisle Ambassadors had a presence at Lakes Hospitality Trade Show in February and Shout Network Greater Manchester Business Expo.

### **Roles and Responsibilities**

The City Council comprises 39 elected Members (following a boundary review in May 2019) during 2019/20 and holds elections by thirds in three years out of every four. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates his/her Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2019/20 the Executive comprises the Leader and five Executive Members, one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available to all on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: Health & Wellbeing, Economy Growth and Business & Transformation. These Panels undertake the statutory scrutiny role set out in the Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, transparent manner and, from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2019/20, comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

## **Codes of Conduct and Standards**

The Council has formally adopted a Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (appointment of 2 Independent Persons, ratified by Council). A Parish Member would be invited to attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is again provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

The Council has its own Code of Officer Conduct (built under the same Nolan principles). The Code was formally approved by Members in September 2010 and forms part of the Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours – these were reviewed and updated in

2019/20. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers.

## **Standing Orders/Financial Procedure Rules**

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegations to Officers continued to be developed which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines of defence assurances model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

A Risk Management SMT Subgroup supplements the CRMG and part of its remit is to monitor each operational risk register in place within the Council; to raise and discuss any emerging risks, audit risks and H&S risks, with regular updates being provided on the Council's Insurance provision, one of the mitigating control strategies we have in place to manage risk.

Over the last four years the Council has offered Risk Management/Liability workshops and training days to Members, Senior Management and key officers. Risk management training has been provided alongside training sessions on specific issues such as managing events safely and carrying out risk assessments. Following the flood in December 2015 work has continued to develop a programme to utilise the risk management training days with our insurers with the Council's usual Corporate Risk Management Policies & Processes training session being delivered to Members and Officers through the annual Ethical Governance training programme.

The Council has introduced an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance Manager monitors

compliance, amongst other duties, with the new requirements of GDPR and undertakes random information governance spot checks which then inform feedback and learning. In addition, the Council's Internal Audit function continues to review records management as part of all individual audits.

## **Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained**

In accordance with the "*Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption has been undertaken during the year and an e-learning module on Money Laundering is also available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. As from 2019/20 Internal Audit deliver an annual review of counter-fraud arrangements to identify improvements against best practice. In 2019/20 work was undertaken to improve fraud awareness through the inclusion of fraud and whistle-blowing as part of the Council's induction hand-book.

## **Ensuring effective management of change and transformation**

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. Its current transformation programme has identified that a further £1.850 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position will continue to be closely monitored during 2020/21 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. The Deputy Chief Executive and the Corporate Director Finance & Resources, supported by SMT, provides accountability for the delivery of the savings strategy thus ensuring that the transformation of Council services is controlled and managed effectively; with appropriate Corporate Directors being responsible for delivering individual schemes within the overall programme.

## **Financial Management Arrangements**

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the '*Role of the Chief Financial Officer in Local Government*' and during 2019/20 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.

The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the

arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. The MTFP for 2021/22 to 2025/26 will be presented to Executive, Business & Transformation Scrutiny Panel (BTSP) and Council between July and September 2020. All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.

Value for Money benchmarking exercises are undertaken across service areas when required. The cost and performance of services are compared with other authorities both locally (Cumbria wide) and nationally. These profiles and benchmarks are used to inform Senior Managers and Members of service areas, which should be targeted for further challenge and improvement review.

Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and BTSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts has been produced in accordance with the statutory deadlines (revised by the Government as a result of the Covid-19 pandemic) and year-end actual results are reported against budgets. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit Committee and are considered by Executive, BTSP and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Legal Services Manager acting as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

## **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained'. The Council's Constitution clearly sets out his role and responsibilities in respect of management structures and the discharge of functions by the Council. He will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

He is currently supported in his role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Business and Transformation Scrutiny Panel and currently has direct line management responsibilities for Customer Services, Revenues & Benefits and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation. SMT receive regular feedback on the work of each sub-group.

## **Audit Committee**

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's *"Audit Committees – Practical Guidance for Local Authorities (2013)"*. This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members. The Council was due to complete an effectiveness review of the Audit Committee in March 2019, but this exercise has been postponed due to the Covid-19 pandemic

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the *'Role of the Head of Internal Audit'* and during 2019/20 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit is the Council's Financial Services Manager, who manages an in-house Internal Audit team comprising a Principal Auditor and two Auditors. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (hot assurance) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations. A **reasonable assurance** has been provided on the adequacy and effectiveness in respect of 2019/20, though the opinion notes a high level of recommendations relating to ICT that requires scrutiny during 2020/21.

The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented during the year. The team continue to perform annual self-assessments against the requirement of the Standards, with improvements for the coming year identified and actioned.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Principal Auditor attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Principal Auditor also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and was assessed as fit for purpose for 2019/20. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 6 years' experience in Local Government Internal Auditing. The Principal Auditor is PIIA qualified and has 10 years' experience in local government internal auditing.

## **Ensuring Compliance with Relevant Laws**

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any particular matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes,



the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

## **Complaints and Whistle blowing**

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

The Council has a Confidential Reporting Policy that is available to all members of staff.

## **Identifying the development needs of Members and senior officers**

The Council has a formal appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined in 2019/20. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the Business and Transformation Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been prepared and approved and Service Plans include workforce planning and needs.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Silver Better Health at Work Award in 2019/20 (having previously held the Bronze award). There is an employee well-being programme in place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses.

## **Clear channels of communication**

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publicly available unless

justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, staff and the Trade Unions. Further stakeholder engagement with the public is achieved through media such as the Carlisle Focus magazine and other online surveys, alongside continued growth in social media capacity, notably including a virtual consultation exercise for the St Cuthbert's Garden Village project. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.

### **Enhancing the accountability for service delivery and effectiveness of other public service providers**

Whilst the Council continues to deliver most of its key services directly there are a number of areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the partner's expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

### **Good governance in respect of Partnerships**

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is reviewed quarterly by the Risk Management Group and reported to Business and Transformation Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the proposed annual summary reporting on partnership working arrangements. This reporting is co-ordinated by Financial Services and is considered by SMT and the Business and Transformation Scrutiny Panel.

## **Review of Effectiveness**

The 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 managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates. A peer review was carried out of the Council in late 2019/20 by the Local Government Association. An action plan to address the 2019/20 peer review will inform updates and improvements to the framework during 2020/21.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and up-dated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee. A full review of the Constitution is in train following the recent Peer Review.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self-assessment questionnaires of individual directorates, alongside the results of audit activity. The Council has also received external assurances in 2019/20 regarding the suitability of its disclosure and barring processes.

The Council also receives assurances for its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature, and are therefore not reported as part of this statement.

### **Signed on behalf of Carlisle City Council**

---

John Mallinson  
Leader of Council

---

Jason Gooding  
Chief Executive

---

Alison Taylor  
Corporate Director of Finance & Resources

Date: 17 July 2020

## Carlisle City Council Governance Framework

