



Annual Governance Statement Governance 2016 to 2017

Hull City Council

Version 2.1
September 2017
Proposed review: July 2018

1. Scope of Responsibility

Hull City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has adopted a Code of Corporate Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government (2016 Edition)*. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

The Council has completed the annual review of the Code for 2016/17. A copy of the Code is on our website at www.hull.gov.uk.

2. The Purpose of the Governance Framework

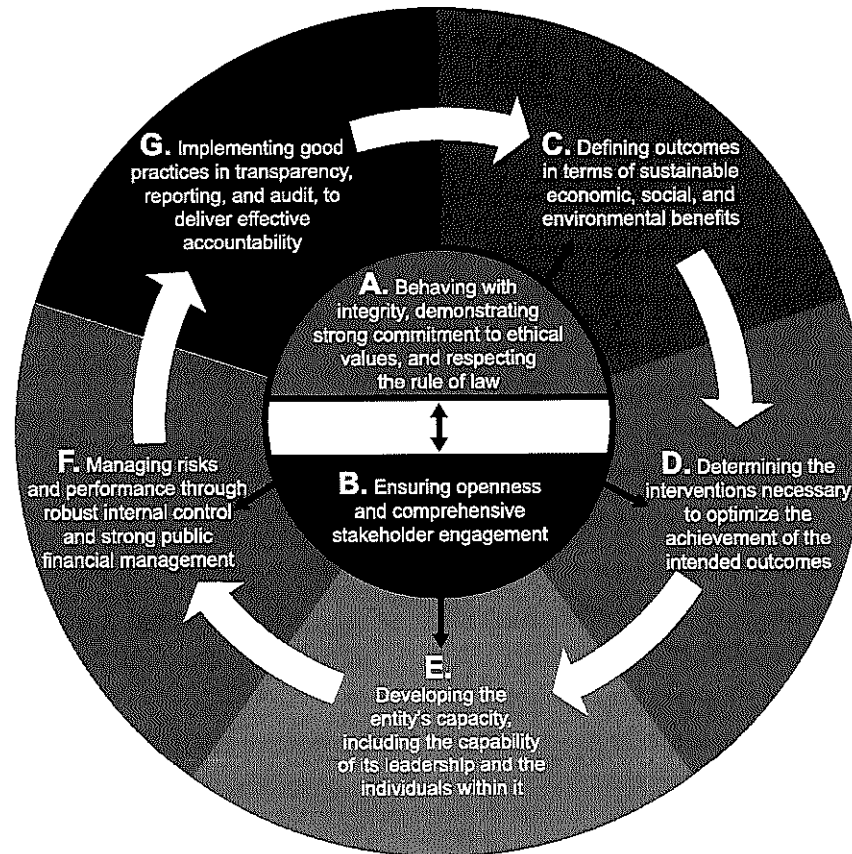
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place within Hull City Council for the year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

3. The Governance Framework

The Council's governance framework is consistent with the seven core principles of the CIPFA/SOLACE framework.



For each governance principle we have identified the sources of assurance and the governance mechanisms in place.

Assurance Cycle

Understand

What are we seeking to receive assurances on?

- Delivery against the City Plan and Service Plans whilst observing the governance framework
- Delivery of sustainable economic, social & environmental benefits
- Design and effectiveness of internal controls, risk management and counter fraud arrangements
- Strong commitment to ethical values
- Compliance with laws, regulation, the Council's constitution, internal strategies, policies and procedures
- Key governance tools are fit for purpose, for e.g. budget monitoring, performance and risk management
- Direction of travel of any previously identified governance issues
- Budget results, performance results and Value for Money

Plan

What sources of assurance do we require?

- Management assurances in respect of compliance with laws and regulations, corporate strategies, policies, plans and arrangements e.g. Constitution, Financial Monitoring and Reporting, Performance Monitoring and Reporting, Risk Management
- Statutory Officers
- Key partner assurances in respect of their governance arrangements
- Internal Audit Plan, Reports and Opinion
- Non-Executive Committees e.g. Audit Committee, Overview and Scrutiny Commissions
- External Bodies and Inspectorates e.g. External Audit, Ofsted, Care Quality Commission, Ombudsman etc.
- Schools

Do

How we will arrange ourselves to receive adequate assurances.

- Corporate Strategy Team
- City Managers
- Council
- Cabinet
- Overview and Scrutiny Committees
- Audit Committee
- Decision-making bodies
- Partnership/Delivery Boards
- Project Boards

Review

How we know that we are effective.

- Review sources of assurance identified at the Planning Phase
- Ensure sources of assurance have delivered against their plans at the necessary quality
- Review Code of Corporate Governance for compliance with best practice
- Review interim and annual internal reports that provide further insight such as: financial monitoring, performance monitoring, risk management, internal audit, Overview and Scrutiny Committee, Audit Committee, Review Panel and Standards Committee reports.
- Review interim and annual external reports/letters from External Auditor, Ofsted, CQC and other inspection regimes
- Highlight areas of weakness

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Sub principles	Demonstrated by	
Behaving with integrity	<p>The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect. Appropriate policies and processes are in place to embed the principles.</p> <ul style="list-style-type: none"> • Constitution • Councillors' Code of Conduct • Code of Conduct for Employees • Protocol for Councillor and Officer relationships • Corporate Equality Policy • Register of Interests • Gifts and Hospitality Policy • Role of the Monitoring Officer and Independent Person in reviewing Member behaviour. 	<p><u>Examples of good governance:-</u></p> <p>All relevant codes and policies are periodically reviewed and there are established processes in place to respond to breaches. These include effective disciplinary, grievance, anti-fraud, complaints and whistleblowing procedures.</p>
Demonstrating strong commitment to ethical values	<p>The following corporate values are in place for both the council and its staff, and they are embedded in codes of conduct for members and staff:</p> <ul style="list-style-type: none"> • <i>Open and honest communication.</i> • <i>Putting people and communities at the heart of everything we do.</i> • <i>Ensuring people are treated equally and difference is valued.</i> • <i>Valuing and investing in people as the Council's key resource.</i> • <i>Encouraging local democracy and public accountability.</i> • <i>Being responsive to changing aspirations, priorities and opportunities.</i> • <i>Striving for excellence.</i> • <i>Concentrating on outcomes.</i> • <i>Contributing to and taking an interest in all new initiatives within the city.</i> 	<p>The Council has achieved and maintained the Investors in People accreditation, which includes testing values and ethics in the organisation.</p> <p>There is a well established pre-decision scrutiny process including input of Legal and Finance officers, to ensure the Council's Key Decisions are consulted upon and made in accordance with the decision making principles within the Constitution and the rule of law.</p>
Respecting the rule of law	<p>The Council has an agreed Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are within the law, efficient, transparent and accountable to local people.</p>	

Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub principles	Demonstrated by	
Openness	<p>A culture of transparency, openness and honesty.</p> <ul style="list-style-type: none"> • Freedom of Information Act publication scheme • Compliance with the Local Government Transparency Code • Report Writer's Guide 	<p><u>Examples of good governance:-</u></p> <p>The Council has a dedicated Information Governance Group which, amongst other things actively monitors performance on Freedom of Information requests.</p>
Engaging comprehensively with institutional stakeholders	<p>The Council works closely with its key public sector partners, the voluntary sector and suppliers, including:-</p> <ul style="list-style-type: none"> • City Leadership Board and Hull Place Board • Humber Local Enterprise Partnership • Health and Wellbeing Board • NHS Hull Clinical Commissioning Group • Hospitals • Safeguarding Board • Companies that form part of the Hull City Council Group - Kingstown Works Ltd (KWL) and Hull Culture and Leisure Ltd (HCAL) • University of Hull • Hull and Humber Chamber of Commerce • Humber Bridge Board • Significant partnerships with Hull UK City of Culture 2017, NPS Humber Ltd and Civica UK Ltd • Recognised Trade unions via the Industrial Relations Framework 	<p>The Council reviews its stakeholder and citizen engagement frameworks, for example, it has recognised a need to ensure there is adequate engagement with new industries and the wider health community.</p> <p>The Council has an Industrial relations framework for consultation, information and negotiation with trade unions.</p>

Sub principles	Demonstrated by	Examples of good governance <i>(Continued):-</i>
<p>Engaging with individual citizens and service users effectively</p>	<p>The Council ensures that clear channels of communication are in place with all sections of the community and other stakeholders, for example:-</p> <ul style="list-style-type: none"> • People’s Panel • Enterprise Panel • Customer Feedback Policy • Petitions scheme • Tenant participation • Ward Forums and Area Committees • Council’s website • Young People’s Parliament and Youth Council • Voluntary and Community Sector. 	<p>The Council publishes its decisions and supporting information through its CMIS website as soon as they are made and has an established scrutiny challenge process to ensure that the information presented is open and transparent.</p>

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub principles	Demonstrated by	
<p>Defining outcomes</p>	<p>Focusing on the purpose of the Council and on outcomes for the community.</p> <ul style="list-style-type: none"> • Hull City Plan • Hull Place Strategy • Customer insight analysis • Equality analysis and impact assessments • Service plans • Performance framework 	<p><u>Examples of good governance:-</u></p> <p>There are processes in place for these plans to be updated and priorities reviewed on a regular basis.</p> <p>All recent evidence demonstrates the City is achieving a sustainable economy. The focus is now on inclusive growth to ensure that all sections of society receive the benefits.</p>
<p>Sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • City Plan update (scheduled summer 2017) • Service objectives • Medium Term Financial Strategy • Environmental policy statement • Environment management system • Policy development guidance notes • Capital programme • Commissioning and Procurement Policy • Draft Local Plan (expected adoption 2017/18) • Living Wage/anti poverty agenda. • Social wellbeing via public health, re quality jobs, clean air et. • Focus on inclusive growth. • Environmental team undertakes statutory environmental health checks. • Commitment to sustainable procurement and fair trade. 	<p><u>Action Point:-</u></p> <p>Whilst the Hull City Plan provides overall strategic direction, a Corporate Plan is required to define more clearly the Council's own contribution to the City Plan and link this to its service plans and performance framework. Expected to be in place Autumn 2017.</p>

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principles	Demonstrated by	
<p>Determining and planning interventions</p>	<p>Published reports which communicate the Council's activities, achievements, financial position and performance. Regular monitoring of service and financial performance during the year which determines when action is required. Interventions required are identified through these reports, as well as external sources such as scanning for new legislation and successful initiatives by our peer authorities, partners and other organisations:-</p> <ul style="list-style-type: none"> • Service and budget monitoring Reports • Financial Statements • Annual Governance Statement • Annual Audit Report • Quarterly service reviews of key risks • Quarterly Internal Audit reports • Service performance reports and programme management reports for major change programmes <p>Reports from external inspectorates</p>	<p><u>Examples of good governance:-</u></p> <p>All of the expected reports are produced, analysed and acted upon.</p> <p>Iterative changes implemented to improve financial monitoring procedures following unexpected variations in service outturn expenditure in 2015/16.</p> <p>External inspections are usually positive, so provide assurance about service delivery and governance:-</p> <ul style="list-style-type: none"> • Unqualified ('clean') external audit opinion on the Council's accounts and arrangements for achieving value for money. • Local Government Ombudsman reports in line with or better than peer authorities. • 7 out of 8 Care Quality Commission inspections in 2016/17 had Good ratings • 4 out of 6 Children's homes have good or outstanding Ofsted ratings.
<p>Optimising achievement of intended outcomes</p>	<p>Community outcomes as defined in the City Plan, underpinned by the direction and shaping of council services and projects to promote and achieve those outcomes:-</p> <ul style="list-style-type: none"> • Harness all Hull's assets to become the leading UK Energy City • Make Hull a world class visitor destination • Help residents make their money go further • Prevention and early intervention • Safeguarding the most vulnerable residents <p>Effective Scrutiny arrangements</p>	<ul style="list-style-type: none"> • Clear action plans are in place and tracked at the minority of sites that did not meet these standards.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub principles	Demonstrated by	
<p>Developing the entity's capacity</p>	<p>Clear vision, strategy and direction, underpinned by capable leadership and management.</p> <ul style="list-style-type: none"> • Partnerships • Transformation Programme • Service Planning • Workforce Strategy • Industrial Relations Policy and framework 	<p><u>Examples of good governance:-</u></p> <p>A permanent Transformation Team was established at the end of 2016/17 to assist services with major change and financial savings projects.</p>
<p>Developing the capability of the entity's leadership and other individuals</p>	<p>Recruitment and retention of high performing staff and providers</p> <ul style="list-style-type: none"> • Member induction and development Programme • Cross party Committee to review and monitor Member training requirements • Competency Framework • Recruitment and selection policy • Employee development policy including appraisals and regular 1:1 meetings with line management • Prioritisation of corporate training budget • Availability of e-learning products aimed at building capacity and capability • Workforce metrics supplied to managers via Chameleon desktop portal • Investors in People accreditation 	<p>There is a clear industrial relations mechanism in place.</p> <p>Member induction has been reviewed and also validated by internal audit.</p> <p>IIP accreditation reflects and endorses the approach to learning and development.</p> <p>Learning plans aligned to the new Apprenticeship Levy, ensuring commitment to apprenticeships.</p>

Principle F - Managing risks and performance through robust internal control and strong public financial management

Sub principles	Demonstrated by	
Managing risk	Service risk management processes and periodic review of council strategic risks. Also specific framework to consider Health & Safety risks. <ul style="list-style-type: none"> • Risk Management Strategy • Risks are specified in all executive reports and decision records • Health and Safety policy framework and Management Board 	<u>Examples of good governance:-</u> There is a Senior Information Governance Officer or sufficient standing in the authority, who chairs an Information Governance Group that monitors and develops high standards on managing data.
Managing performance	Performance outturns are regularly monitored and reported to stakeholders.	
Robust internal control	Preventative controls in place include segregation of duties, approval/authorisation processes, security of assets, reconciliations and audits. <ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Finance, Legal and HR comments in executive reports and decision records • Internal Audit reports 	The Council has progressively brought forward its annual accounts process in recent years, in readiness for new statutory requirements to close down the accounts earlier from 2017/18.
Managing data	Robust Information Governance standards and training to all staff. <ul style="list-style-type: none"> • Compliance with Data Protection Act provisions • Records Management Policy • Public Sector Network (PSN) accreditation and Humber Information Sharing Charter to facilitate safe and lawful access to business critical data held by other public sector organisations. • Monthly review of information security incidents/near misses. 	<u>Action Point:-</u> Internal audit work has raised concerns about some specific gaps in the internal control framework, which have led to an overall marginal opinion in the 2016/17 Annual Report. Action plans are in place to address the weaknesses and further delivery will be tracked and reported to the Audit Committee during 2017/18.
Strong public financial management	Monthly budget monitoring reports, audited annual statement of accounts, accountable budget owners. Anti Fraud and Corruption policy framework, 'whistleblowing' policy and procedures. Compliance with CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit.	

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub principles	Demonstrated by	
Implementing good practice in transparency	<p>Compliance with the Local Government Transparency Code</p> <p>Robust monitoring of performance in relation to Freedom of Information (Fol) and Subject Access Requests (SARs)</p>	<p><u>Examples of good governance:-</u></p> <p>Performance in relation to Fol and SARs is robustly monitored by the Information Governance Group.</p>
Implementing good practices in reporting	<p>Comprehensive consultation process for published reports ensuring Members and senior management own the results reported.</p> <ul style="list-style-type: none"> • Report Writer's Guide 	<p>There is an established process for audit action plans to be tracked using a database in which services record and evidence the progress with agreed actions and auditors then validate it.</p>
Assurance and effective accountability	<p>Ensuring that recommendations for corrective actions made by external audit and internal audit are acted upon.</p> <ul style="list-style-type: none"> • Internal Audit update reports including reporting of progress with the implementation of previously agreed action plans. • Annual Audit Letter 	<p><u>Action Point:</u></p> <p>Where the Council publishes information, that information is open and transparent, however, there remain some areas where information is not yet available through the Council's website. The Council is seeking to ensure that this is addressed within the next six months.</p>

4. 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 Council has adopted the following methodology to formally review the governance framework for the purposes of this Statement and reported its findings in a separate report to the Audit Committee (Corporate Governance Review 2016/17).

Management Assurance

- A review of the adequacy of the Council's Code of Corporate Governance which entails;
 - an exercise which identifies the latest CIPFA/SOLACE guidance and compares this to the Council's Code, identifying any difference.
 - an exercise to review the weight of evidence of compliance with the Council's Code e.g. the existence of various key policies/procedures and evidence of compliance with these.
- A review of Risk Management reporting
- A review of the Assistant City Treasurer (Audit & Fraud)'s Annual Internal Audit Report
- A review of Internal Audit report findings and recommendations
- A review of the fraud and special investigations completed during the year by Audit & Fraud
- A workshop of City Managers and Directors to discuss compliance and related issues in relation to key corporate policies.
- An examination of key minutes.

Performance Management

- A review of performance management reporting and outcomes
- A review of financial management reporting and outturn

External Review Assurance

- An examination of the various reports received during the year from the external auditor
- An examination of external inspection reports, including those carried out by Ofsted and the Care Quality Commission
- A review of complaints to the Local Government Ombudsman

Other Sources

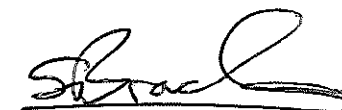
- An examination of the work of the Audit Committee
- An examination of the Audit Committee minutes and reports including the monitoring of the implementation of any action plan to address improvements to governance arrangements that may have been identified during the previous year's review of corporate governance.
- An examination of the Overview and Scrutiny Committees minutes and Review Panel reports
- An examination of Council, Cabinet, Standards Committee minutes
- An examination of Schools Financial Value Standard (SFVS) returns.

5. Conclusion of Review of Effectiveness

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that (with the exceptions noted in section 6), the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.



Matt Jukes
Chief Executive (Head of Paid Service)



Cllr Steve Brady
Leader of the Council

6. Significant Governance Issues and Action Plan

The Review has identified three significant issues where action is being taken to improve governance during 2017/18:-

1. Whilst the Hull City Plan provides overall strategic direction, a Corporate Plan is required to define more clearly the Council's own contribution to the City Plan and link this to its service plans and performance framework.

Expected delivery: Autumn 2017

2. Internal audit work has raised concerns about some specific gaps in the internal control framework, which have led to an overall marginal opinion in the 2016/17 Annual Report. Action plans are in place to address the weaknesses and further delivery will be tracked and reported to the Audit Committee during 2017/18.

Expected outcome: Adequate Overall opinion in 2017/18

3. Where the Council publishes information, that information is open and transparent, however, there remain some areas where information is not yet available through the Council's website. The Council is seeking to ensure that this is addressed within the next six months.

Expected delivery: March 2018

APPENDIX A

ASSURANCE FRAMEWORK

Corporate Arrangements		
Constitution		
Policies		
Procedures		
Strategies & Plans		
Financial Monitoring & Reporting	Performance Monitoring & Reporting	Risk Management

Senior Managers & Partners		
Corporate Strategy Team		Directors
City Managers' Group		City Managers
Hull 2020 Partners	Wholly owned companies and other strategic partners	Schools

Audit & Governance	
Opinion on governance, risk management & controls	Monitoring Officer

Non-Executive Committees	
Audit Committee	Overview & Scrutiny

External Bodies				
External Auditors	Inspectorates	Ombudsman	Professional bodies	Other external bodies