

**Meeting: Audit Committee**

**Agenda Item: 8**

Portfolio Area: All Portfolio Areas

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## **Corporate Governance Code and Arrangements**

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### **1. PURPOSE**

- 1.1. To advise Members of the Audit Committee of the key governance enhancements delivered in 2015/16, the scheduled future enhancement activity and the significant enhancement activity planned for 2016/17, as a result of the Council's self-assessment of corporate governance arrangements against the requirements that form the core principles of corporate governance in the CIPFA/SOLACE Framework, '*Delivering Good Governance in Local Government*'.

### **2. RECOMMENDATIONS**

- 2.1. That Members note the key governance enhancements delivered in 2015/16, the scheduled future enhancement activity and the significant enhancement activity planned for 2016/17 to deliver against the CIPFA/SOLACE Framework, '*Delivering Good Governance in Local Government*', as set out in Appendix A to this report, and as a result the enhancements to the aligned detailed arrangements in place to deliver the Council's Code of Corporate Governance.

### **3. BACKGROUND**

#### 3.1. Legislation and 'Proper Practice'

3.1.1. The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE core principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations (initially introduced in the 2006 legislation).

3.1.2. 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*”.

- 3.1.3. The Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, ‘Delivering Good Governance in Local Government’ on 16 January 2008. Authorities are recommended to test their governance structures against the principles in this Framework by:
- a. Developing and maintaining an up to date local code of governance, including arrangements for ensuring ongoing effectiveness
  - b. Reviewing existing governance arrangements, and
  - c. Reporting publicly on compliance with the local code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year, identifying planned changes.
- 3.1.4. A local Code of Corporate Governance that summarises the system by which the Council directs and controls its functions, and relates to its local community was initially approved by Audit Committee on 17 March 2008 and reaffirmed on 10 June 2015.

## 3.2. Review of Corporate Governance Arrangements

3.2.1. The CIPFA/SOLACE ‘Delivering Good Governance’ Framework focuses on six core principles of corporate governance and sets out the actions authorities need to follow to achieve ‘Good Governance’ when applying the six core principles. These actions include a review of existing governance arrangements against the CIPFA/SOLACE Framework.

3.2.2. The CIPFA/SOLACE six core 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.

- 3.2.3. For each core 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.
- 3.2.4. Corporate Governance Group meets every three months to proactively consider the Council's status of corporate governance against the CIPFA/SOLACE 'Delivering Good Governance' Framework. Each of the six principles is reviewed by Corporate Governance Group during the year. In addition, a comprehensive review of the Council's position against the full framework is carried out annually.
- 3.2.5. Appendix A summarises key governance enhancements delivered in 2015/16, the scheduled future enhancement activity and the significant enhancement activity planned for 2016/17 as a result of these reviews. The document provides an indication of the (significant) actions that will be included in the Annual Governance Statement (that will be reported to this Committee in June 2016). However, additional activity may be identified as a result of the ongoing review of governance arrangements.
- 3.2.6. Enhancement activity is deemed significant if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service or if considered important in the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements should be addressed.
- 3.2.7. A summary of the delivery of the significant enhancement activity required during 2015/16 as identified in the Annual Governance Statement reported to the Audit Committee 10 June 2015 is outlined in Appendix A and summarised below:
- Action required: Implementation of a new online balance and payments system to improve customer access arrangements. Status: The system was implemented in September 2015. In addition, the Society of Information Technology Management (SOCITM) was commissioned in January 2016 to assess the Council's current position regarding digital access to inform the development of a customer focused digital strategy.
  - Action required: Activity to implement recommendations resulting from a comprehensive review of corporate procurement and contract management arrangements, to include delivery of contract management training. Status: Following the review:
    - Three general sessions of contract management training were delivered to relevant officers and a higher level course delivered,
    - Contract Standing Orders were revised in October 2015,
    - The Terms of Reference for Corporate Procurement Group were enhanced to include a more active role in sharing information and best practice,
    - Stevenage Borough Council Procurement Pipeline is now published on the Council's Web Page. It contains details of contracts expected to be re-procured and new procurement projects expected to be undertaken,

- Use of the 'In-Tend' system, an electronic procurement system, has been expanded to include invitations to quote.

3.2.8. Significant enhancement activity currently identified for 2016/17 as a result of the review of corporate governance arrangements is outlined in Appendix A and summarised below:

- Though legislation is being met, activity to review Data Protection Guides and Protocols, and to establish and implement a revised Security Incident Management Policy and Procedure.
- Activity to develop and implement a programme of information security training.
- Initial activity commenced to review the structure of Building Maintenance Operations (BMO) during 2015/16 to ensure alignment to strategic focus and to refocus BMO operations on core activities, a transition period will apply during 2016/17, with full implementation during 2017/18.
- The Housing Revenue Account (HRA) Business Plan will be fundamentally reviewed to give due consideration to the impact of recent Government policy and legislation and to facilitate delivery of defined outcomes on a sustainable basis.

3.2.9. The corporate control environment is evidenced by a number of policies and plans, which are referred to as 'The Corporate Backbone' of the Council. Appendix A also identifies the primary Corporate Backbone documents relevant to each core principle.

### 3.3. Review of Delivering Good Governance Framework for 2016/17

3.3.1. A relatively recent development in Corporate Governance, the CIPFA/IFAC International Framework 'Good Governance in the Public Sector' was published in August 2014. CIPFA/SOLACE have consulted with local authorities and developed a set of governance outcomes and behaviours that reflect this new framework within their own 'Delivering Good Governance in Local Government Model' for the proactive review of arrangements for 2016/17.

3.3.2. As Audit Committee was advised on 23 March 2015, the new principles are largely reflected in the current Framework. 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).

3.3.3. Corporate Governance Group carried out an initial review of the Council's arrangements against this emerging new focus in March 2015. A further review has been carried out for 2015/16 and an enhancement activity identified relating to the fundamental review of the Housing Revenue Account Business Plan, as set out in paragraph 3.2.8 and Appendix A.

## **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 core principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.
- 4.2. Codes and Frameworks of Corporate Governance set out how local authorities ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 4.3. Corporate Governance Group meets every three months to proactively consider the Council's status of corporate governance against the CIPFA/SOLACE 'Delivering Good Governance' Framework. Each of the six principles is reviewed by Corporate Governance Group during the year.
- 4.4. In addition to proactive in-year consideration of corporate governance arrangements against the CIPFA/SOLACE 'Delivering Good Governance' Framework, an annual review was completed during February 2016. A summary of identified key governance enhancements delivered in 2015/16, the scheduled future enhancement activity and the significant enhancement activity planned for 2016/17 is attached as Appendix A.

## **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 that will accompany its Statement of Accounts. The Annual Governance Statement is due to be reported to Audit Committee in June 2016 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)
- Audit Committee Report: Local Code of Corporate Governance (10 June 2015)

## **7 APPENDICES**

- Appendix A – Summary Review of Corporate Governance Arrangements 2015/16: A summary of the key governance enhancements delivered in 2015/16, the scheduled future enhancement activity and the significant enhancement activity planned for 2016/17 as a result of the Council's self-assessment of corporate governance arrangements against the requirements that form the key principles of corporate governance in the CIPFA/SOLACE Framework, '*Delivering Good Governance in Local Government*'.