

The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 22 March 2017 (less the appendices, which are not relevant to the Committee's recommendation to Council).

TITLE OF REPORT: REVIEW OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2015/16 AND LOCAL CODE OF CORPORATE GOVERNANCE

REPORT OF THE SENIOR LAWYER (on behalf of SMT)

1. SUMMARY

- 1.1. For the Committee to note progress against the improvement actions arising from the Annual Governance Statement (AGS) for 2015/16 for implementation in 2016/17.
- 1.2. For the Committee to approve the updated Local Code of Corporate Governance so that this aligns with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) 'CIPFA/SOLACE' Framework principles (2016 Edition).

2. RECOMMENDATIONS

The Committee:

- 2.1. notes the current position with the AGS actions for implementation in 2016/17;
- 2.2. recommends to Full Council that all Members and employees undertake the Anti-Bribery e-learning module, as per the Shared Internal Auditor's (SIAS) report recommendation of November 2016;
- 2.3. approves the revised Local Code of Corporate Governance (Appendix B).

3. REASONS FOR RECOMMENDATIONS

- 3.1. Reviewing the AGS actions provides the Committee with assurance that it is following through with its commitment to improve its governance arrangements.
- 3.2. It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. There are no alternative options that are relevant.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. The Council's external auditors and SIAS were consulted on the AGS 2015/16. The AGS referred to assurances provided from various sources (for example internal and external audit reports completed) for the 2015/16 period.
- 5.2. No consultation has been carried out regarding this report.

6. FORWARD PLAN

- 6.1. This report does not cover a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

Actions:

7.1. The final AGS for 2015/16 was approved at the Finance, Audit and Risk Committee in September 2016. A number of improvement actions were identified in the AGS. The Committee agreed to review progress against these actions at its March 2016 meeting.

Local Code of Corporate Governance:

7.2. The Local Code of Corporate Governance was last updated in March 2016 and was based on the applicable CIPFA/SOLACE Framework published in 2007 “*Delivering Good Governance in Local Government*” (as amended through the Addendum in 2012).

7.3. A new Framework was subsequently published in 2016 by CIPFA/ SOLACE “*Delivering Good Governance in Local Government Framework 2016 Edition*” and this Framework applies to annual governance reviews undertaken during the 2016/17 period. This document superseded the one originally produced in 2007 and Councils have been strongly encouraged to include the 2016 Framework principles in their own Local Code of Corporate Governance.

7.4. If the amended Code is approved by Committee, then this and the Framework provide the blueprint against which operational compliance will be measured. This will then be reported through the AGS 2016/17 as a draft in June and in September 2017 for final approval (prior to the Statement of Accounts).

7.5. For information purposes a comparison summary between the old Framework principles and the new, has been appended (Appendix A), which CIPFA/ SOLACE have produced in the Framework Guidance Notes (2016 Edition). The 2016 Framework has seven main principles and number of sub-principles of good governance, which are set out in full in the Local Code of Corporate Governance (paragraph 2.4 in Appendix B).

7.6. In line with good practice the Code will be kept under annual review.

8. ISSUES

8.1 The following table details the actions that remained outstanding from the AGS action plan in September 2016. Actions completed by September 2016 have not been included.

TABLE 1- OUTSTANDING ACTIONS FROM AGS 2015/16 FOR IMPLEMENTATION IN 2016/17

Action area identified	Lead Officer	Action update to FAR September 2016	Update as at 7 March 2017
Principle 1:			
Council's performance management system shall be considered during 2016/17 by Overview & Scrutiny (O&S) Committee and Cabinet. The mechanism for performance review shall be considered during 2016/17 by	Head of Finance, Performance & Asset Management	A Task and Finish group on Performance Indicators and Projects was held on 19 July 2016. This resulted in O&S recommendations to Cabinet ¹ . Three of these were agreed (4-6: ²). The remaining are subject to further	The other three recommendations have now been implemented i.e. the Chairman's pre-agenda meeting includes updates on projects and performance. This then allows the Chairman to determine if the Committee wants to invite any Executive Members or Officers. Completed.

¹ See Task and Finish Group Conclusions and Recommendations : <http://web.north-herts.gov.uk/aksnherts/images/att11356.docx>

² That the Member Workshop on PIs be discontinued; Executive Members and Senior Officers set performance and project targets following adoption of the Corporate Plan and O&S review the performance and project targets/ receive an update from the relevant Executive Member.

Overview & Scrutiny Committee and Cabinet.		discussion between the Executive Member for Policy, Transport and Green Issues and the Chairman of the Overview and Scrutiny Committee (1-3). ³ The mechanism for performance review shall be considered during 2016/17 by Overview & Scrutiny Committee and Cabinet.	
Principle 2:			
The Scheme of Delegation review in the Constitution during 2016	Corporate Legal Manager and Monitoring Officer	A substantive review will follow any restructure of the senior management team. Restructure awaited and shall commence process post Council approval.	Dates to be confirmed. Potentially request delegated authority to finalise scheme of delegation as part of the Constitution amendments report/ decision at Council in April 2017. Ongoing.
Principle 3:			
Review of Member Code of Conduct complaints handling arrangements.	Corporate Legal Manager and Monitoring Officer	Due to be reviewed at the next Standards Committee meeting on 12 October 2016.	Reviewed by Standards Committee meeting on 12 October 2016 and new Procedure approved. Completed.
Planning Code of Conduct review of operation in 2016.	Corporate Legal Manager and Monitoring Officer	Due to be reviewed at the next Standards Committee meeting on 12 October 2016.	Reviewed by Standards Committee meeting on 12 October 2016 and minor change approved. Completed.
Member training on governance related issues.	Corporate Legal Manager and Monitoring Officer	New Guidance on the Code to be approved by Standards Committee and this to be used as part of training. Anticipated dates in November.	New Guidance was approved and completed first training at Standards Committee 21 February 2017. Further Member training planned for May 2017. Ongoing.
Annual Declaration letter introduced as part of the Anti-Bribery procedures to be signed and returned by all employees as part of their annual Regular Performance Review (RPR). Employees and their line managers responsible for ensuring these are returned.	Corporate Human Resources Manager / Learning and Development Officer	227/ 304 returned the Annual Declaration letter - 75% for 2016.	For 2017 the return of these Annual Declaration letters will be logged in the same way as the RPR (return date by end of July). A report will be compiled at the beginning of August chasing any outstanding letters.

³ See minute 36 resolutions: <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=CAB&meet=98&arc=71>

<p>Review of other training on anti-fraud and corruption provided to employees and Members, following SAFS action plan proposals for 2016/17:</p> <ol style="list-style-type: none"> 1. Roll out an E-learning anti-fraud training package for NHDC Employees; 2. Provide Money Laundering ('AML') training for appropriate employees; 3. Provide Fraud Awareness training to Elected Members. 	<p>SAFS Counter Fraud Manager</p>	<p>Discussion between Chairman of FAR and relevant officers regarding pre- Council training for Members (possibly before November Council meeting). Otherwise proposed delivery dates:</p> <ol style="list-style-type: none"> 1. By October 2016. 2. By October 2016. 3. By March 2017. 	<ol style="list-style-type: none"> 1. SAFS are developing a new e-learning package for HCC which needs to be completed by the end of March 2017. NHDC to contact SAFS CF Manager in April to arrange NHDC roll out (to be confirmed with HR). Ongoing. 2. AML Training was provided to NHDC S.151 and Head of Legal in October 2016. Completed. 3. Fraud awareness training was provided to NHDC Members prior to full Council in January 2017. Completed.
<p>Following review of the Anti-Bribery Policy and procedures, e-learning was provided for employees and Members. Uptake to be monitored and reported to this Committee.</p>	<p>Senior Lawyer (employees-CHRM responsible)</p>	<p>Module introduced in April 2016. Uptake of the e- learning module as at 6 September was 162/ 324⁴ employees completed (50%); 11 further employees currently showing "in progress". 3 Councillors.</p> <p>Examining ways of improving access for Members (remotely via Citrix or on site).</p> <p><i>Actions to promote included:</i></p> <p>Information note in MIS (April 2016) and Team Talk (May 2016).</p> <p>Two global emails were sent, firstly to all employees and Members (August 2016) and then to all Members (September 2016).</p> <p>Reporting through to SMT February and follow up with employees who had not undertaken module.</p>	<p>SIAS ethical policies review reported in November 2016.</p> <p>A Medium recommendation that this was included in the Induction programme and managers to ensure this is undertaken in the probationary period.</p> <p>Annual declaration form to be completed by employees and also confirmation that the Bribery Act (and the Data Protection Act) e-Learning modules have been completed.</p> <p>This will be included in the induction workshop for employees, with expectation that this e-learning will be completed then.</p> <p>A Medium recommendation that <i>"all officers and Members undertake the Bribery e-Learning module. Uptake of the module should be monitored and reported back to the NHDC senior management team."</i></p> <p><u>Since November actions include:</u> a reminder by the SDFP&G during Chairman's announcement at FAR Committee on 21 November</p>

⁴ HR figures for those registered on LMS

			<p>2016.</p> <p>Members encouraged to undertake the module as part of the Standards Committee training in February 2017. To include in May 2017 training.</p> <p>In February 2017 contacting managers to encourage their employees to undertake the module. The matter was reported back to SMT in February. Further action taken to highlight staff requirement and recommendation 2.2.</p> <p><u>As at 7 March 2017:</u> Employees: 255 completed, 9 in progress (2 Maternity leave) 255/ 310.</p> <p>Members: 4 completed, 1 in progress.</p> <p>Ongoing.</p>
<p>SIAS undertake a review of the effectiveness of the main governance Committee - Finance, Audit and Risk. A number of recommendations were made and approved by the Committee for 2016/17:</p> <ul style="list-style-type: none"> - An induction programme is provided to all new Members ; - All Members of Finance, Audit & Risk Committee are asked to complete the skills self-assessment to identify areas of strength and training needs; and - A training programme is delivered to satisfy any training needs identified. 	<p>Head of Finance, Performance & Asset Management</p>	<ol style="list-style-type: none"> 1. Not due until after 2018 District elections. 2. Questionnaires have been circulated to Members of the Committee. 1 returned. 3. Training to be tailored to needs/ requirements following responses to 2 above. 	<p>The two new Members of the Committee have been provided with 1:1 training, as well as the opportunity to receive briefings in advance of each meeting. This is linked to their dual role as Shadow Finance Executive Members.</p> <p>Completed.</p> <p>All members of the Committee were asked to complete a skills self-assessment matrix.</p> <p>Completed.</p> <p>A training programme is being developed by the Democratic Services Manager in conjunction with SIAS and Finance. The first session is scheduled for 6 April 2017.</p> <p>Ongoing.</p>
Principle 4:			
<p>Contract Procurement Rules review.</p>	<p>Payment and Reconciliation Manager/ Contracts and Procurement Lawyer</p>	<p>Review being undertaken and following FAR Committee consideration, potential recommendation on</p>	<p>Completed review and approved by Council 24 November 2016.</p>

		approval to Council for November 24 meeting.	
<p>The Council commissioned the East of England LGA (EELGA) to undertake a review of our procurement and commissioning activities. Most of these have been implemented, with outstanding actions as reported to the Finance, Audit & Risk Committee in March 2016 of the Procurement Strategy; contracts risk matrix and the implementation of Core/ Non-Core procurement. Core / non-core has now been implemented with Guidance to be produced in the form of a risk matrix and contract management guide. The Council will continue to implement the outstanding agreed recommendations from this review in 2016/17.</p>	<p>Head of Finance, Performance & Asset Management</p>	<p>Guidance to be produced in the form of a risk matrix and contract management guide.</p> <p>The Council will continue to implement the outstanding agreed recommendations from this review in 2016/17.</p>	<p>The content of the Contract Management Guide has been discussed by the Contract and Procurement Group to ensure that what is produced is of value. The conclusion is that this should be a quick reference guide with signposts to further information and useful contacts. This will be fully completed during the early part of 2017/18. This will include a simple tool on how to categorise contracts between core and non-core (risk matrix). Ongoing.</p> <p>There is only one other minor outstanding action relating to the Contract Module on InTend. This has been delayed due to limited IT training facilities before and during the office move. Ongoing.</p>
Principle 5:			
<p>The Council has a Corporate Equality Strategy to ensure we treat everyone fairly & equally. The Council is committed to equality of opportunity in employment and aims to have a workforce that is representative of the community that it serves.</p> <p>The Corporate Equality Strategy will be reviewed by December 2016.</p> <p>An annual Cumulative EIA Assessment to be prepared for 2016/17.</p>	<p>Policy Officer/ Strategic Director of Strategic Director of Finance, Policy & Governance</p>		<p>The Corporate Equality Strategy review has been completed and is due to go through the approval stages. Once approved it will be placed on the Equality pages on the internet. Ongoing. Cumulative assessment is ongoing and will be complete by the end of the civic year. Ongoing.</p>

8.2 Members will note that Principle 1 action in respect of Overview and Scrutiny has now been completed and the changes implemented.

- 8.3 The Principle 2 action in respect of the Scheme of Delegation (Section 14) in the Constitution has yet to be finalised. It is anticipated that this will be taken forward as part of the annual Constitutional review, reported to Council for approval in April 2017 or delegated authority sought to finalise the Scheme and report this back to Members once completed.
- 8.4 The Principle 3 actions in respect of the review of the Member Code of Conduct complaints handling procedure, the Planning Code of Conduct review of operation and Code of Conduct Guidance have been reviewed/ approved by Standards Committee and completed. Work relating to Member training on governance is ongoing. Some training has been provided in February 2017 to the Standards Committee as a precursor to further governance training in May 2017 for the full Membership. Note that other training to Members of this Committee will be provided as an 'ad-on' to the existing schedule.
- 8.5 The Principle 3 action on the employees' Annual Declaration letter is to improve the return rate by logging this in the same way as the Regular Performance Reviews (RPRs). As with the RPRs, Declaration letters will be due by the end of July and a report will be compiled at the beginning of August chasing any outstanding ones.
- 8.6 SAFS training for employees and Members has largely been completed. The only outstanding issue relates to more general employees training. Hertfordshire County Council / SAFS lead are developing a new e-learning package which should be completed by the end of March 2017. Following this, relevant officers will contact the SAFS Counter Fraud Manager in April to review and implement the training. However, it is understood that the Council's Learning Management System is under review and any implementation will have to take place in that context.
- 8.7 The Principle 3 action in respect of the Anti-Bribery e-learning module remains an outstanding issue. Members will be aware that this was launched in April 2016 as part of the Anti-Bribery Policy review, on the recommendation of the SAFS Counter Fraud Manager. As at *September 2016* 162/324 employees and 3/49 Members had undertaken the module. Following a SIAS Review of the Council's ethical policies (reported in November 2016) there is a recommendation that *all employees and Members* undertake the module. As at 7 March 2017, 255/310 employees and 4 Members have done so. In the light of this, the Committee is requested to make the recommendation in 2.2 *if it believes this will assist with meeting the SIAS recommendation, or such recommendation as the Committee deems appropriate to achieve this outcome.*
- 8.8 In respect of the Principle 4 actions, the Contract Procedure Rules have been reviewed and changes approved. However, some of the procurement/ contract EELGA review recommendations remain outstanding: Contract Management Guide and InTend Contract module. It is anticipated that the first will be completed in the early part of 2017/18 and the latter as soon as IT resources are available.
- 8.9 The final Principle 5 action in relation to the Corporate Equality Strategy and Cumulative EIA assessment is ongoing; however, it should be available for consideration as part of the 2016/17 AGS review.

9. LEGAL IMPLICATIONS

- 9.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 require the Council to conduct an annual review of the effectiveness of its governance system. This annual review is reported through the AGS, together with any actions to meet / continue to meet good practice. The review must be considered and approved by Members with the legal power to do so under the legislation⁵.

⁵ This is not an Executive function so via Committee or Full Council

- 9.2 The Terms of Reference of this Committee state at paragraph 10.1.5(h) of the Constitution that it should “ensure that an annual review of the effectiveness of internal control (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement”. It also has remit under 10.1.5(l) to approve the Code of Corporate Governance. Whilst there is no legal requirement to have a Code, it is recommended good practice to do so.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial implications arising from this report.

11. RISK IMPLICATIONS

- 11.1 Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. The ongoing review of the identified actions arising from the AGS provides the Committee with assurance that measures are being put in place to reduce identified risks. Approving a Local Code of Corporate Governance based on the national CIPFA/ SOLACE Framework is also a means of mitigating potential risks.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1st October 2010. The Act created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The approval of the updated Local Code of Corporate Governance aims to ensure that the Council’s internal governance arrangements comply with best practice. Good governance ensures that the provision of local authority services will be achieved in an equitable manner. This then in turn fulfils the local authority obligations as set out in the local government Equality Duty.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. As the recommendations made in this report do not constitute a public service contract, the measurement of ‘social value’ as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct Human Resource implications arising from this report or the Code. Any actions identified in the AGS will require officer resources; however, these should be covered within normal staff budgets.

15. APPENDICES

- 15.1. Appendix A – Comparison of CIPFA/ SOLACE Framework (2007 as amended 2012);
- 15.2. Appendix B - Revised Local Code of Corporate Governance.

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17. BACKGROUND PAPERS

17.1 Annual Governance Statement 2015/16 (on webpage: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>).

17.2 Local Code of Corporate Governance March 2016 (on webpage: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>)

17.3 CIPFA/ SOLACE “Delivering Good Governance in Local Government Framework 2016 Edition