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Ward (s) affected	All	Key Decision	No
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Subject	Corporate Governance – Progress Report
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RECOMMENDATIONS

The Audit Committee is asked to:

- Note the progress made against the Annual Governance Statement action plan for 2017/18
- Make observations or recommendations to the Executive as appropriate

EXECUTIVE SUMMARY

This report gives an update on progress made against the areas of focus identified in the Annual Governance Statement action plan for 2017/18.

CORPORATE PRIORITIES

Strong governance arrangements enable resources to be directed in accordance with agreed policies to deliver on the priorities set out in the Corporate Strategy.

The Committee has the authority to determine the Recommendations

1. Background

- 1.1 Mole Valley District Council's (MVDC) corporate governance arrangements comprise the systems, processes, cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
- 1.2 MVDC operates a governance framework which reflects legislative requirements, sound governance principles and management processes. This enables the Council to

implement its vision and to engage effectively with its residents and customers and ensure good outcomes for them.

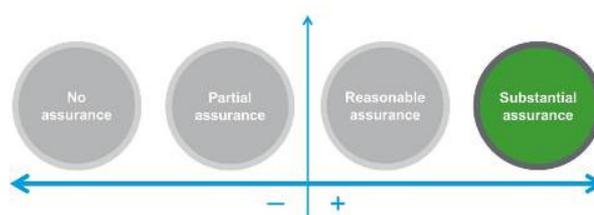
- 1.3 Local authorities are expected to use the Delivering Good Governance Framework and associated guidance, jointly published by CIPFA and Solace, as the standard for local authority governance.
- 1.4 MVDC's governance arrangements are reviewed annually against the Delivering Good Governance principles and this is then reported in the Annual Governance Statement (AGS) which is a public report. The AGS sets out how the Council meets a range of detailed governance standards, along with any areas for improvement which inform the action plan.

2. Internal and external audit reviews

- 2.1 In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion for 2016/17 was included in the Internal Audit Annual Report. MVDC was found to have an adequate and effective framework for risk management and governance. There were no issues judged relevant for inclusion in the AGS.
- 2.2 The 2016/17 AGS, including an action plan for 2017/18, was reported to Audit Committee as part of the Statement of Accounts on 29th June 2017. This was then subject to external audit over the summer. The external auditors' annual letter (Audit Committee, 23rd November 2017) confirmed that the AGS complied with the relevant guidance and that it was consistent with the external auditors' knowledge of the Council.
- 2.3 In January 2018 there was an Internal Audit of Corporate Governance which was assessed as green (see extract below). The auditors raised one 'medium' and two 'low' priority management actions. The 'medium' recommendation relates to the importance of workforce planning and the need to have aggregated reporting on compliance with the corporate performance development review process (appraisals). An action to address this will be included under the new strategic risk of 'organisational capacity to deliver' (see Risk Management arrangements report elsewhere on the agenda).

Internal audit opinion:

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.



3. Progress against the AGS action plan 2017/18

- 3.1 Ensuring that MVDC's governance arrangements are fit for purpose is an ongoing process. The 2016/17 AGS identified four actions for 2017/18:

- Undertake a self-assessment using the Home Office Serious and Organised Crime Checklist and develop an improvement plan
- Develop criteria for approvals of major capital schemes including consideration of economic, social and environmental impact
- Establish a rolling programme for reviewing and updating strategic plans and policies
- Confirm and implement governance arrangements for alternative delivery models

3.2 Progress against each of the AGS actions is given below:

Governance arrangements for new service delivery models

- 3.3 MVDC's governance arrangements need to keep pace with the range of partnerships and alternative delivery models it adopts.
- 3.4 The most recent developments include the Environmental Health shared service with Tandridge hosted by MVDC; the Southern Building Control Partnership, hosted by Tandridge; the Joint Waste Service hosted by Surrey Heath; and the creation of Mova Group of companies to enable delivery of MVDC's Asset Investment Strategy.
- 3.5 The Environmental Health shared service and the Building Control shared service have similar governance structures. Each has a Joint Partnership Board, comprising elected member representatives from each authority together with relevant senior officers and each one is underpinned by an Inter Authority Agreement (IAA). The IAAs set out the delegation of functions and the main terms of the partnerships.
- 3.6 The Environmental Health shared service went live in April 2017. In the first year of the partnership, the main way in which the two service areas have integrated is through the transfer of staff from Tandridge District Council to Mole Valley District Council through a TUPE transfer (the rules that apply to organisations of all sizes and protect employees' rights when the organisation or service they work for transfers to a new employer.) The wider integration involving the streamlining and standardisation of services, policies and decision-making is being managed through the Environmental Health Joint Partnership Board, and a Joint Management Team which is responsible for the day-to-day management of the service.
- 3.7 The inaugural meeting of the Environmental Health Joint Board was held on 19th January 2018 and work is underway in preparation for the next meeting in April regarding governance arrangements, including: developing a joint risk register, business planning, financial and performance monitoring and updating of policies. The recent internal audit of risk maturity and compliance confirmed the need to ensure that a joint risk register is in place to ensure that emerging risks are documented to evidence effective management and mitigation going forward.
- 3.8 The Southern Building Control Partnership (SBCP) was launched in June 2017. The IAA provides for the SBCP Joint Partnership Board to oversee and provide advice on strategic direction for the development, implementation and ongoing operation of the Building Control shared service on behalf of the constituent authorities. Executive decisions, including future changes to agreed percentage financial apportionment, budget or any future changes to the direction of the service remain with the constituent councils. The first meeting of the Southern Building Control Joint Partnership Board was held on 16th January

2018. In terms of governance issues, key performance indicators were agreed and a joint risk register was reviewed. The next board meeting is due to be held in April 2018.

- 3.9 An Inter Authority Agreement (IAA) also underpins the Joint Waste service (which is due to go live in MVDC in August 2018). The governance framework which is set out in the IAA consists of three tiers of decision-making with certain decisions reserved for specific tiers. This balances the need for practical decision-making enabling the contract to operate effectively and efficiently with sufficient governance to ensure elected Members are involved in making strategic decisions about the future direction of the contract and waste management in their authorities.
- 3.10 All matters that are not delegated to the Joint Waste Collection Services Committee (which meets quarterly and includes Executive Members with responsibility for waste from each authority), the Contract Partnering Board (which also meets quarterly with the contractor Amey) or the Authorised Officer under the Scheme of Delegation are reserved for individual partner authorities. This includes setting the annual budget for the Joint Contract and associated functions and setting fees and charges related to waste management.
- 3.11 In order to achieve economies of scale and ensure the contractor provides equitable services to each authority, a single Authorised Officer oversees the delivery of the contract. This individual is responsible for managing the relationship with the contractor, including performance and risk management, and representing the views and requirements of the Partner Authorities.
- 3.12 Work is underway with Applied Resilience, an organisation that provides resilience support services, to review and finalise business continuity planning and risk management arrangements for the joint waste service.
- 3.13 A further development has been the Asset Investment Strategy which was agreed (by Council in October 2016) in order to meet MVDC's budget pressures over the coming years. The governance arrangements include a company structure comprising a holding company with a subsidiary to enable MVDC to borrow money, in order to implement its Asset Investment Strategy, with the most tax efficient arrangements possible.
- 3.14 An Asset Investment Working Group ensures that Members are sighted and consulted on the implementation of the Asset Investment Strategy, ensuring that officers consider the views of Members prior to reaching any decision that falls within their delegated powers. The working group comprises elected members from all political groups plus senior managers, enabling the Council to meet the often very short timescales that operate in relation to the commercial property market, while ensuring cross Group engagement in the purchase process.
- 3.15 Changes to the MVDC Constitution arising from the Asset Investment Strategy (AIS) include amendments to the terms of reference of Scrutiny Committee to make it clear that the performance of the companies can be reviewed and scrutinised by that committee. Revised wording has also been inserted in the terms of reference of Audit Committee so as to empower it to receive reports on the business plans, corporate governance, risk management and financial performance of the companies.
- 3.16 In relation to transparency around the AIS acquisitions, the recommendation report to purchase is published on the Members' intranet site – once we have exchanged (or

exchanged and completed if simultaneous); the officer decision notices are published on the MVDC external website as soon as practicable after the decision has been taken; those officer decisions are reported to Council in accordance with the Constitution (section 15.3 Part 4 Rules of Procedure – Access to Information Procedure Rules).

Serious and organised crime self-assessment

- 3.17 Serious and organised crime (SOC) is often thought of in a regional, national or international context but its impact is most felt by local communities. It harms individuals, families and local businesses alike with rippling implications for even the smallest and most rural communities. Councils have access to critical community intelligence and a number of enforcement powers that can be used to disrupt this criminality and protect local communities.
- 3.18 In November 2017 a self-assessment using the Home Office SOC Checklist was undertaken by the Risk Management and Performance Team which includes the Fraud and Investigation Manager, in consultation with colleagues in Community Safety, HR, Legal and Democratic Services. It enabled the Council to make a high level, but balanced assessment of its exposure to the risks and in response develop an improvement plan for managing that risk, as well as capturing areas of good practice to replicate more widely across the organisation. Current arrangements were predominantly assessed as acceptable or good.
- 3.19 The self-assessment was signed off by the Senior Management Team and from this an improvement plan has been developed. The key action point in the improvement plan is to raise awareness amongst officers and members about tackling the threat of SOC, including an action for Business Managers to assess the threat in their service risk registers.

Economic, social and environmental impact of capital schemes

- 3.20 The Delivering Good Governance Framework identifies the need to consider and balance the combined economic, social and environmental impact of policies, plans and decisions on service provision.
- 3.21 As part of the budget preparation for 2018/19, Executive Members were tasked with preparing bids for any new/additional capital or revenue funding required. This identified plans for major capital expenditure next year. A template was circulated for presenting these bids. It required much of the information that would be expected in a standard business case such as cost, justification, future revenue implications, fit with corporate priorities, alternatives, timetable and risks. To further the commitment to assessing likely impacts, the template for capital schemes was amended to include consideration of the economic, social and environmental effects of the proposals.

Rolling programme for strategic plans and policies

- 3.22 A detailed piece of work has been undertaken to ensure that MVDC's plans and policies are brought together in one place on the website to enable greater transparency and to help us ensure they are kept updated and brought to the various committees for review/approval as necessary.

4. Financial Implications

- 6.1 MVDC's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). The Financial Regulations (contained in the Council's Constitution) govern the manner in which the Council's financial activity is conducted and its financial interests are safeguarded.

5. Legal Implications

- 7.1 MVDC's corporate governance structure is consistent with a variety of professional codes, statutes and guidance, including the principles contained in the Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016). Key elements of MVDC's governance arrangements are set out in the Council's Constitution, including legal matters and decision making. All decisions to be taken by Members are supported by a legal assessment of the implications.

CORPORATE IMPLICATIONS

Monitoring Officer commentary

The Monitoring Officer is satisfied that all relevant legal implications have been taken into account.

S151 Officer commentary

The s151 Officer confirms that all relevant financial risks and implications have been considered in this report.

Risk Implications

Ensuring that an effective risk management system is in place is a key component of MVDC's governance arrangements. MVDC has arrangements in place to ensure the effective management of risk. Risk registers are in place across the organisation linked to the achievement of corporate priorities.

Equalities Implications

There are no equalities implications arising as a direct consequence of this report.

BACKGROUND PAPERS

Delivering Good Governance in Local Government: Framework [Chartered Institute of Public Finance (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE), 2016]

Delivering Good Governance in Local Government: Guidance Note for English Authorities (CIPFA/SOLACE, 2016)