

Committee: AUDIT COMMITTEE

Date: 21st January 2020

Subject: Monitoring Report of the Council's Governance Arrangements

1. Purpose of Report

- 1.1 To present the findings from the ongoing monitoring of the Council's governance arrangements.
- 1.2 To report on progress against the action plan to address significant governance issues as identified in the Annual Governance Statement.

2. Background

- 2.1 Part of the requirement of the Council's governance arrangements is a monitoring report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including officer and member policies and processes.
- 2.2 The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from this group.

3. Monitoring Results for Key Governance Processes

3.1 Consultation and Engagement

- 3.1.1 Assurance arrangements are satisfactory although the degree of engagement varies across services. Services undertake specific consultation as required to inform the development of new policies and shape future service delivery; service plans for 2021/22 (currently in draft) include the results of consultations and customer feedback which are used to developed new service plan actions. The Council also continues to carry out customer satisfaction surveys. For example, the Housing Service undertake a range of specific surveys on issues such as repairs & maintenance and voids & lettings. The Leisure Service seek regular feedback from service users which is used to improve the leisure offer.

3.2 Business Planning and Strategy, including Partnerships

- 3.2.1 The arrangements for business planning and strategy are adequate. Directorate plans and service plans are in place for the current financial year and new service plans for 2021/22 are being drafted for implementation from April 2021. Progress on delivery of these plans is considered at Directorate Management Team

meetings each month. The objectives in the corporate plan have again been refreshed for 2020/21 and were approved by Cabinet in March 2020. A new corporate plan for 2021 onwards is in development.

- 3.2.2 The Council's policy framework operates satisfactorily; policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place, updated annually and reported to Cabinet in October. The policy framework is set out in the Policy Framework and Budget Setting which will be reported to Cabinet and Council in February 2021.
- 3.2.3 Partnership assurance processes are subject to further development work in this financial year. A partnership strategy and framework is now in place; this gives guidance to those considering setting up new partnerships and advice on how to ensure that existing partnerships continue to be effective. Further work is planned to set out the performance reporting arrangements for key partnerships.
- 3.2.4 An audit of partnership arrangements is planned for the final quarter of 2020/21.

3.3 Financial Planning, Reporting and Budgetary Control

- 3.3.1 Robust processes are in place and provide assurance that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget report is considered by the Executive Management Team (EMT) monthly and by Cabinet Members bi-monthly. Variances at year end are reported on all service areas, with commentary on those more than +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance will be provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.
- 3.3.2 The Council maintains a ten-year rolling financial forecast which is reviewed and reported through to Cabinet and Council annually. The forecast is supported by three years detailed budget workings with the remaining years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves more than the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2020/21. Full Council agreed the Policy Framework and Budget Setting report in February 2020 which included the financial planning strategy, the medium-term financial forecast and a summary of completed efficiency work.
- 3.3.4 Since the 2020/21 budget was set, the COVID-19 pandemic has had a significant impact on the Council's budget. The financial implications are reviewed regularly, with updates included within the monthly and bi-monthly reports to EMT and Cabinet. The lasting impact of the pandemic and how this will be addressed is being considered as part of the 2021/22 budget setting process.
- 3.3.5 Arrangements are in place to ensure value for money (VfM) and the assurance processes are operating appropriately. A new Commercial Strategy which will both be in place for the early part of the new financial year which will have a positive impact on the Council's arrangements for securing VfM.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes in place, which include programmed asset management sessions at Operational Management Team

(OMT). Significant asset management issues are referred to the Strategic Asset Group.

- 3.4.2 The Housing Strategy and Corporate Asset Management Plan both contain progress in asset management activities and plans which contribute towards the short, medium and long term aims and objectives of the Council in relation to asset management.
- 3.4.3 A biennial programme of planned repairs and maintenance is in place for corporate buildings. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium-term financial forecast.
- 3.4.4 All ITC-related assets - including infrastructure such as servers, network equipment etc - are managed as part of the Council's contract with an external provider.
- 3.4.5 The Council owns a small fleet of vehicles and runs a vehicle maintenance workshop to carry out ongoing checks, servicing and repairs. We look to replace these vehicles with new vehicles every seven to eight years.

3.5 Risk Management

- 3.5.1 The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018 and a further refresh is now being developed. Two workshops have been delivered to all senior staff on the approach, but have particularly focused on:
 - Designing and implementing efficient controls that have the right effect on Impact and Likelihood
 - Ensuring robust assurances are available when monitoring risk
 - Having a consistent understanding of the approved risk appetite of the Council
 - Everyone contributing to an effective risk management framework that ensures the Council's overall tolerance for risk is not breached.
- 3.5.2 A Risk Management Health Check has been performed by an external consultant and officers are delivering an approach to address the areas for improvement identified by that review.
- 3.5.3 A corporate risk register continues to be in place and is ordinarily subject to monitoring by the Audit Committee and Corporate Management Team (CMT) in full twice a year. However, as a result of the attention on the response to the Covid-19 pandemic this has not happened this frequently, although work has begun refreshing the risks on the corporate risk register, starting with a review at CMT in December 2020. Risks are being identified as part of the development of service plans and risks get escalated to the corporate risk register should the identified issue be considered significant.

3.6 Health and Safety

- 3.6.1 As an employer the Council continues in its aim to meet its statutory Health and Safety duties and employs a competent person to assist with this. The competent person, who as the corporate health and safety lead, maintains an overview of Council arrangements and provides analysis on current management performance. Any significant health and safety issues are escalated to EMT.
- 3.6.2 The key functions of the corporate health and safety lead is to monitor and review departmental health and safety arrangements and advise the Council's OMT in embedding a positive health and safety culture, where risk is managed sensibly and balanced with specific aims to improve overall safety performance. A section

on Health and Safety was been added to the 'How it Works' guidance for managers in 2019 and was updated in December 2020.

3.7 Business Continuity

- 3.7.1 An internal audit on business continuity arrangements within the Council was completed in September 2020. This provided partial assurance over the arrangements in place and identified area of best practice for the Council to develop which have now been incorporated into the Council's business continuity activities.
- 3.7.2 Business continuity arrangements were significantly tested at the beginning of the 2020/21 financial year as large parts of the Council were required to work from home at very short notice following the lockdown announcement at the end of March 2020. However, arrangements for home working, where possible, were quickly put in place and have proved effective over the first and subsequent lockdowns.
- 3.7.3 Revised service level business impact analysis and response plan templates have been produced to further improve usability, clarity and outcomes involving a BC incident.
- 3.7.4 A corporate generic business continuity response plan exists, which has recently been subject to full review and revision, as part of a three-year cycle.
- 3.7.5 The subject of business continuity is incorporated into the quarterly risk management sections of OMT meetings.
- 3.7.6 The Council's emergency planning and business continuity framework document produced in 2018, describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public.

3.8 Performance Management

- 3.8.1 Core processes continue to operate satisfactorily, including the production of the corporate performance scorecard, refreshed for the 2020/21 financial year, which is considered quarterly by CMT and Cabinet. The indicators in the corporate scorecard help to show progress in the delivery of the objectives in the corporate plan. The service and directorate plans include performance indicators for both council-run services as well as for services provided on our behalf by contractors or partners. These indicators are updated as part of the service planning process.
- 3.8.2 Control arrangements also include the production of performance reports by all services from the performance database.
- 3.8.3 At an individual level, all employees are set objectives at the beginning of each appraisal year and performance is discussed in one-to-one meetings and at annual appraisals.

3.9 Data Quality

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data. Internal audit review the arrangements to ensure data quality where this is relevant to the audit work being undertaken. Data quality features on the governance action plan for 2020/21.

3.10 Information Governance

- 3.10.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Solicitor to the Council acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance which was updated in December 2020.
- 3.10.2 The General Data Protection Regulation (GDPR) became a statutory requirement from 25 May 2018, and together with the new Data Protection Act 2018 which has superseded the Data Protection Act 1998 it expands the rights of individuals to control how their personal information is collected and processed and places a range of new obligations on organisations to be more accountable and transparent when processing personal data. The Council has made good progress in meeting the requirements of GDPR and this work is led by the Solicitor to the Council.
- 3.10.3 The Data Retention Policy was updated in Spring 2019 and a session was held with OMT in June 2019.
- 3.10.4 A further session on information governance was held with OMT in September 2019 following which Information Asset Registers have been updated. In October, a check of how the Council's clear-desk policy was working was undertaken, giving further assurance that the Council complies with Data Protection Legislation.
- 3.10.5 Good progress has been made on the recommendations from a GDPR Audit carried out early in 2019. A follow-up audit was conducted in December 2019; the report concluded that we have satisfactory assurance in place in this area, although there remains action to be taken to fully address the recommendations arising from the original audit work.
- 3.10.6 The Council is currently undertaking an externally provided survey of staff's understanding of GDPR requirements and the arrangements that the Council has in place to address these. The results of this work will be available in early 2021.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of OMT.
- 3.11.2 The Council's commissioning and Procurement Strategy was updated in 2018 and the Procurement Toolkit also refreshed in 2018, to reflect changes in legislative requirements and internal procedures.
- 3.11.3 Service plans will be used to create a register of planned procurement showing timescales and expected resource requirements and training on effective procurement practices will be delivered over the remainder of the financial year.

3.12 Project Management

- 3.12.1 Assurance processes are subject to further development work. The service plans include an indication of expected projects in the upcoming financial year to help with resource planning. Over 2019/20, project management arrangements were reviewed and the Council's Project Initiation Document (PID) - a key part of the framework - was revised and rolled out.
- 3.12.2 However, an advisory audit of the Council's project management arrangements indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation. The audit also identified

varying levels of knowledge about the project framework, recommending a programme of training to those in the Council who work on projects to ensure consistency of approach and effective project management. This is picked up in the governance action plan in Appendix 1 to this report.

3.13 Complaints

3.13.1 There is a complaints policy in place and complaints are managed in accordance with this policy. Work has been undertaken on the website which has improved signposting to the organisation best placed to respond to the complaint. Recording of complaints in a consistent manner and sharing of learning from complaints is something which requires some development. Work is underway to ensure the complaints process complies with the Housing Ombudsman Complaint Handling Code which is now subject to annual self-assessment. Two recent Ombudsman investigations found in the Council's favour.

3.14 Ethical Governance including Fraud & Corruption and Whistleblowing

3.14.1 Satisfactory arrangements are in place. A common code of conduct is also in place along with appropriate mechanisms including a Review Committee. New Members of the Council have received induction training on the code of conduct and have completed the necessary register of interests.

3.14.2 There are appropriate assurance arrangements in place to ensure high standards of officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance.

4. Progress on the action plan in the Annual Governance Statement

4.1 This report includes, as Appendix 1, the action plan from the Annual Governance Statement with an update on progress against the actions.

5. Proposal to reduce frequency of the governance monitoring report

5.1 Audit Committee will be aware that this report is currently presented at all meetings, supplemented with a more detailed report on the governance arrangements in the Annual Governance Statement presented each July (although in 2020, as permitted by a temporary change to regulations, this was presented at the November meeting).

5.2 Due to the proximity of Audit Committee meetings in January and April, together with the relatively stable nature of our governance arrangements, much of the content of this report is unchanged over this time period. Therefore, it is proposed that the governance monitoring report will no longer be brought to Audit Committee in January, but that reporting will continue in April and September/October, with the Annual Governance Statement in July of each year.

6. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report.

c. Human Resource & Equality

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

d. IT and Asset Management implications

There are no direct IT or Asset Management implications arising from this report, beyond those reported in 3.4.

6. Links to Council's priorities and objectives

Assurance processes and improvement work support the delivery of all the Council's priorities and objectives.

7. Timescale for implementation and risk factors

The monitoring of the effectiveness of the assurance framework is ongoing and will be reported – subject to agreement by Audit Committee – in April and September/October each year with the Annual Governance Statement in July. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

Recommendation:

The Audit Committee notes the assurance provided by this report about the operation of the Council's governance framework.

The Audit Committee approves the new reporting schedule proposal set out in section 5.

Background Papers: Local Code of Governance

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Appendix 1 – Action plan to address significant governance issues identified in the Annual Governance Statement

| Number | Issue | Action 2020/21 | Date of implementation | Responsible officer | Update on progress |
|--------|--|---|------------------------|--|---|
| 1. | Improve the organisation's understanding of the effectiveness of partnership working | Develop and introduce reporting mechanisms on key partnerships to members and senior managers. | March 2021 | Strategy, Policy and Performance Manager | <p>Work has not yet begun on this action but will be informed by an audit of partnerships planned for early in 2021.</p> <p>Nevertheless, Cabinet has received updates during 2020/21 on the Community Safety partnership and on the Castle Point and Rochford Health and Wellbeing Board, two key partnerships for the Council.</p> |
| 2. | Address awareness and training needs for project management | <p>Participate in a follow-up audit of project management and use the learning to develop and deliver a training programme for Operational Management Team and others in the Council who manage projects.</p> <p>Develop and implement project governance structures for approval of business cases and ongoing monitoring of key project delivery.</p> | March 2021 | Strategy, Policy and Performance Manager | <p>An advisory audit of the Council's project management arrangements was issued in January 2021.</p> <p>This audit indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation, followed by training.</p> <p>The project documentation will be revised over the remainder of 2020/21 with training early in 2021/22.</p> |

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| 3. | Improve the organisation's understanding and application of good risk management | Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management. | Dec 2020 | Head of Internal Audit | This action has been delayed and will be progressed by the end of March 2021. |
| 4. | Better corporate coordination of data quality | Raise awareness of the importance of data quality and work with internal audit to develop a system of spot-checks in areas of risk. | Dec 2020 | Strategy, Policy and Performance Manager | This action has been delayed by ongoing Covid-19 response work and will be completed by the end of March 2021. |
| 5. | Coordination of procurement activity to plan required resources to undertake this procurement | Use service plans to create a register of planned procurement showing timescales and expected resource requirements. Training on procurement to be delivered. | Dec 2020 Mar 2021 | Principal Admin Officer and Procurement Specialist | Service plans are currently in draft – the register of planned procurements will be produced by the end of March 2021, alongside the planned training. There is a risk that the training element of this action will be delayed by ongoing Covid-19 response work. |
| 6. | Overdue implementation of the recommendations in the Planning Improvement Peer Review | Implement the outstanding recommendations made in the Planning Improvement Peer Review report. | Oct 2020 | Head of Place and Policy | Nearly all of the actions following the Peer Review have either been completed or are ongoing. These include member training, reconstituting the committee, member training and the local plan. The only red is to confirm the date for the follow up visit by the Local Government Association's (LGA) Planning Advisory Service (PAS). |
| 7. | Business continuity training and exercising is overdue (audit finding) | Undertake business continuity training and exercising with manager and other relevant staff. | Feb 2021 | Principal Admin Officer and Procurement Specialist | Business Continuity training was initiated in November 2020, with annual refresher being planned for relevant managers and staff. Desktop exercises (November 2020) sent to service managers and department heads. These are planned as a continuous six-monthly activity. |