



**Meeting: Audit Committee**

**Agenda Item:**

Portfolio Area: All Portfolio Areas

**3**

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## **CORPORATE GOVERNANCE ARRANGEMENTS**

Author – Elaine Wright, ext 2192  
Lead Officer – Clare Fletcher, ext 2933  
Contact Officer – Elaine Wright, ext 2192

### **1. PURPOSE**

1.1. To advise Members of the Audit Committee of:

- The significant governance enhancement activity completed during 2016/17 to strengthen governance arrangements.
- The significant enhancement activity identified for delivery in 2017/18 as a result of the Council's self-assessment of current corporate governance arrangements against the principles of good governance set out in CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)'.

### **2. RECOMMENDATIONS**

2.1. That Members of Audit Committee note:

- Progress on governance enhancement activity during 2016/17 that has strengthened governance arrangements as set out in paragraph 3.4.
- The significant governance actions identified for 2017/18 to provide assurance of continued compliance with the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)', as set out in paragraph 3.5 and Appendices A and B to this report.

### **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 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.

- 3.1.2. 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.'*
- 3.1.3. The Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' on 16 January 2008. Audit Committee was initially advised of the anticipated 2016 update to the Framework on 29 March 2016. The revised Framework reflects the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector', published in August 2014 and is applicable to Annual Governance Statements prepared for the 2016/17 financial year.
- 3.1.4. The Framework defines the principles that should underpin the governance of each local government organisation. Authorities should therefore 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.

## 3.2. Local Code of Governance

- 3.2.1. A Local Code of Governance that summarises the system by which the Council directs and controls its functions, and relates to the local community, was initially approved by Audit Committee on 17 March 2008 (the first year of implementation of the initial CIPFA/SOLACE Delivering Good Governance Framework). A Local Code of Governance was then reaffirmed at Audit Committee on 10 June 2015.
- 3.2.2. 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 the core and sub-principles contained 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 set out.
- 3.2.3. The Council's current Local Code sets out a range of processes that can be broadly aligned to the 2016 Framework and therefore remain applicable in assessing the effectiveness of arrangements.

3.2.4. However, the primary focus of the 2016/17 review of existing corporate governance arrangements at the Council has been on compliance with the core and sub-principles that form the new 'Delivering Good Governance' Framework. A revised Local Code will be prepared for the June Audit Committee to enhance the assessment process that will:

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

### 3.3. Review of Corporate Governance Arrangements 2016/17

3.3.1. The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions authorities need 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 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.

3.3.3. 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.

- 3.3.4. Corporate Governance Group meets quarterly to proactively 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.
- 3.3.5. Appendix A summarises the significant enhancement activity identified 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 (significant) activity may be identified as a result of the ongoing review of governance arrangements.
- 3.3.6. 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.

#### 3.4. Summary of Governance Enhancements 2016/17

3.4.1. A summary of significant governance enhancement activity (to facilitate delivery of agreed outcomes that are sustainable) carried out in 2016/17 is outlined below:

- An asset review of the Garages Estate was carried out and a ten year Business Plan was agreed by Council in July 2016.
- A revised HRA Business Plan was agreed by Executive November 2016 to ensure a balanced HRA financial plan for the next 30 years.
- A review of the Repairs and Voids function to facilitate alignment to strategic focus and refocus operations on core activities was carried out.
- Data Protection and Information Policy and Guides have been reviewed and are awaiting final approval. An Information Security e-learning provider has been appointed to provide Information Security training for Officers and Members and this training is scheduled to commence March 2017. Data Protection training was reintroduced as part of the council's induction training arrangements.

3.4.2 In order to provide a more complete picture of the level of governance enhancement activity that is pursued and completed, a summary of scheduled governance activity (pertaining to best practice) carried out in 2016/17 is also outlined:

- A Senior Management Review was carried out to improve the capacity to deliver the council's corporate change projects. As part of this process a new competency framework was implemented (Grades 10 and above).
- The draft Equality and Diversity Policy has been reviewed by the Equality and Diversity Group. Consultation on the policy has been deferred until 2017/18.

- As part of the council's Performing at our Peak FTFC Programme, the council's corporate performance management and monitoring systems have been reviewed to draw together a wider range of performance elements and trends across the council relating to its finances, staff, customers and service delivery. Officers have been customising a new performance management system (InPhase) for the council and the system is helping facilitate timely reporting of performance information to senior management.

### 3.5 Summary of Planned Governance Enhancements 2017/18

3.5.1 Significant Governance enhancement activity identified for 2017/18 is summarised in Appendix A. Further detail relating to the plans summarised is outlined in Appendix B. A brief outline is also provided below:

- Activity to promote the consideration of commercial thinking and income opportunities over the wider organisation.
- Development of a new Property Investment Strategy and Asset Management Plan to support delivery of the Future Town, Future Council Programme.
- Ongoing completion and embedding of the Repairs and Voids improvement plan.
- Restructure of services through Future Council – Business reviews to improve Corporate Capacity.
- Continued activity to provide corporate oversight of Health and Safety compliance arrangements.
- Enhancements were carried out to governance arrangements associated with data protection and information security arrangements during 2016/17. The implementation of training through e-learning is now scheduled for 2017/18 delivery. In addition, further enhancements relating to cyber security have been identified and a schedule to deliver this is being developed.
- Business continuity activity to increase the resilience of the Council's IT and telephony arrangements.

3.5.2 In addition to the significant activity identified, a wider programme of governance enhancement is pursued by the Council (pertaining to best practice), a summary of this scheduled governance activity is also summarised below:

- Review of the Consultation and Engagement Strategy
- A local Government Association Peer Group review of Strategic Communications
- Development of a customer focused Digital Strategy, Customer Focus Strategy and a review of the Council's Equality and Diversity Policy

- Implementation of identified enhancement in relation to the Performance and Development Review process.
- Implementation of a new Capability Policy
- A review of the use of agency workers to ensure compliance with new legislation which comes into effect April 2017 and, in addition, carry out a Value for Money review of agency staff arrangements.
- Enhancement of the Council's Counter Fraud and Anti-Corruption Policies.
- Preparatory action in relation to the new Global Data Protection Regulation which comes into force May 2018.

#### **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 February 2017. A summary of identified governance enhancements for 2017/18, both scheduled (pertaining to best practice) and significant (governance controls identified to facilitate delivery of agreed outcomes that are sustainable) are summarised in Appendix B (attached).

#### **5. IMPLICATIONS**

##### **5.1 Financial Implications**

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

##### **5.2 Legal Implications**

- 5.2.1 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 2017 supported by information relating to service based governance assurance.

### **5.3 Risk Implications**

5.3.1 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**

5.4.1 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.

## **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 (10 June 2015)

## **APPENDICES**

- Appendix A: Summary of Significant Governance Enhancement Activity 2017/18
- Appendix B: Outline of Planned Governance Enhancement Activity 2017/18