



Meeting: **Audit Committee**

Portfolio Area: All Portfolio Areas

Date: **19 March 2019**

CORPORATE GOVERNANCE ARRANGEMENTS

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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2018/19 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2019/20, which will be reflected in the Council's 2018/19 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant corporate governance enhancement activity during 2018/19.
- Corporate governance enhancement activity identified for 2019/20, for inclusion in the Council's 2018/19 Annual Governance Statement.

3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to ensure the Council runs effectively and can be held to account for its actions.

3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector'.

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

3.2.2. The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

3.2.3. The CIPFA/SOLACE seven core principles of good governance are:

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

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

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

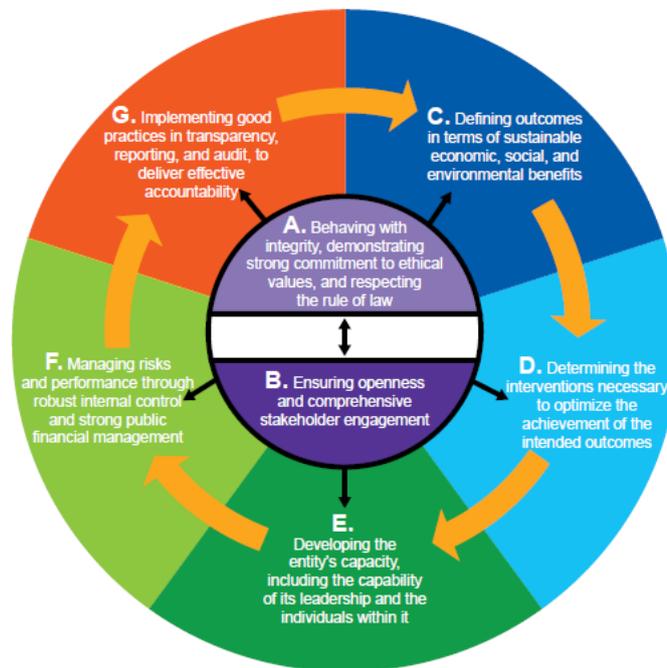
D: Determining the interventions necessary to optimise the achievement of intended outcomes

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

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

G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram below, taken from the International Framework, Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the above principles of good governance in the public sector and how they relate to each other.



3.2.4 For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.3 Local Code of Governance

3.3.1 To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the 'Delivering Good Governance' Framework. The Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

3.3.2 The Council's current Local Code of Governance, revised to enhance the assessment process was last approved by Audit Committee in June 2017.

3.4 Legislation and Proper Practice

The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework 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.

3.5 Review of Corporate Governance Arrangements

- 3.5.1** The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.
- 3.5.2** To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance throughout the year.
- 3.5.3** Significant enhancement activity identified as a result of these reviews is reflected below in Paragraphs 3.6 and 3.7 and also in the appendices to this report. To provide Members with a complete picture of governance enhancement carried out in 2018/19 and scheduled for 2019/20, enhancement activity pertaining to best practice has also been reflected in the Appendices.
- 3.5.4** Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to 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 and the delivery of outcomes should be addressed.

3.6 Significant Governance Enhancement Activity in 2018/19

- 3.6.1** Progress in relation to significant governance enhancement activity included in the 2017/18 Annual Governance Statement and carried out in 2018/19 is summarised below:

AGS Action 1: A new Housing Asset Management Strategy and Action Plan to be developed to set the framework for maintaining the Council's housing stock effectively over the next five years and support delivery of the Future Town Future Council Programme: A new five year Housing Asset Management strategy (2019-2024), with an action plan for implementation of the strategy over the next five years has been developed and is being considered at the March Executive meeting.

AGS Action 2: The draft General Fund Asset Management Strategy was considered by Executive on 14 February 2018. Officers and Members will now enhance the strategy with the incorporation of the Council's Co-operative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected: Executive approved the adoption of a General Fund Asset Management Strategy and a rolling five year Action Plan which will act as a monitor to report progress and achievement.

AGS Action 3: Implement and embed improved Repairs and Voids service delivery models to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery that meets customer needs: New delivery and case management arrangements for the Repairs and Voids service have been implemented ensuring ownership and accountability for delivery from the point of receipt through to closure. These new arrangements have had a positive impact on service performance.

AGS Action 4: Implement the restructure of services through Future-Council Business Reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers: Recruitment is underway for a number of key posts across the Council that will enhance capacity and key skills. The Fourth Tier Management reviews are nearing completion.

AGS Action 5: Continue to implement the Technology Shared Service Improvement Plan to deliver a wide range of IT enhancements, including enhancements to cyber security and increased resilience of the Council's IT and telephone systems to ensure the Council continues to provide a secure and high performing IT environment: Significant improvement activity has taken place to ensure the Council's IT and telephone systems continue to provide a secure and high performing IT environment. A new generator has been installed to improve power resilience at the Daneshill House Data Centre. Migration of the Council's telephone system is complete for East Herts and work has commenced on the Stevenage Borough Council migration with work expected to be complete early in 2019/20. A series of IT infrastructure enhancements have also been implemented to provide a more reliable and secure service that supports delivery of more digital solutions for customers and staff. The Shared IT Service is working with Microsoft to develop a programme of activity to further enhance IT infrastructure and resilience. A draft ICT strategy and road map is being developed which will further inform 2019/20 enhancement activity.

AGS Action 6: Embed information management arrangements across the Council to ensure that best practice records management across the Council continues to be applied and customer data is appropriately managed: Substantial progress has been made to ensure the Council is General Data Protection Regulation (GDPR) compliant and to make sure staff are aware of their responsibilities with regards to the management of customer data. Training to help service teams understand the importance of good customer information handling has included: mandatory GDPR e-learning; bespoke training delivered to field-based operatives at Cavendish Depot and lunchtime learning sessions for other staff. Data Protection policies and guidance have also been updated. Enhancement activity has been reflected in a follow-up SIAS audit report on GDPR Preparedness which provided 'Good' level of assurance.

AGS Action 7: To further enhance health and safety arrangements, an initial action plan has been produced. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews and to be addressed in an appropriate timeframe: To ensure and

maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a new corporate health and safety governance structure has been put in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed.

- 3.6.2** In addition, a wider programme of governance enhancement pertaining to best practice in 2018/19 was delivered and is reflected in Appendix A, together with the significant activity as outlined above.

3.7 Significant Governance Enhancement activity planned in 2019/20

- 3.7.1** Significant governance enhancement activity to be reflected in the 2018/19 Annual Governance Statement for delivery in 2019/20 is summarised below:

AGS Action 1: Implementation of the first phase of the Action Plan to deliver the five year Housing Asset Management Strategy (2019-2024) to ensure the Council delivers maximum value from its assets whilst providing quality homes for its tenants. Activity identified in 2019/20 includes establishing a programme of stock condition surveys, review of mobile working arrangements, Asset Management Database audit, enhance general fund property data reporting, carry out a refresh of Asset Review data, carry out an options appraisal of the Council's high rise flat blocks and Pinewoods Sheltered Housing scheme, fire safety enhancement activity; analysis of repairs trends and costs; review of the Aids and Adaptations Policy; review of ability and financial viability to take on subcontracted works in-house; review procedures for measuring efficiency savings and review of Empty Homes systems, procedures and policies,

AGS Action 2: Implementation of actions identified for 2019/20 to implement the five year General Fund Asset Management Strategy: A review of the Council's commercial portfolio and locality reviews to be carried out. This will then be followed by implementation of action identified by these reviews

AGS Action 3: Continue to implement and embed the restructure of services through Future Council – Business reviews to improve corporate capacity and deliver sustainable services that better meet customer needs: Implementation of new structures and appointment to posts.

AGS Action 4: Shared IT Service to continue to develop and implement a strategy and programme of activity to enhance IT infrastructure, cyber security, governance arrangements, policy framework and resilience: This enhancement encompasses a broad area of complex activity covered by programmes of work with significant resource requirements over the next twelve months and beyond. This includes restructure of the IT security team to enable enhanced IT security activity; an infrastructure review and refresh; completion of the telephone project, IT policy framework refresh and review and implementation of enhanced governance arrangements.

AGS Action 5: Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed: IT Systems and solutions to be investigated to ensure that data remains secure. A programme of work is currently being developed for resource approval to take forward this work.

AGS Action 6: Embed the new Health and Safety Framework to ensure health and safety compliance and performance across the Council. Training and awareness activity to continue to embed the new Health and Safety Framework throughout all Council operations.

AGS Action 7: The governance framework and business plan for the CCTV Partnership to be reviewed by the CCTV Joint Executive and Company Board of Directors: This enhancement activity includes a complete review of the partnership and governance arrangements between all CCTV Partner authorities, including a complete review of the partnership agreement, terms of reference and reporting arrangements, creation of a five year Business Plan and implementation of the new governance arrangements.

3.7.2 In addition, a wider programme of governance enhancement, pertaining to best practice in 2019/20 is reflected in Appendix B, together with the significant activity as outlined above.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles and identification of significant governance action to facilitate continued compliance with this Framework, 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.

5. IMPLICATIONS

5.1. Financial Implications

There are no direct financial implications arising from this report.

5.2. Legal Implications

The governance enhancements identified in this report inform the Annual Governance Statement which will be reported to Audit Committee in June. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

5.3. Risk Implications

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

increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

5.4. Other Corporate Implications

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome 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 governance arrangements that are fully embedded and a commitment to ensuring effectiveness.

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (15 June 2017)

7. APPENDICES

- Appendix A: Governance Enhancement Activity carried out in 2018/19
- Appendix B: Governance Enhancement Activity planned for 2019/20.