



**Meeting:** Audit Committee

Portfolio Area: All Portfolio Areas

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## Corporate Governance Arrangements

Author: Suzanne Brightwell Ext: 2966

Contributors: Assistant Directors

Lead Officer: Clare Fletcher Ext 2933

Contact Officer: Suzanne Brightwell Ext. 2966

## 1. PURPOSE

**1.1.** To advise Members of the Audit Committee of:

- Activity carried out in 2020/21 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2021/22, which will be reflected in the Council's 2020/21 Annual Governance Statement.
- Progress of service governance actions identified by the Service Assurance reviews carried out in April 2020.

## 2. RECOMMENDATIONS

**2.1.** That Members of Audit Committee note:

- Progress on corporate governance enhancement activity during 2020/21.
- Corporate governance enhancement activity identified for 2021/22, for inclusion in the Council's 2020/21 Annual Governance Statement.
- Progress of service governance actions identified by the Service Assurance reviews carried out in April 2020.

## 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**

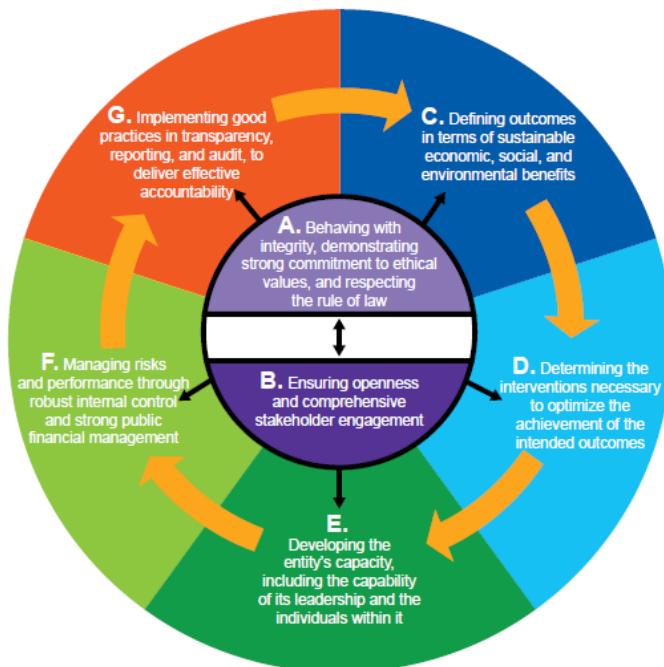
**D: Determining the interventions necessary to optimise the achievement of intended outcomes**

**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 which is revised annually to enhance the assessment process was last approved by Audit Committee in June 2020 and will be considered by Audit Committee at its meeting in June 2021.

### **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 Group 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 2020/21 and scheduled for 2021/22, enhancement activity pertaining to best practice has also been reflected in Appendix A and B.
- 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 2020/21**

- 3.6.1** Progress in relation to significant governance enhancement activity included in the 2019/20 Annual Governance Statement and carried out in 2020/21 is summarised below:

**General Fund Asset Management Strategy:** Work on locality reviews is now well underway. All three tranches of land identified for disposal have now been agreed by Executive.

**Governance of Key Regeneration Projects:** The SG1 scheme gained planning approval at Planning and Development Committee in October 2020. The holding direction on the SG1 planning application has been lifted by the Secretary of State. This now allows the Council to finalise and conclude the Section 106 legal agreement with the developer Mace and to issue the planning permission.

Regeneration and Housing Development meetings have been separated to maximise the effectiveness of the meetings. Regular updates on key projects are provided at each meeting. This has included a session dedicated to Queensway/Marshgate which the Council's regeneration partner Reef attended and presented, and a number of sessions focussing on the Town Investment Plan.

Stevenage Development Board was set up in 2020 to prepare Stevenage's bid for government funding through the MyTown initiative. The Board has

been successful in its bid and has been awarded £37.5 Million. This will bring about a once in a generation investment to revitalise and regenerate the town.

An action tracker is now in place to monitor progress of actions. On a monthly basis the status of actions are reported in the Highlight Report to the Regeneration Steering Committee. Highlight reporting arrangements have been reviewed and enhanced. The Risk Register has been updated and is being reviewed quarterly.

GD3 funding has now been released and Local Enterprise Partnership deeds agreed. Monthly meetings are held with the Local Enterprise Partnership. Meetings are attended by the Assistant Director, Regeneration Manager and Programme Manager which provides a robust and resilient structure.

Future Town Future Council milestones have been adjusted following Covid-19, although the majority of progress remains unaffected

Regular Steering Group meetings are held with key members of the Mace and Stevenage Borough Council teams, with two-weekly operational meetings between the project teams. The Queensway Limited Liability Partnership continues to run smoothly with regular board meetings and reporting with Reef.

**Commercialisation:** On 12<sup>th</sup> August 2020, Executive approved the Council's Co-operative Commercial and Insourcing Strategy 2020-2023 and associated action plan. A new Commercial and Investment Executive Committee has been established, terms of reference have been agreed and the first meeting was held on 22<sup>nd</sup> October 2020.

Commercial key performance indicators have been agreed and these will be reported to the Commercial and Investment Executive Committee on a quarterly basis.

A Commercial Culture and Skills Audit has been carried out and a Commercial Learning and Development Action Plan based on the feedback from this audit has been developed. Insourcing guidance has also been developed.

**Local Government Reform and Devolution White paper:** The Government's White Paper has been delayed and currently no date has been set for its publication.

District/Borough Councils in Hertfordshire have worked together to consider appropriate opportunities for future reform. A residents' poll was carried out and demonstrated that the majority of residents in Hertfordshire are opposed to the creation of a large unitary council. MHCLG officials attended the Hertfordshire Growth Meeting in August to observe the collegiate way in which the ten Hertfordshire authorities are working together for the good of Hertfordshire communities. Discussions have taken place with other Local Authorities who have recently undergone or are considering devolution options to inform the debate in Hertfordshire.

**COVID-19** IMT, Business Continuity and CEC meetings are being held as required to co-ordinate and manage the Council's response to the pandemic.

Service changes have been made in accordance with the lockdown restrictions. Redeployment plans have been drawn up to assist with the Stevenage and County-wide response.

The CFO is continuing to assess the ongoing impact of Covid-19 ensuring all applicable Government grants are applied for and received. Advice and guidance of funding and grants is being provided to businesses in the town. The January 2021 General Fund report set out the impact of Covid on the Council's General Fund budgets. The projected gap between government funding and losses has necessitated the MTFS to be updated with mitigating actions on three occasions during 2020. Members approved financial resilience measures that improved General Fund balances for this and future years.

Executive in July 2020 approved the Council's Recovery Plan and actions are in place embedded in the Council's FTFC reporting process. Plans are developing for an Economic Taskforce to tackle the effects of the impending recession. Stevenage Together Partnership is working on a joint recovery action plan for the town, covering areas from health, to jobs and skills, environment, regeneration and support to those who need it most.

**Shared Hertfordshire Home Improvement Agency (HHIA) service:** All of the key measures of outputs of the service have improved since 2018/19 and now represent an improvement over both that year and the last year it was provided in house by Stevenage Borough Council.

A follow up audit was completed by the Shared Internal Audit Service (SIAS) in August 2020. SIAS were satisfied that systems have been amended to improve the quality and accuracy of information recorded on the internal management information systems. The evidence from their testing demonstrated significant improvements since the last audit, as well as improved checks by management to review such progress. The HHIA, whilst addressing recommendations, have sought to identify other improvements that can be made to further improve the service.

The Executive at its meeting on 6<sup>th</sup> October 2020 considered a report which provided information on the Council's second year of participation in the HHIA. The report proposed that the Council remains a member of the HHIA and this was agreed by Executive. This action is now complete as all the high audit recommendations have been actioned and will therefore not be carried over as an Annual Governance Statement action for 2021/22.

**Corporate Capacity:** The Council's new Workforce Strategy was approved by Executive in October 2020. The Strategy is a critical enabler for delivering the Council's strategic ambitions over the next three years. The Strategy identifies actions that will improve employees' experiences and position the Council as an 'Employer of Choice'.

The majority of the Council's business unit reviews are now complete. The business unit reviews within Digital and Transformation and the Garages and Markets service are now complete.

Recruitment of key roles has continued during the Covid-19 pandemic to ensure corporate capacity is maintained. Four Assistant Directors were recruited in 2020 and have now all started (AD Digital and Transformation, AD Stevenage Direct Services, AD Finance and Estates, AD Regeneration).

In light of the improved situation due to the completion of the business unit reviews and the recruitment of senior posts at the Council, this action will not be carried over as an Annual Governance Statement action for 2021/22.

**Cyber Security and IT Resilience:** Design of the Virtual Desktop Infrastructure, which will improve the user experience and is an enabler for Microsoft 365 and Windows 10 is complete and is currently being piloted.

The design work for the upgrade of the ICT network, to increase IT resilience, is also complete and configuration and testing of the upgraded network is currently underway.

The installation of the microwave link between the Council's two data centres to almost eliminate chances of link breakage and therefore ICT interruption is now complete and is scheduled to go live once the network upgrade is complete.

Microsoft 365, which will support new ways of working, team collaboration and video-conferencing, is currently being piloted by ICT to troubleshoot any issues prior to its full roll out.

Work is also continuing to upgrade the Council's 50 plus servers. The roll out of the Windows 10 Operating system, which is a pre-requisite for Microsoft 365 and a key requirement of the Security Enforcement Programme is progressing well. Email and web filtering has also been replaced to increase ICT security. Meta-compliance which is a new platform that incorporates requirements of e-learning, policy compliance, cyber security and phishing awareness has been installed and will be rolled out soon.

The replacement of the Council's firewalls and implementation of controls and management tools to monitor and control the ICT network are in the soft market testing phase.

**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.

The review of data sharing arrangements with local authority partners and public agencies to reflect GDPR requirements on information sharing obligations is now complete. All Supplier agreements which involve the processing of personal data have also been updated.

Enhancement activity has decreased the information management risk to a medium level, therefore this action will not be carried over as an Annual Governance Action for 2021/22.

**Corporate Health and Safety:** A RAG monitor of all the Council's high health and safety risks is now being produced. All high risks are reviewed by the Strategic Health and Safety Group and reported to Corporate Risk Group and the Senior Leadership Team quarterly. The monitor is also reviewed by the Chief Executive at monthly HR meetings.

The Health and Safety team have assisted to ensure that all Council buildings are Covid Secure. New working arrangements for Daneshill and Cavendish Road have been implemented to ensure the health and safety of staff. The team have also provided support and advice to frontline staff to ensure their safety and the safety of customers. PPE requirements for specific operational settings have been identified and procured. Staff communication messages have been provided to advise staff of Covid-19 guidance. The usual scheduled health and safety training and audits have been affected by the response to the pandemic but are scheduled to resume in April 2021.

**Compliance of the Council's Non-Housing Property:** The Mears contract has been brought in house and responsible officers have now been assigned to all operational buildings. Compliance work continues to be progressed and regular compliance checks have been programmed. The compliance audit is nearly complete for all operational buildings, community centres and the depot. Risks have been identified and these are being prioritised.

The Assistant Director (Finance and Estates) has now started in post as well as a new Estates Manager. Recruitment for a permanent Facilities Manager is in progress.

There is now a full procedure manual in place documenting work carried out by the team and work is progressing on a full suite of policies. Procedures for training staff, community centre managers and users are being produced. Preventative maintenance is being investigated and prioritised. Empty properties are now being inspected weekly for damage, leaks etc.

### **3.7 Significant Governance Enhancement activity planned in 2021/22**

#### **3.7.1** Significant governance enhancement activity to be reflected in the 2020/21 Annual Governance Statement for delivery in 2021/22 is summarised below:

**General Fund Asset Management Strategy:** To ensure that the General Fund 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
- Continue with Locality reviews of the Council's current land and buildings to identify new opportunities for better use of existing buildings

- Identify further potential sites for release for sale and identify land for the Council's own housing building programme.

**Commercialisation:** To ensure that the Council's ambitious Co-operative Commercial and Insourcing Strategy can be achieved, a programme of work is required:

- Delivery of the Commercialisation Action Plan
- Ensure greater flexibility round income generation and savings opportunities
- Implementation of the Commercial Learning and Development Action Plan

**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:

- Ensuring measures are being taken to reduce the risk of construction delay and protect project budgets
- Ensure contracts and adequate funding is available to carry out the regeneration works as planned.
- Continue to implement good governance arrangements in relation to the programme and key projects

**Local Government Reform:** In response to the challenges which could result from the Government's Local Government Reform and Devolution White paper, the following action is proposed:

- Undertake a review of the White Paper and its implication once it has been published
- Engage again with other Hertfordshire District and Borough councils to consider a response to the White Paper.

**Covid-19:** In response to the COVID-19 crisis and to ensure the Council can reinstate and continue to deliver services, continue to meet its FTFC ambitions and enable recovery from the effect of the virus in the town, the following action is planned:

- Continue with Incident response management arrangements as required in response to the Covid-19 emergency.
- Review the General Fund and HRA Medium Term Financial strategies in light of the financial pressures arising from the COVID-19 response
- Implement the agreed town wide Recovery Plan
- Review the corporate performance measure suite and targets, to ensure they support the monitoring of the Council's recovery efforts and are realistic in the context of Covid-19 impacts on delivery.

**IT Resilience, 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
- Roll out of Microsoft Office 365
- Installing and roll out of network security and reporting tools
- Creation of a Disaster Recovery Team to review all ICT documentation and update the ICT Disaster Recovery Plan.

**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 the public
- Train the Senior Leadership Team in IOSH Leading Safety
- Continue the rolling programme of internal and external audits for medium and high risk services

**Compliance of the Council's Non-Housing Property:** To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property the following action is required:

- Continue with the compliance audit of general fund assets.
- Implementation of actions identified by the compliance audit
- Recruitment of a permanent Facilities Manager
- Completion of a full suite of building management policies, procedures and guides.
- Implementation of a new Asset Management System

**3.7.2** In addition, a wider programme of governance enhancement, pertaining to best practice in 2021/22 is reflected in Appendix B, together with the significant activity as outlined above.

### **3.8 Service Governance Enhancement Activity – April 2020 to March 2021**

**3.8.1** At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year. The Service Assurance Statement is designed to provide assurance that the control environment operated effectively in respect of the business units for which they have responsibility. As a result of this review 36 actions were identified for delivery in 2020/21 to enhance service governance arrangements.

**3.8.2** Appendix C outlines the progress of the service governance enhancement actions identified for 2020/21 during the service assurance review of service governance at business unit level which was carried out in April 2020.

## **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 (9 June 2020)

## **7. APPENDICES**

- Appendix A: Corporate Governance Enhancement Activity carried out in 2020/21

- Appendix B: Corporate Governance enhancement activity planned for 2021/22.
- Appendix C: Service Governance enhancement carried out in 2020/21