

**Meeting:**           **Audit Committee**

**Agenda Item: 8**

Portfolio Area:    All Portfolio Areas

**Date:**             **23 March 2015**

## **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, '*Delivering Good Governance in Local Government*' (that also reflects the complementary CIPFA/IFAC International Framework: '*Good Governance in the Public Sector*', published August 2014).
- 1.2. To update Members of the Audit Committee on progress made against actions identified for delivery in 2014/15, and advise actions planned for 2015/16 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 '*Delivering Good Governance in Local Government*' (that also considers the complementary CIPFA/IFAC International Framework: '*Good Governance in the Public Sector*'), as set out in Appendix A to this report.
- 2.2. That Members note the progress made against actions identified for delivery in 2014/15, and actions planned for 2015/16 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 a local framework encompassing the CIPFA/SOLACE Framework, ‘*Delivering Good Governance in Local Government*’ on 17 March 2008.
- 3.4. In autumn 2012, CIPFA revised the guidance that accompanies the framework having consideration for the significant change which local government was undergoing driven by the economic downturn and financial crisis, the provisions of the Localism Act and other key legislation. The revised guidance reflected the provision of public services through partnerships, collaboration, commissioning, and the existence of shared services and partnership boards. These new ways of working provided challenges for managing risk, ensuring transparency and demonstrating accountability that were considered in the revised guidance.
- 3.5. The CIPFA/SOLACE Framework focuses on six key principles of corporate governance and 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. The full CIPFA/SOLACE Framework and self-assessment is set out at Appendix A.
- 3.9. A recent development in Corporate Governance, the CIPFA/IFAC International Framework '*Good Governance in the Public Sector*', published in August 2014 is advised by CIPFA as complementary to organisations' existing frameworks. Corporate Governance Group has embraced this new framework in the interests of best practice.
- 3.10. The content of the new CIPFA/IFAC Framework is already largely reflected throughout the Council's agreed framework and this is indicated throughout Appendix A. The primary additional element of the new International Framework is a focus on the long-term sustainability and impact of responsibilities (Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits). Corporate Governance Group's assessment against a set of locally identified requirements for this principle, based on the CIPFA/IFAC guidance document, is set out at the end of Appendix A.
- 3.11. 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 that also considers the complementary CIPFA/IFAC International Framework: (*Good Governance in the Public Sector*, published August 2014) 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 2015. 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 2014/15 was a seven. Scores allocated are as follows:

		2013/14			2014/15		
		Number	%	Compliance Status	Number	%	Compliance Status
Weakness identified	Score 6	2	2.5%	10.1% weakness identified	0	0%	4% weakness identified
	Score 7	6	7.6%		3	4%	
Compliant	Score 8	20	25.3%	89.9% compliant	24	30%	96% compliant
	Score 9	32	40.5%		33	42%	
	Score 10	19	24.1%		19	24%	

Additional IFAC requirements	Score 8	N/A	N/A	N/A	3	37%	100% compliant
	Score 9	N/A	N/A		5	63%	

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

Change	Number	Percentage
Increased	11	14%
Decreased	4	5%
No change	64	81%

- 4.6 Where scores increased for 2014/15 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 **Customer Engagement (Complaints and Feedback):** The implementation of the "Your Say" system for logging of SBC and Housing Customer complaints has resulted in an aligned customer feedback system which has led to an improvement in governance requirements relating to 'dealing with failure in service delivery'. Further enhancement is planned in relation to engagement with customers. See action for 2015/16 (requirements 6, 46)

- 4.6.2 **Financial Procedures:** The implementation of an integrated financial strategy has led to improved financial management arrangements (requirement 9)
- 4.6.3 **Member and Officer Protocols:** Corporate Governance Group considers that communication protocols between members and officers are now well embedded ensuring arrangements are in place that lead to effective communication between members and officers (requirement 23).
- 4.6.4 **Clarity of Partnership Arrangements:** All key strategic partnerships have key governance measures in place (requirement 30).
- 4.6.5 **Corporate Values:** The Council's new Values and Behaviours have been developed and communicated to members and staff and are being incorporated into training and development and also into HR policies as they are developed/reviewed (requirements 34 and 38).
- 4.6.6 **Capacity and capability of officers (Corporate Induction):** Induction training is now carried out every two months. Further work is planned to tailor the induction process to individual need. See action for 2015/16 (requirement 59).
- 4.6.7 **Capacity and capability of officers (Competency Framework):** Training opportunities for officers have been enhanced with the introduction of a corporate learning and development programme and a new leadership gateway programme. A new People Strategy has been implemented to enhance the development of council officers (requirements 64 and 67).
- 4.6.8 **Capacity and capability of officers (Competency Framework):** A new competency based appraisals process has been implemented, aligned to the Council's new Values and Behaviours. There is also a new job specific competency template which is now in use for all new/revised jobs (requirements 64, 65, 67).
- 4.7 The scores for four requirements decreased this year. Decreased scores relate to:
- 4.7.1 **Financial Procedures:** In order to improve the Council's contract management arrangements, standalone contract management training, in addition to the procurement training already provided to relevant staff, is required. See action for 2015/16 (requirements 19 and 21).
- 4.7.2 **Informed and Transparent Decision Making:** Recent legislation outlining new requirements that executive decisions taken by officers are recorded in a written statement, needs further clarification and the implications of the legislation will need to be reviewed and assessed once further clarification has been received (requirement 42).

- 4.7.3 **Financial Procedures:** The Accountancy service is currently experiencing difficulty in recruiting suitably experienced and qualified accountancy staff, leading to capacity issues in the service (requirement 63).
- 4.8. Where a weakness in governance arrangements or opportunity for improvement has been identified for a particular requirement, an appropriate action has been assigned. The actions outlined address all opportunities for enhancing governance arrangements identified through the annual review and corporate self-assessment of the six principle requirements (and are clearly indicated on Appendix A). In summary, the following improvement actions have been identified:

Further enhancements following initial improvement activity during 2014/15:

- 4.8.1 **Customer Engagement (complaints and feedback):** The implementation of the 'Your Say' system for logging of SBC and Housing Customer complaints has resulted in an aligned customer feedback system which has led to an improvement in dealing with failure in service delivery. Further enhancement is planned in relation to engagement with customers with the development of a new Customer Accounts (balances and payments) system which will include an improved complaints and feedback system (requirements 5, 6 and 46).
- 4.8.2 **Capacity and capability of officers (Corporate Induction arrangements):** Induction training is now carried out every two months. Further work is planned to develop and implement "route way induction plans" to tailor induction to individual needs (requirement 59)

One new enhancement activity for 2015/16:

- 4.8.3. **Financial Procedures:** In order to improve the Council's contract management arrangements, standalone contract management training is to be added to the procurement training already provided (requirements 19 and 21).

## 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 2015 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)
- CIPFA/IFAC International Framework: ‘Good Governance in the Public Sector (published August 2014)

## **7 APPENDICES**

- Appendix A – Self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework, ‘Delivering Good Governance in Local Government’.