

GOOD GOVERNANCE IN LOCAL GOVERNMENT

Report of the Leadership Group

Recommendation: that the draft Governance Statement be approved;

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The Council is required, annually, to prepare and publish a Governance Statement in accordance with CIPFA/SOLACE guidance and comply the Accounts and Audit (England) Regulations 2015, as amended, reviewing its system of internal controls in line with best practice. The Council is required to publish the statement alongside the Annual Statement of Accounts.

This will be the tenth year for which the Council is required to produce a Governance Statement. Revised guidance issued during 2016 (based on the International Framework: *Good Governance in the Public Sector (CIPFA/IFAC, 2014)*) interpreted for a local government context incorporates revised core principles and sub-principles of good governance which form the basis of the accompanying, detailed schedule adapted from the International Framework.

It is a matter ultimately for individual Councils how to set out its commitment to the principles of good governance included in its Governance Framework and structures and to demonstrate how it operates effectively in practice. In line with advice from the External Auditor the Annual Governance Statement should be considered and signed-off by this Committee in parallel with the Council's Statement of Accounts.

As before and in recommending the adoption of the attached Annual Governance Statement the Leadership Group, Chief Officers and Heads of Service confirm that the organisational, financial, compliance and operational key controls referred to therein and the accompanying schedule continue to be appropriate and that statements of internal control which support the content of this Statement have operated, effectively, during the year in question.

This Report and the accompanying Statement have no specific equality, sustainability, public health or legal implications that are not already covered by or subsumed within the detailed policies or actions referred to therein.

**[Electoral Divisions: All]**

Local Government Act 1972: List of Background Papers

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| <u>Background Paper</u> | <u>Date</u> | <u>File Reference</u> |
|-------------------------|-------------|-----------------------|
| Nil                     |             |                       |

## **DEVON COUNTY COUNCIL Annual Governance Statement 2016/17**

### **Purpose of Annual Governance Statement**

To achieve good governance, a Council must not only take account of the legislative and constitutional arrangements that underpin them but should use all means at its disposal to explain to the community, service users, tax payers and other stakeholders how its governance arrangements work and how the controls it has in place manage risks of failure in delivering its outcomes.

An Annual Governance Statement should therefore provide a meaningful communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style, in line with CIPFA guidance.

The County Council's Annual Governance Statement:

- acknowledges responsibility for ensuring there is a sound system of governance incorporating systems of internal control;
- recognises and assesses the effectiveness of key elements of the governance framework, including joint arrangements where appropriate and the roles of the Council, its Cabinet, Audit and other Committees as appropriate;
- provides an opinion on the level of assurances that the Council's governance arrangements can provide;
- recognises and reflects upon any appropriate action(s) identified or required in earlier Statements, and
- commits to monitoring any action(s) require as part of this Statement.

### **Scope of Responsibility**

Devon County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The County 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 County Council is responsible for putting in place proper arrangements for the governance of its affairs so as to facilitate the effective exercise of its functions and manage risk.

The County Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A copy of these codes can be obtained from the County Treasurer. This Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

### **Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the 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 framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks not being realised - and the impact should they be realised - and to manage them efficiently, effectively and economically.

Satisfactory controls to support statements made in this Annual Governance Statement are essential and in endorsing it the Council's officers confirm that input to systems and processing of transactions is complete for the financial year ended 31 March 2017 and that there were no material or significant delays or backlogs of either input or processes that would result in financial or other records being incomplete.

The Council's financial management arrangements also conform with the CIPFA/SOLACE guidance on the role of the Chief Financial Officer in Local Government (2010), enabling the County Treasurer to operate in line with the 5 principles set out in the 'Application Note Delivering Good Governance in Local Government: A Framework' to operate effectively and perform her core duties demonstrating commitment to good practice in governance and financial management.

### **The Governance Framework – The Council's Constitution**

The Constitution is fundamental to the working of the County Council and transcends the core principles and sub principles of corporate governance in the CIPFA/SOLACE Framework which form the basis of the attached schedule. Many of the structures and processes referred to here are readily available either through the Constitution or in the Council's website.

The Constitution is the Council's Code of Corporate Governance. Framed in accordance with statute and Government guidance, it has evolved in the light of experience and subsequent legislation. It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is the guarantor of the continuing openness, accountability and integrity of the Council's decision-making processes and sets a series of exacting standards against which the Council's actions can be judged and, if necessary, challenged.

The Constitution is at the heart of the Council's business:

- it allocates power and responsibility within the Council and between it and partner organisations;
- it delegates authority for specific issues to act to the Leader, Committees, Cabinet Members and officers;
- it enables the people of Devon to access information and ask questions or make representations or submit petitions at certain meetings;
- it sets down the procedures by which the people of Devon may give their views on the key decisions which the Council's Cabinet is to take;
- it regulates and identifies standards for the behaviour of individuals and groups through codes of conduct (including interested, conflicts of interest and whistleblowing), protocols and standing orders.

The Constitution comprises 16 Articles setting out the basic rules governing all aspects of the working of the Council (Part 2) and is then divided up into:

- the elements which define the Council's internal organisation, standing orders, financial regulations, schemes of delegation and terms of reference, procedures covering Cabinet

and Scrutiny, Risk Management and Codes of Business and Personal Conduct – for Members and Officers (Parts 3–9);

- working practices which supplement these formal rules (Part 10);
- documents which focus on the Council's external operation through service delivery, community engagement and partnership working (Part 11).

In formulating its Constitution in 2002, the Council adhered closely throughout to the framework presented in Government's *Modular Constitutions for English Local Authorities*, enabling it to produce a document which was logical, integrated and accessible to members, officers, citizens and others interested in the way a local authority makes decisions and governs itself and its area. Then and subsequently, wherever legislation permitted local choice, the Council has framed its Constitution to take advantage of the most open and inclusive of the available options.

The Constitution is designed to meet all the necessary statutory requirements for instruments of governance and to include matters traditionally covered by local authority standing orders, financial regulations, schemes of delegation and terms of reference. It also contains the elements necessary to describe the Council's executive arrangements in a single, coherent document which can be used as a comprehensive point of reference by individuals and organisations inside and outside the Council. All the familiar elements can be found in the Constitution and the Council has sought to use the model format to create a genuinely accessible and meaningful instrument of governance.

The Council is committed to involving the community in setting its priorities, enabling citizens to raise matters with and convey their concerns to the Council and to considering the needs of all groups in the community and promoting democratic understanding and participation. The Council's Constitution provides that framework and is underpinned by relevant policies and practices through the Council's website (e.g. consultations, feedback, and public participation).

### **Review of Effectiveness**

The County Council's Constitution has been in force since 2002 and is regularly reviewed (by the Council's Procedures and Standards Committees, as appropriate) and, as concluded later, will necessarily need to be reviewed and be re-adopted by the new Council following the next quadrennial elections due to take place in May 2017. The [Constitution](#) is published on the County Council's website at and is also available for inspection at the Council's offices.

There were no significant changes either from the annual revision of the Pay Policy Statement and Chief Officer Employment Procedure Rules (required to be undertaken annually in line with the Localism Act 2011) or from the aforementioned Committee's reviews during the year in question.

The Procedures Committee and the Council did however agree revisions to financial regulations and consequential changes to the Council's Constitution in respect of money laundering provisions and the acquisition of new and additional IT Hardware, required as a consequence of legislative change and emerging best practice.

The County Council must, at least annually, review the effectiveness of its governance framework including systems of internal control. This review of effectiveness is informed by the work of managers within the authority who have a responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Details of processes applied in maintaining and reviewing the effectiveness of the governance framework are summarised below.

## **The Council**

The Council currently comprises 62 (reducing to 60 at 2017 quadrennial elections) members, meeting together as the full Council for specific purposes, to decide the Council's overall policies and set the budget each year. Meetings of the Council and its committees are normally open to the public. The Council appoints the Leader and Deputy Leader, Scrutiny Committees, the Standards Committee and all other committees. The Council receives the minutes of committees, and has power to vary or refer back decisions which are outside established policy. From time to time it also debates issues of particular relevance or topicality for the County.

The roles and responsibilities of the Council, as well as its Cabinet and non-Cabinet Members are set out more fully in Articles 6 and 7 of the Constitution and in Part 3 (Responsibility for Functions). These have been regularly reviewed and revised since the County Council elections in 2013 and are themselves balanced by the Codes of Personal Conduct set out at Part 6 of the Constitution.

## **The Cabinet**

The Cabinet is the part of the Council responsible for most day-to-day decisions. It is made up of a Leader and no more than nine other members (Cabinet Members), appointed by the Leader from amongst the membership of the Council. When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far as they can be foreseen. These major decisions will be taken with Council officers present at meetings of the Cabinet which will be open to the public except where personal or confidential information is discussed in line with the Council's Access to Information Rules (Part 4 of the Constitution). The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this matter must be referred to the full Council to decide.

## **The Scrutiny Function**

Scrutiny Committees support the work of the Cabinet and the Council as a whole. They look at the effectiveness of the Council's own policies and inquire into matters of local concern. These investigations lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service provision. Scrutiny Committees also monitor the Cabinet's decisions. They may "call-in" a decision which has been made by the Cabinet or an Officer but not implemented. This enables them to consider whether the decision is appropriate and they may recommend that the Cabinet/Officer reconsiders it. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy or service delivery.

The Health & Wellbeing Scrutiny Committee also monitors the function and activity of the Devon Health & Wellbeing Board and its statutory responsibilities for the Joint Health & Wellbeing Strategy, the Joint Strategic Needs Assessment and the Pharmaceutical Needs Assessment.

Scrutiny Committees aim to operate in a non-partisan way which it is believed has served both the electorate and the Council well in line with the Constitution and the Council's protocol governing relationships between the Cabinet and Scrutiny Committees. Members of the Council may place items on the agenda of any Scrutiny Committee, a right which has always effectively existed in the Constitution since it was first adopted in 2002, reflecting the requirements of the Local Government & Public Involvement in Health Act and its definition of '*any Local Government matter*'.

It is widely acknowledged that, in order to be effective, call-ins must be used only in exceptional circumstances, sparingly and appropriately. In the year in question there were only 2 instances - *Changes to Post 16 Education Transport Policy* and the *Closure of Compass House Crèche* both called-in through the People's Scrutiny Committee - while these

may not have resulted in any significant changes to decisions they reinforce the independence and value of scrutiny in applying an 'external' view on decisions.

A number of scrutiny task group reports endorsed by the Cabinet have been warmly welcomed by Devon MPs as a means of making further representations to Government including issues in the last year relating to social care, school funding and agriculture.

In the move towards a commissioning authority, scrutiny continues to exercise influence through asking questions about delivery mechanisms, quality, monitoring, safety and responsiveness as an appreciative inquiry where problems are analysed and understood as a precursor to improvement and change rather than punitive action. To strengthen scrutiny engagement in commissioning processes and commissioned services it was agreed that each Scrutiny Committee would receive details of significant commissioning activity within their remit on a biannual basis to inform their work programme.

The Cabinet and Leadership Team remain appreciative of the work undertaken by the Scrutiny Committees and acknowledge that it has made a major contribution to the work of the Council, especially in areas where detailed objective research and analysis needed to be done. A summary of the work of Scrutiny Committees during the year is presented to the County Council yearly in an [Annual Scrutiny Report](#).

### **Organisational Performance**

The impact of the Government's reform of the public realm and local government finances continues to influence the Council's current and future performance.

In July 2016 the County Council endorsed the Leaders approach to devolution and agreed to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area.

In July 2016 approval was also given to the introduction of a revised, streamlined, senior management organisational structure to better reflect the Council's approach to organisational change over the coming years, to respond to challenges facing it and position the Council to focus on its future strategic commissioning responsibilities as well as to be accountable for the delivery of the 'One Plan' process. It incorporated a fundamental appraisal of what the Council did and how it worked, operating within a systems-based approach, allowing for a clear focus on the Council's main service accountabilities – *Adults Services, Children's Services and Highways* – with 'place shaping' and universal population services in a new *Communities, Public Health, Environment and Prosperity* portfolio. It will require the senior leadership of the organisation to work in a more collaborative and flexible way with the Council's structural arrangements better aligned to this approach.

Consequently the County Council's Leadership Group has worked alongside colleagues from across the Council developing a new **Leadership Charter** that sets out a collective ambition, ethos and approach to leadership for everyone at the County Council. The Charter aims to inspire staff and members to work together more effectively and make a real difference to help people live their lives well.

In September 2016 the County Council commissioned a [Corporate Peer Challenge](#) from the LGA. As part of an on-going improvement programme, designed to complement and add value to Devon's performance. The Peer Challenge Team met with a wide range of staff, members and partners and focused on the following issues:

- understanding of the local place and priority setting
- leadership of place
- financial planning and viability
- organisational leadership and governance
- capacity to deliver

The Team was positive about their experience of the County Council, and that the Council has been a resilient, stable and reliable presence through a difficult period. Among the key findings, the [feedback report](#) recognised that 'the authority has addressed the financial challenge effectively in recent years, while 'the lifting of the Children's Services Improvement Notice represents a major achievement on the part of the Council'. The reports notes the financial challenges that remain moving forward with the 'shift from a service-based budget approach to a corporate and 'whole system' and there to be a savings plan with a longer-term horizon than at present.

The Council also agreed the following significant actions, specific policy changes or revised strategic objectives during 2016/17 which will impact on future performance:

- (a) changes to funding formula for the transfer of funds from the Dedicated Schools Grant from Individual Schools Budgets to the High Needs budget;
- (b) that following the end of the current five-year contract with Virgin Care for Integrated Children's Services on 31 March 2018 approval be given to a 12-month interim contract (with partners) to Virgin Care for Public Health Nursing Services. That the County Council also continues to commission (jointly with the Clinical Commissioning Groups) Virgin Care to provide Children and Adolescent Mental Health Services and community health and care services for children with additional needs jointly funded through a pooled budget for the period of one year 2018/19;
- (c) the establishment of a-not-for-profit charitable company to manage the future provision of a Devon youth service (DYS Space Ltd) and a community owned social enterprise ( a registered charity) to manage the delivery of the Council's Library Service (Libraries Unlimited);
- (d) the Devon Minerals Plan 2011 – 2031 and associated Policies Map was endorsed and adopted formally;
- (e) the implementation of the 2017/18 Programme and Flood Risk Management Action Plan;
- (f) establishment of the Brunel Pooling Partnership;
- (g) arrangements with partner Councils for the preparation and approval of a Heart of the South West (HoSW) Partnership's "Prospectus for Productivity" in support of the aspirations for a devolution deal previously approved by the Council (Minute 157/10 December 2016)) and, in principle, to the creation of a Joint Committee for the HoSW to start work, in June/July 2017, (subject to ratification at the next Annual Meeting of the Council and following County Council elections);
- (h) Treasury Management Strategy 2017/18;
- (i) Pollinators' Action Plan 2016-2021;
- (j) extension to Devon and Somerset Trading Standards Service to include Torbay.

### **The Standards Committee**

The Standards Committee continued to exercise its role in monitoring complaints and standards. The number of complaints received against Councillors remains small. There were no cases locally where a councillor was found to have been in breach of the Council's Code of Conduct.

Efficient, effective and ethical governance protects the public interest and the Council itself. Members and Officers are supported by a wide range of policies and Codes of Practice enunciated in the Council's Constitution and also by a wide range of training opportunities tailored to meet their needs. The Council's Governance Framework is reviewed annually and

any issues for the future governance of the Council are highlighted and addressed at that time.

Co-opted Members of the Committee continue to attend other meetings of the Council, Cabinet and others Committees, selected at random, to monitor and observe compliance with the Council's Governance Framework and behaviours, reporting back to the Standards Committee. There were no reports of any specific actions or behaviours that might be felt to have resulted in a potential breach of the Code or warranted further action.

The work of the Standards Committee during 2016/17 is set out more fully in its [Annual Report](#) but there were no significant issues arising from members conduct, the Council's feedback and complaints press or the Local Government Ombudsman's Annual Letter which warranted any action.

### **The Audit Committee / Devon Audit Partnership**

The Council's Audit Committee monitors the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources including the work of the Council's Internal Audit team and the External Auditor and the application of the Council's Risk Management policy.

The Audit Committee continues to review separately, and on a regular basis, progress with and implementation of any recommendations made in Audit Reports into specific areas of activity to ensure they have been adhered to and appropriate management action taken. It also reviews the Council's Risk Management Strategy and Registers on a regular basis.

The [Annual Audit Letter](#) (for the year ended 31 March 2016) from the Council's external auditors, confirmed that the accounts had been produced to a good standard with an excellent level of support provided by the Council's Finance Team.

The Devon Audit Partnership was established by the Council in conjunction with Plymouth City and Torbay Councils in 2009 to provide shared internal audit services (as a means of improving services through joint working and maximising efficiencies and economies of scale). The Devon Audit Partnership currently undertakes audit work for a number of District Councils, Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, the University of Plymouth and many other public authorities and plans to continue expanding on their work with external partners. The Partnership and democratic arrangements are functioning well and will continue to be reviewed.

### **The Investment and Pension Fund Committee**

Accounting arrangements require separate accounts to be prepared for the County Council and the Devon Pension Fund. Recognising the need for clear governance arrangements for managing these accounts the Council's Investment & Pension Fund Committee undertakes the role of reviewing and approving the Pension Fund Annual Report, which incorporates the Statement of Accounts. The Devon County Council Audit Committee undertakes the role to review and approve the accounts of the Devon Pension Fund to ensure appropriate accounting policies were introduced in the same way as it is responsible for monitoring and approving the Council's main accounts.

### **Devon Pension Board**

The Pension Board, which was established in 2015/16, is required to ensure that the Devon Pension Fund is managed and administered effectively and efficiently and ensure that it complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. The Devon Pension Board (comprising employer and fund representatives with an independent member) has met four times. The operation of the Board will be kept under review.

A summary of the Board's activities and deliberations over the period in question had been included in the [Devon Pension Fund's Annual Report and Accounts 2015/16](#) (and the action taken by the Fund/Fund Manager as a consequence) in scrutinising and satisfying itself with the operation and management of the Fund during that period. The Board's observations had resulted in a number of changes to operational matters in respect of the Pension Fund Risk Register.

### **Engagement and Participation**

The County Council has always prided itself on the work it does, over and above statutory consultations, to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. Examples of this are the Council's Communications Strategy, the Devon Voice (Residents Panel), Parent Carers Voice, and the Tough Choices events held by the Leader of the Council across the County as part of a wider exercise by the County Council to consult and involve local people in determining the Council's budgets and priorities.

The [Have your say](#) consultation pages allow views to be gathered on service specific proposals and provide opportunity for local people to shape their local services.

### **Public Participation**

Those who live and work in Devon have a number of direct opportunities to [participate](#) in the Council's decision-making process which are explained in more detail in the Access to Information Procedure Rules in Part 4 of the Council's Constitution and in addition to being available to attend meetings and lobby Councillors in the normal way may also ask questions at meetings of the County Council or the Cabinet and make representations at the County Council and a number of other Committees of the Council.

The #WeAreDevon Community Survey 2016 was conducted during June and July 2016 to ask about people's general perceptions on various aspects of life of in Devon including the health and resilience of local communities. The survey was designed to complement and build on other community consultation such as [Tough Choices](#) and the [Community Insight Survey](#) (last conducted in late 2015). The feedback provided valuable insight into the issues affecting people and communities and will help to influence and inform decisions about local services as well as future priorities.

### **Governance Issues**

The Local Government Boundary Commission for England published its final recommendations in January 2016 for the County Council's electoral arrangements for 2017 onwards. The Commission's final proposals confirmed the suggested reduction in the size of the Council of two councillors (from 62 to 60) with one fewer division in each of South Hams and Teignbridge, comprising 56 single-member divisions and 2 two-member divisions. The proposed new arrangements were approved by Parliament in the early part of 2016, providing for the new electoral arrangements to come into force at the County Council elections in 2017. This will undoubtedly have an impact on the Council's governance arrangements moving forward.

One of the biggest issues addressed by the Council in 2016/17 was the setting of the Revenue Budget, Medium Term Financial Strategy 2017/2018 - 2020/2021 and the Capital Programme for 2017/2018 - 2021/2022 given the turmoil around health & social care funding and continued cuts to local government funding.

The Health & Wellbeing Scrutiny Committee Fair Funding in the NHS Task Group [report](#) which reviewed the mechanics of the funding settlement for Clinical Commissioning Groups in Devon provided by Government was warmly received by the Chairman of the House of Commons Health Select Committee as a thought provoking and timely piece of work.

The impact of the unprecedented turmoil in the financial markets over the previous years justifies the continuing focus on treasury management practices. The County Council's treasury management practices are soundly based on the principle that when balancing risk and return the security and liquidity of an investment is given a higher priority than the yield.

The Council also regularly reviews and updates its Investment Strategy and its Treasury Management Policy and Practices to ensure that they reflect best practice guidance as issued by CIPFA. The Treasury Management Stewardship Annual Report for 2015/16 had not identified any issues to highlight. No long term borrowing was undertaken during 2016/17 and it was not envisaged that any new long term borrowing will be required over the next three year period but this will be reviewed annually. The report confirmed that investment income targets had been achieved and all lending had been carried out in accordance with the Council's Treasury Management Strategy.

The agreement to the process for the production of the Heart of the South West Productivity Plan and the establishment, in principle, of a Joint Committee with HoSW partners. The HoSW Joint Committee would provide a formal strategic partnership to complement and maximise the ability of local sub-regional arrangements to deliver its aspirations, allowing partners agree and deliver the Productivity Plan as well as engage effectively with the Government, other deal areas and other LEPs on a range of policy agendas, working together as a precursor to the establishment of a Combined Authority and working alongside and influencing the LEP on strategic investment decisions affecting the HoSW area as well as securing improvements to LEP governance and accountability.

## **Conclusion**

With the next quadrennial elections due to take place in the early part of the next financial year it is axiomatic that the new Council will need to review and adopt the Constitution early in the life of that new Council and review the democratic structure if only to reflect changes made in this year to the organisational structure of the Council acknowledging the as yet unknown but inevitable impact of the outcome of the election on the future organisation and direction of the Council. It would also be necessary to judge whether the introduction of new electoral boundaries has gone smoothly.

The draft Budget 2017/18 had, for the first time, been prepared on the basis of the provisional settlement figures. The Cabinet was assured that the Budget was an effective and balanced budget based on the best information available at the time, which could be commended to the Council.

New powers were introduced in 2016/17 that allow authorities with Adult Social Care responsibilities to increase Council Tax by 2% each year between 2016/17 and 2019/20 in addition to the 2% increase permitted before a referendum is required. The Government announced a change to this power enabling Social Care Authorities to increase Council Tax by 3% in each of 2017/18 and 2018/19 in addition to the 2% referendum limit. However, the increase over the three year period of 2017/18 to 2019/20 must not exceed the original power of 6% over this term. There was also subsequent additional funding provided by Government in this respect over the next three years as part of the Spring Budget 2017. However, adult social care remains a national issue that requires a national solution.

In addition Devon's settlement still reflected historic low levels of funding with inadequate funding levels in a number of areas and as between urban and rural areas; the Government having not significantly responded to representations by the LGA and Shire Counties on the need for fairer funding in a number of service areas. The impact of the next Government's spending plan on future financial settlements will also be a key issue for the Cabinet and the Council to address in 2017/18 and beyond.

The Medium Term Financial Strategy (MTFS) for 2017/18 - 2020/21 was agreed by Cabinet in February 2017. The MTFS has been prepared with the best information available but the uncertainties around Brexit, the Needs review, 100% Business Rates Retention and the Improved Better Care Fund make it impossible to plan with any certainty. The Government's

four year funding 'guarantee' is helpful but is only one piece of the jigsaw. The MTFS contains as much information as available at this time but may need updating if more information becomes available from Government that has a significant impact on the Authority.

The Council's Leadership Team (Chief Officers and Heads of Service) has confirmed that the organisational, financial, compliance and operational key controls referred to in the Annual Governance Statement and the accompanying schedule continue to be appropriate and that statements of internal control supported the content of this Statement; having operated, effectively, during the financial year. Sundry issues identified in the AGS will be relevant and actioned as appropriate over the coming year. All necessary monitoring and/or implementation of key issues identified in the previous AGS have or are continuing to be addressed.

The Council is satisfied that the governance arrangements can and do provide a high level of assurance, that the arrangements continue to be regarded as fit for purpose and that its governance structures reflecting the core and sub-principles of the Statement.

The Council formally places on record and expresses its appreciation to all staff and partners for their continuing commitment to the delivery of high quality services for the people of Devon throughout this period. The spirit and ethos of good governance cannot be achieved by rules and procedures alone. It is vital that shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy, as a hallmark of good governance.

**Certification**

In light of the aforementioned and the reviews of the effectiveness of the governance framework undertaken by the Cabinet, the Standards Committee, the Audit Committee, the Investment & Pension Fund Committee and by Scrutiny Committees and the plans, as summarised above, to address weaknesses and ensure continuous improvement of systems is in place.

We will over the coming year continue to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**.....

Chairman of the Audit Committee, on behalf of Devon County Council

**Signed**.....

Chief Executive, on behalf of Devon County Council

30 June 2017