



Meeting: **Audit Committee**

Portfolio Area: All Portfolio Areas

Date: **17 March 2020**

Corporate Governance Arrangements

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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2019/20 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2020/21, which will be reflected in the Council's 2019/20 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant corporate governance enhancement activity during 2019/20.
- Corporate governance enhancement activity identified for 2020/21, for inclusion in the Council's 2019/20 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

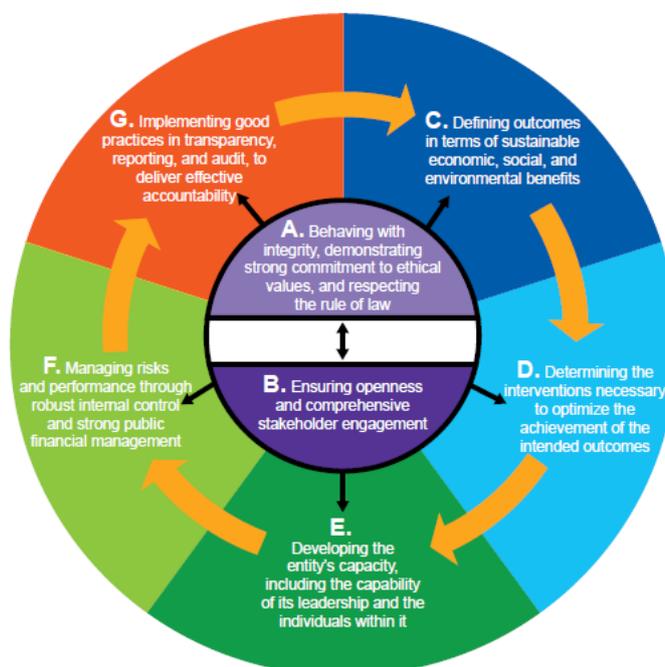
D: Determining the interventions necessary to optimise the achievement of intended outcomes

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. It was agreed at Audit Committee on 15th June 2017 that the Local Code will be reviewed every three years. The Local Code is therefore currently under review and will be considered at Audit Committee at its meeting in June 2020.

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 2019/20 and scheduled for 2020/21, 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 2019/20

3.6.1 Progress in relation to significant governance enhancement activity included in the 2019/20 Annual Governance Statement and carried out in 2019/20 is summarised below:

Housing Asset Management Strategy: A new five year Housing Asset Management Strategy (2019-2024), with an action plan for implementation of the strategy over the next five years was approved by Executive in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management for the Council and the key strategic projects and programme to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants.

Progress against the five year action plan during 2019/20 is as follows:

- A stock condition survey of the Council's housing stock, including tower blocks, is underway and will help inform the HRA Business Plan.
- The Major Refurbishment Contract is underway for flat blocks and is now entering into Phase 3, along with a number of other significant programmes such as communal heating refurbishment; sprinkler retrofitting and reviewing the compliance contract and lift replacement/refurbishment.
- A new contractor is being procured to deliver the Decent Homes Standard from April 2020.

- Development of effective programmes to deliver the objectives of the Housing Asset Management Strategy and wider Council strategies is complete.
- The Council has agreed to review its acceptable SAP rating in response to the climate change emergency and to understand the associated cost.
- The Aids and Adaptations Service is being reviewed and will be reported back to Executive in March 2020.
- The Repairs and Voids service and the Lettings Team are working closely to carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.

General Fund Asset Management Strategy: The General Fund Asset Management Strategy had a key action for the Council to undertake a local asset review of its current land and buildings. The progress has been challenging with the restructure of the Estates section and the change in staffing personnel. The programme has however been recently reinvigorated with the following actions;

- Local Asset reviews of three wards have now taken place
- A Local Asset Review Board which includes officers from different business units and is currently sponsored by AD (Finance and Estates) has been established and now meets monthly.
- Planning colleagues have been consulted to determine viable asset management options and the Local Asset Review Board have recommended options which merit further work.
- New property data management software has been installed.

The current timetable for completion of the Local Asset Reviews is July 2020. The outcome should be a list of high level opportunities to be consulted on and a site disposal list.

Community Safety Document retention arrangements: Document retention arrangements in relation to the enforcement of anti-social behaviour action have been reviewed and new procedures implemented to enhance information management arrangements and ensure GDPR requirements are met. This action is now complete.

Governance of Key Regeneration Projects: As part of the regeneration programme, the Council has partnered with Mace to deliver a £350m scheme called SG1. To ensure governance and oversight of the project, fortnightly project team meetings and monthly Steering Group meetings between the Council and Mace now take place with issues resolved through the Business Plan.

The Council has also signed a £50m development deal with Reef Estates to redevelop Queensway North. The delivery of this project is supported by a Working Group, a monthly internal Board meeting, and a quarterly Board meeting with Reef. The Housing Development and Regeneration Executive Committee's terms of reference incorporate oversight of this project and Queensway LLP Business Plan. The Council has strategic control and influence over Queensway Properties Limited Liability Partnership and group financial statements have been produced.

Progress on key regeneration projects is reported to Housing Development and Regeneration Executive Committee and internal programme reporting takes place via the monthly FTFC Programme Board. In addition, monthly and quarterly reporting with Hertfordshire LEP takes place together with Stevenage Borough Council financial reporting to track LEP related expenditure.

On 1st November 2019, the government issued the Town Fund prospectus inviting 100 towns to develop proposals to benefit from up to £25M funding. The objective of the fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through: regeneration, planning and land use; skills and enterprise infrastructure and connectivity. In December, Executive agreed the approach and governance arrangements to enable the Council to make a Town Fund bid. A Town Fund Board has been set up and its terms of reference have been agreed. The first board meeting was held at the end of January. A workshop has been organised which will be the basis of an officer project group across the partner organisations to guide, advise and support the work plan for the Town Fund Board.

Corporate Capacity: Activity to implement the restructure of services through Future Council Business Reviews to improve corporate capacity and deliver sustainable services that meet the needs of customers has taken place:

- There has been a significant amount of work on Future Council Business Unit reviews. The Fourth Tier (roles reporting to Assistant Directors) review is now almost complete across the whole Council.
- Work has commenced to establish a Fourth Tier Leadership forum and work is underway to develop a leadership vision for the Fourth tier and an aligned development programme to support and empower the Fourth tier leadership team to deliver that vision. Wider business unit skill gaps will be assessed once business unit reviews are complete and staff have been recruited for the posts.
- The Council introduced a new Managing Organisational Change policy which is more holistic and considers how to manage change and the impact on our people. Managers also received training on this at the time of launching the new policy. The Leadership Competency Framework was developed and implemented during 2016 to signal to the organisation the expected behaviours and skills that would be valued and during 2019 work has been completed to further develop this framework for Grades 1-9 and is planned to launch later this year.

Cyber Security and ICT Resilience: Improvement activity has continued to ensure the Council's ICT and telephone systems continue to provide a secure and high performing ICT environment:

- A new ICT strategy and road map was approved by Executive on 9th October 2019. The ICT Strategy articulates the ICT vision and objectives now and in the future. The Partnership vision is to create a modern, secure, resilient and transformational ICT service that drives and supports delivery of joined up services to customers through the effective use of technology. Significant ICT investment has now been approved of £3.6M over two and a half years matched by East Herts Council.
- Migration of the Council's telephone system is now complete.
- A Security and Network Team has now been established.
- New email and website security software has been installed.
- The shared service storage hardware has been replaced and 99% of the Council's systems and data are running on it. The remainder is scheduled to be transferred shortly.
- Work has commenced to upgrade from Windows 7 to Windows 10
- A project to install new network security and reporting tools has commenced.
- Upgrading of Horizon VDI desktops has started and the project to install a microwave link between the data centres at Daneshill House and Cavendish Road is nearing completion.

Information Management: Improvement activity has continued to enhance and embed information management arrangements to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.

- Progress has been made with completion of third party information sharing agreements with over 80% of agreements completed.
- The GDPR team are continuing to work with SBC service teams and the Shared Legal Services in requiring lead partners to update relevant protocols and framework that involve the sharing of information to reflect GDPR requirements
- As part of the wider ICT Improvement Strategy, recent notable developments in GDPR related security have taken place regarding emails and internet security to protect Council data.
- Work has commenced to produce a suite of ICT Data Security Policies.
- The Council's Information Governance Manager is working in liaison with the HR team to review the next offering of mandatory e-learning GDPR training to ensure the content is relevant to Council services.
- GDPR tailored bitesize sessions were held for staff covering key topics affecting staff in their everyday working practices.

Corporate Health and Safety: Health and safety arrangements have been enhanced by:

- Training requirements appropriate to role have been identified and training is being carried out as required.
- The Health and Safety Team have delivered the IOSH Managing Safety Course for Managers.
- Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.
- Embedding of the Health and Safety framework is being achieved by a process of internal and external audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans.
- Twenty-one Health and Safety Policies were updated.
- SIAS Health and Safety Audit achieved a Good assurance opinion. SIAS concluded that monitoring and recording compliance with health and safety policies is in place. In addition, this has created action plans for teams across the Council to complete. These action plans include controls put in place to mitigate risks identified through the Council's annual risk assessment process. The Health and Safety Team take on board any lessons learnt. Induction and training arrangements are provided to help ensure all processes run smoothly.

CCTV Partnership: A thorough review of the governance framework of the CCTV Partnership was carried out and a new suite of governance arrangements, including refreshed company business plan were approved by the CCTV Joint Executive and Company Board of Directors. A follow-up SIAS audit signed all of these actions as complete in November 2019.

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

3.7 Significant Governance Enhancement activity planned in 2020/21

3.7.1 Significant governance enhancement activity to be reflected in the 2019/20 Annual Governance Statement for delivery in 2020/21 is summarised below:

Housing Asset Management Strategy: The Strategy sets out the underlying principles which sit behind excellent asset management for the Council. The key strategic projects and the programme are set out to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenant's. To continue to implement the Housing Asset Management Strategy (2019-2024) actions identified for delivery in 2020/21 the following activity is planned:

- Continue the programme of work to improve our understanding of the Council's housing stock, and its condition to enable effective investment decisions
- Continue the review of asset data to develop understanding of asset performance and deliver a programme of improvements
- Continue with the programme of work to maintain compliance with the Decent Homes standard across the stock.
- Review of the Council's acceptable SAP rating in response to the climate change emergency and to understand the cost associated with this.
- Complete the review of repairs costs and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.
- Implement the recommendations from the HRA funded Aids and Adaptations policy which is being reported back to Executive in March 2020.

General Fund Asset Management Strategy To ensure that the Asset Management Strategy can deliver an effective mechanism to manage incoming investment as well as disposal of the Council's assets the following activity is planned:

- Continue the review of the Council's commercial portfolio
- Complete the Locality Asset review of the Council's current land and buildings to identify new opportunities for better use of existing buildings,
- Identify potential sites for release for sale and identify land for the Council's own housing building programme.

Building Management – General Fund Assets: To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:

- Evaluation of options to provide compliance contract activities, with the preferred model reported to Executive for consideration
- CIPFA to conduct a high level review of the corporate landlord function through a review of documentation and interviews with key stakeholders. CIPFA's findings will provide options on the structure of a new corporate landlord model.

Commercialisation: To ensure that the Council's ambitious commercial agenda can be achieved, a programme of work is required to enhance the capacity, information, financial and legal skills of statutory officers and elected members involved in complex investment or commercial decision making. This will be achieved by:

- Development and approval of a Commercial Strategy
- The appointment of a Commercial Manager.

Town Centre Regeneration: To ensure the Council is able to continue to regenerate the town centre and build much needed new housing and create job opportunities the people of Stevenage need and want, a programme of work is required to implement the required governance arrangements to make this happen. This will be achieved by:

- Implementing governance changes required to comply with GD3 restrictions to release government funding
- Complete the acquisition of Homes England Land within SG1 as well as the existing bus station site.
- Continue to implement good governance arrangements in relation to the programme and key projects using Steering Groups and Project Board.

Corporate Capacity: Continue to 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

IT Resilience, Governance, Policy Framework and Cyber Security: The Shared IT Service to continue to implement the IT Strategy and Action Plan to enhance IT infrastructure, cyber security, IT resilience and policy framework by:

- Completing the replacement of all the Council's firewalls
- Completing the upgrade from Windows 7 to Windows 10 (including on hosted desktops).
- Installing new network security and reporting tools
- Roll out of Microsoft Office 365
- Updating the ICT Disaster Recovery Plan, ICT policies and Policy Framework
- Introducing Multi Factor Authentication (MFA) for all external access to hosted desktops
- Managing all mobile devices using Intune mobile device management
- Enforcing encryption on all mobile devices

Herts Home Improvement Agency (HHIA): The HHIA is a collaborative partnership working between the upper and lower tiers of local government in Hertfordshire providing a centralised service to assist residents to improve or adapt their homes for continued independent and safe living. In response to an audit of the HHIA, a review and associated programme of activity is in progress by Hertfordshire County Council to enhance governance structures, work streams and resources, financial reporting and monitoring, management information systems, the cost recovery model, recruitment and business continuity, site visit arrangements, inspections and post works sign off procedures.

Health and Safety: Continue to enhance and embed health and safety compliance and performance by:

- Implementing additional safety measures and new procedures for front line services to minimise the risk of harm to staff and members of the public.
- Commit to training all of SLT in IOSH Leading Safety
- Rolling programme of internal and external audits for medium and high risk services
- Continue the review of fire safety and implement fire safety measures at Cavendish Road

Facilities Management: In response to a recent Facilities Management audit, a programme of work has been agreed to enhance facilities and contract management procedures and governance by:

- Reviewing facilities and contract management procedures and documentation
- Delivery of a programme of facilities management training,

Information Management: 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 by:

- Completing the review of supplier agreements to ensure relevant compliance requirements are met;
- Completing the review of existing data sharing arrangements with local authority partners and public agencies;
- Installation of a data discovery tool to inform implementation of GDPR processes and procedures.
- Recruitment of staff to help embed records management principles and standards across the Council
- Evaluation and potential implementation of a planned shared information governance service between Stevenage Borough Council and East Herts, where pooled resources and technology will be pooled to allow an effective records management strategy to be implemented.

3.7.2 In addition, a wider programme of governance enhancement, pertaining to best practice in 2020/21 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.

5.5. Climate Change Implications

Climate change will be considered as part of the Council's governance arrangements.

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 2019/20
- Appendix B: Governance enhancement activity planned for 2020/21.