



Meeting: **Audit Committee**

Agenda Item:

Portfolio Area: All Portfolio Areas

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Corporate Governance Arrangements

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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- The activity completed during 2017/18 to strengthen governance arrangements.
- The enhancement activity identified for delivery in 2018/19 as a result of the Council's self-assessment of current corporate governance arrangements against the principles of good governance set out in the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)'.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant governance enhancement activity during 2017/18 as summarised in paragraph 3.6 and highlighted in Appendix A to this report. Appendix A also outlines governance enhancement activity (pertaining to best practice).
- The significant governance actions identified for 2018/19 that will facilitate the Council's continued compliance with the requirements of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)' as set out in paragraph 3.7, summarised in Appendix B and outlined together with governance enhancement activity (pertaining to best practice) in Appendix C.

3. BACKGROUND

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

3.2. Legislation and 'Proper Practice'

3.2.1. 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.

- 3.2.2.** The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2016/17 notes, *'The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.'*

3.3 Local Governance Framework (assessment activity)

- 3.3.1** The Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' on 16 January 2008. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector which was published in August 2014.

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, underpinned by these principles
- Ensure that it operates effectively in practice (through the review of arrangements).

- 3.3.2.** 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 on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year, identifying planned changes.

3.3.3. 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.

3.3.4 For each core principle, the CIPFA/SOLACE Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.4 Local Code of Governance

3.4.1 The term 'Local Code' essentially refers to the governance structure in place. 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 CIPFA/SOLACE Framework states that the authority should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles identified in the Framework.

3.4.2 The council's Local Code that summarises the system by which the Council directs and controls its functions and relates to the local community was revised to enhance the assessment process and approved by Audit Committee in June 2017. The revised Code:

- Better reflects the revised principles in the 'Delivering Good Governance' Framework (2016)
- Provides enhanced detail in relation to the current governance assurance policies, processes, culture and values in place at the Council to facilitate the delivery of outcomes.

3.5 Review of Corporate Governance Arrangements 2017/18

3.5.1 The primary focus of the 2017/18 review of existing corporate governance arrangements at the Council has been on compliance with the core and sub-

principles that form the 'Delivering Good Governance' Framework to inform any governance enhancement activity and updates to the Local Code.

3.5.2 To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to consider the effectiveness of the Council's governance arrangements against the set of behaviours and actions that form the principles of the 'Delivering Good Governance in Local Government' Framework. Each of the seven principles is reviewed by the Corporate Governance Group throughout the year with a review of the arrangements to deliver against the Framework carried out annually.

3.5.3 The enhancement activity identified as a result of these reviews is summarised in the appendices to this report. Appendix B provides an indication of the (significant) actions currently identified for inclusion in the Annual Governance Statement (that will be reported to this Committee in June 2018). Additional (significant) activity may be identified as a result of the ongoing review of governance arrangements.

3.5.4 Enhancement activity is deemed significant if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service following reviews 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 Summary of Significant Governance Enhancements 2017/18

3.6.1 A summary of significant governance enhancement activity (to facilitate delivery of agreed outcomes) carried out in 2017/18 is summarised below and is also outlined in Appendix A. Activity (pertaining to best practice) is also provided in Appendix A to provide a complete picture of the level of governance enhancement activity that has been pursued and delivered.

2017/18 AGS Action 1: Further commercial options to be pursued whilst meeting the regeneration and economic aims for Stevenage (by January 2018): Council (**May 2017**) approved the allocation of £15M towards a Commercial Property Investment Strategy to enable economic growth in Stevenage with an added benefit of generating long term rental income streams to support the delivery of the Future Town, Future Council (FTFC) programme and council services. This initiative supports the 'Financial Security' priority and our ambitions for Stevenage. A property has been purchased with other sites being actively sought. In addition, to raise officer awareness of the council's financial security programme and its commercialism agenda, a financial newsletter was produced and events have taken place to encourage staff engagement in relation to identification of further commercial options. (**Completed February 2018**)

- **2017/18 AGS Action 2: Property Investment Strategy and Asset Management Strategy (by December 2017):** Council approved a Property and Investment Strategy (**May 2017**) to enable investment in commercial property that will contribute to long-term income streams to support delivery of the FTFC programme and council services.

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. **(Paragraph 3.7 refers to 2018/19 activity)**

- **2017/18 AGS Action 3: Repairs and Voids Improvement Programme (by March 2018):** The Repairs and Voids improvement programme approved by Executive (January 2016) has been implemented. The revised processes are now being reviewed to inform further improvement for implementation and embedding throughout 2018 to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery. The review and embedding of enhanced service delivery has been reflected in activity outlined for 2018/19 **(Improvement Programme implemented March 2018). (Paragraph 3.7 refers to 2018/19 follow-on activity).**
- **2017/18 AGS Action 4: Business Unit reviews to increase corporate capacity (by March 2018):** The approval and principles to support implementation of the restructure of services through Future Council – Business reviews was approved by Executive in November 2017. The model is focused upon delivering the right services, to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models. Business reviews will continue with phased implementation through 2018/19. **(Paragraph 3.7 refers to 2018/19 activity).**
- **2017/18 AGS Action 5a: Data Protection and Cyber Security training (by December 2017):** A new corporate e-learning package was launched in December 2017 that will help to develop staff knowledge and capability. Data Protection, General Data Protection Regulation (GDPR) and Cyber Security e-learning modules have been developed for use on the e-learning platform. The Data Protection and GDPR modules are now live and the Cyber Security module is expected to be available by the end of March 2018. **(Completion expected March 2018)**
- **2017/18 AGS Action 5b: Cyber Security Action Plan (by March 2018):** Cyber Security initiatives are an integral part of the Technology Shared Service Improvement Plan which now supersedes the Cyber Security Action Plan. The new plan sets out improvements to ensure that services are delivered to meet customer needs and are fit for purpose. Initial improvement activity is now being provided with further enhancements identified to ensure the Council continues to provide a secure and high performing IT environment. This ongoing enhancement activity is reflected for delivery in 2018/19. **(Paragraph 3.7 refers to 2018/19 activity).**
- **2017/18 AGS Action 5c: Data Protection Guidance (by July 2017):** The Council's Data Protection Policy and document retention guidance have been reviewed and updated to enhance information management arrangements. **(Completed November 2017).**

- **2017/18 AGS Action 6a: Increase data centre capacity (by June 2017):** To increase capacity across the council's two data centres and enhance ICT resilience that will enable the Council to continue to provide a secure and high performing IT environment, additional server hardware has been installed and is now operational. (**Completed June 2017**).
- **2017/18 AGS Action 6b: Increase resilience of the council's IT and telephone arrangements (by September 2017):** Business continuity activity to increase the resilience of the council's IT and telephony arrangements now forms part of the new Technology Shared Service Improvement Plan and is scheduled for completion by September 2018 (**Paragraph 3.7 refers to 2018/19 activity**).
- **2017/18 AGS Action 7: Corporate Information Group to be established (by September 2017):** An action plan to enhance information management arrangements across the council is being implemented. In addition an Information Officer has been appointed, Information Asset Owners assigned and a Corporate Information Governance Group has been established to embed best practice records management across the council and ensure that customer data is appropriately managed. (**Completed September 2017**).

3.7 Summary of Planned Governance Enhancements 2018/19

3.7.1 Significant Governance enhancement activity identified for 2018/19 is summarised in Appendix B. A brief outline of the proposed significant governance enhancement actions is also provided below:

- Develop a new Housing Asset Management Strategy and Action Plan 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.
- Following consideration of the draft General Fund Asset Management Strategy at 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.
- 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.
- 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.
- 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.

- 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.
- 3.7.2** Further detail relating to this significant governance enhancement activity is outlined in Appendix C. In addition, a wider programme of governance enhancement is pursued by the Council (pertaining to best practice), and is also summarised in Appendix C.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1.** The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' 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.
- 4.2.** A Local Code of Governance sets out how the Council 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 quarterly to proactively consider the effectiveness of governance arrangements in place against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework and each of the seven principles is considered during the year.
- 4.4.** In addition to proactive in-year consideration of arrangements, an annual review was completed in January 2018. A summary of identified governance enhancements for 2018/19, to include both scheduled (pertaining to best practice) and significant (governance controls identified to facilitate delivery of agreed outcomes that are sustainable) is identified in Appendix B and in more detail in Appendix C.

5. IMPLICATIONS

5.1. Financial Implications

There are no direct financial implications as a result of the recommendations in this report

5.2. Legal Implications

It is a requirement for the Council to publish an Annual Governance Statement to be published alongside its Statement of Accounts. The Annual Governance Statement is due to be reported to Audit Committee in June 2018 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 priorities and statutory requirements. In addition, weaknesses in corporate governance

arrangements can heighten reputational risks for the Council. Governance arrangements need to be sound and seen to be sound.

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: Outline of Governance Enhancement Activity carried out in 2017/18 (significant and pertaining to best practice)
- Appendix B: Summary of Proposed Significant Actions for Inclusion in Annual Governance Statement
- Appendix C: Outline of Planned Governance Enhancement Activity 2018/19 (significant and pertaining to best practice)