| Meeting: | **Audit Committee** | Agenda Item: | **6** |

Portfolio Area:     All Portfolio Areas

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## Corporate Governance Arrangements

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## 1. PURPOSE

1.1. To advise Members of the Audit Committee on the Council's self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework.

1.2. To update Members of the Audit Committee on progress made against actions identified for delivery in 2013/14, and advise actions planned for 2014/15 to enhance the Council's corporate governance arrangements.

## 2. RECOMMENDATIONS

2.1. That Members note the Council's self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework, as set out in Appendix A to this report.

2.2. That Members note the progress made against actions identified for delivery in 2013/14, and actions planned for 2014/15 to enhance the Council's corporate governance arrangements, as identified in Appendix A.

## 3. BACKGROUND

3.1. The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE six key principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 4 of the 2011 Accounts and Audit (England) Regulations (initially introduced in the 2006 legislation)

3.2. In August 2006, the Department for Communities and Local Government set out what they considered "proper practice" in relation to corporate governance by endorsing the CIPFA/SOLACE framework for Corporate Governance, "*Delivering Good Governance in Local Government*".

3.3. To meet legislation, councils needed to adopt a local Code of Corporate Governance that sets out their commitment to corporate governance and a

framework that would demonstrate appropriate implementation. 2007/08 was the first year of implementation.  The Audit Committee approved the Council's local code and embraced the CIPFA/SOLACE Framework on 17 March 2008.

3.4.  In Autumn 2012, CIPFA revised the guidance that accompanies the framework reflecting an increased emphasis on strategic approach to reflect the significant change which local government was undergoing.  This change was driven by the economic downturn and financial crisis, the provisions of the Localism Act and other key legislation.  The revised guidance reflects the provision of public services through partnerships, collaboration, commissioning and the existence of shared services and partnership boards.  These new ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.

3.5.  The CIPFA/SOLACE Framework focuses on six key principles of corporate governance. The Framework sets out the actions authorities need to follow to achieve 'Good Governance' when applying the six key principles. These actions include a review of existing governance arrangements against the CIPFA/SOLACE Framework.

3.6.  The CIPFA/SOLACE six key principles of corporate governance are:
- **A clear definition of the authority's purpose and desired outcomes:** focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- **Well defined functions and responsibilities:** Members and officers working together to achieve a common purpose with clearly defined functions and roles
- **An appropriate corporate culture:** promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- **Transparent decision making**: taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- **A strong governance team**: developing the capacity and capability of Members and officers to be effective
- **Real accountability to stakeholders**: engaging with local people and other stakeholders to ensure robust public accountability.

3.7.  For each key principle, the CIPFA/SOLACE Framework outlines:
- A set of supporting principles
- A range of specific requirements to assess the authority's quality of governance arrangements.

3.8.  Corporate Governance Group meets every three months to proactively consider the council's status of corporate governance. Each of the six principles is reviewed by Corporate Governance Group during the year. In addition, a review and self-assessment of the Council's position against the full framework is carried out annually.

# 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE six key principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 4 of the 2011 Accounts and Audit (England) Regulations.

4.2. The assurance process is the link between the strategic objectives and statutory requirements of the authority and how they will be delivered. It requires the identification of key controls that contribute to their effective delivery.

4.3. The annual review and corporate self-assessment against the six principles was completed during February 2014. The updated self-assessment and improvement plan is shown at Appendix A. The review assessed the position of the organisation as a whole against the six principles, considering a possible score between 1 and 10 for each requirement. The following criteria were applied to determine scores:

   1 – 3: High risk to the organisation, lacking significant structure
   4 – 7: Fundamental principle in place, but with identifiable weakness
   8 – 10: Compliant, any actions identified pertaining to best practice

4.4. The scores allocated through the corporate self-assessment indicate that the Council is compliant with the majority of requirements. The lowest allocated score for 2013/14 was a six. Scores allocated are as follows:

| | | 2012/13 | | | 2013/14 | | |
|---|---|---|---|---|---|---|---|
| | | Number | % | Category Total | Number | % | Category Total |
| Category: Weakness identified | Score 5 | 1 | 1.3% | 11.4% | 0 | 0% | 10.1% |
| | Score 6 | 1 | 1.3% | | 2 | 2.5% | |
| | Score 7 | 7 | 8.9% | | 6 | 7.6% | |
| Category: Compliant | Score 8 | 24 | 30.3% | 88.6% | 20 | 25.3% | **89.9%** |
| | Score 9 | 38 | 48.1% | | 32 | 40.5% | |
| | Score 10 | 8 | 10.1% | | 19 | 24.1% | |

4.5. The changes to self-assessed scores since last year's assessment are set out in the table below:

| Change | Number | Percentage |
|---|---|---|
| Increased | 20 | 25.3% |
| Decreased | 2 | 2.5% |
| No change | 57 | 72.2% |

4.6.    Where scores increased for 2013/14 this reflected improvement activity or sustained performance.  Further explanations for increased scores are set out in paragraphs 4.6.1 to 4.6.8.

4.6.1.  **Financial procedures -** Sustained performance in the Council's financial procedures has resulted in full or improved compliance across a number of requirements (requirements 10, 17, 20, 50, 53). In addition, the "Money Matters" staff briefings (road shows and newsletters) have created greater awareness of the Council's financial position and the role and responsibilities of the Council's Chief Financial Officer (Requirement 18).

4.6.2.  **Decision-making** - The new Overview and Scrutiny Committee and the three Select Committees have enhanced the Council's scrutiny arrangements. This provides an opportunity for members to carry out service reviews in which they undertake their own research, with each Member taking a lead on a specific area, setting up focus groups and receiving feedback and challenge from external agencies and residents. In addition, arrangements to safeguard against conflicts of interest and ensure robust and transparent decision making have been sustained and are considered robust. (Requirements 22, 40 42, 43, 58).

4.6.3.  **Whistle-blowing** - The on-going promotion of the Council's whistle-blowing policy has ensured continued staff awareness of the procedures in place. (Requirement 55).

4.6.4.  **Internal Audit arrangements** - Corporate Governance Group considers that following a period to embed arrangements, the shared internal audit service has enhanced internal audit arrangements (Requirement 41).

4.6.5.  **Risk management** - Improved operational risk procedures have enhanced the Council's risk management arrangements and resulted in a "substantial" assurance audit for Operational Risk Management arrangements (issued February 2014).  Broader risk management arrangements (strategic and operational) are assessed annually by Internal Audit and reported in the Annual Governance Statement - The 2013/14 audit is currently underway. (Requirements 52 and 53).

4.6.6.  **Capacity and capability of officers** - The preparation of new terms and conditions for council officers as part of Single Status implementation has resulted in the harmonisation of remuneration arrangements for all council staff (requirement 24). In addition, training and development opportunities have been enhanced, including the reinstatement of the corporate induction training programme (Requirements 59 and 70).

4.6.7.  **Customer Engagement  (consultation)-** The Council's Consultation and Engagement Strategy outlining improved methods for engagement and consultation with residents was agreed by Executive on 25 June 2013 (Requirements 74 and 76).

4.6.8.   **Customer Engagement (complaints and feedback)** – Though there are currently two separate corporate complaints systems running (One for housing and one for other council services), the organisation is confident that the two

processes are independently effective and as a result the score was increased. However, the organisation continues to develop arrangements to align and improve procedures and systems as identified in paragraph 4.8.1 (Requirement 46).

4.7 Two scores decreased due to on-going concerns relating to the availability of information to review service quality as a result of customer feedback. Though, arrangements to deal with complaints are considered effective, arrangements need to be enhanced to enable customer feedback to facilitate effective monitoring and review of service quality. Enhancement activity is identified in paragraph 4.8.1 (Requirements 5 and 6).

4.8 Where a weakness or opportunity for improvement has been identified for a particular requirement, an appropriate action has been assigned. The actions outlined address all weaknesses identified through the annual review and corporate self-assessment of the six principle requirements and are clearly indicated on Appendix A. In summary, improvement actions have been identified for:

4.8.1 **Customer Engagement (complaints and feedback**) - New processes based on best practice from Housing and Stevenage Borough Council are being developed to implement an improved customer complaints and feedback system to enable customer feedback to facilitate effective monitoring and review of service quality. (Requirements 5, 6, 46, 78).

4.8.2 **Corporate values –** New Stevenage Borough Council Values were agreed at Executive on 11 February 2014. The new values will be incorporated into the Corporate Learning and Development Programme, and Leadership Management and Development Programme. The values will also be embedded into new Human Resources Policies, as appropriate (Requirements 34 and 38).

4.8.3 **Capacity and capability of officers (competency framework)** - In June 2013, the Audit Committee agreed to defer the development of a competency framework as consideration and introduction was not appropriate until after implementation of Single Status (complete harmonisation of terms and conditions). The framework is now in the early stages of development with completion scheduled for 2014/15 (Requirements 64, 65, 67).

4.8.4 **Capacity and capability of officers (Corporate Induction arrangements)** – Corporate Induction training was reinstated during 2013/14 and is currently carried out every two months. This resulted in the score for 2013/14 being increased. Further work is planned to develop and implement "route way induction plans" to tailor induction to individual needs. (Requirement 59).

## 5. IMPLICATIONS

### 5.1 Financial Implications

There are no financial implications arising directly from this report.

### 5.2 Legal Implications

It is a requirement for the Council to publish an Annual Governance Statement as part of its Statement of Accounts. This is due to be reported to Audit Committee in June 2014 supported by information relating to service based governance assurance.

### 5.3 Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate objectives and statutory requirements.

### 5.4 Other Corporate Implications

The corporate governance regime affects all aspects of the work of the Council, as well as partners of the Council contributing to service delivery, and other agencies with which the Council shares information. External bodies in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust corporate governance arrangements that are fully embedded.

## 6 BACKGROUND DOCUMENTS

- CIPFA/SOLACE, "Delivering Good Governance in Local Government" (2012 Framework and Guidance)

## 7 APPENDICES

- Appendix A – Self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework.