Borough of Pendle

REPORT OF:	**FINANCIAL SERVICES MANAGER**
TO:	**ACCOUNTS & AUDIT COMMITTEE**
DATE:	**25th January 2018**

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CORPORATE GOVERNANCE & RISK MANAGEMENT UPDATE

PURPOSE OF REPORT

1. This report provides the Committee with an update on the following matters:

    a) the 'good governance' matrix published jointly by CIPFA[1] and SOLACE[2] in 2016 and on which details of an initial self-assessment were reported to this Committee in January 2017;

    b) the Action Plan contained in the Annual Governance Statement included within the Statement of Accounts for 2016/17 as approved by this Committee in July 2017; and

    c) developments relating to the Council's risk management arrangements.

RECOMMENDATIONS

2. The Committee is recommended to note:

    (a) the updated position on actions identified from (i) the initial self-assessment of the CIPFA/SOLACE Good Governance framework and (ii) the Council's Annual Governance Statement for 2016/17;

    (b) current developments linked to the Council's risk management arrangements with a full report to come to the next meeting in March.

REASONS FOR RECOMMENDATION

3. To ensure the Committee is made aware of current developments impacting on the Council's wider corporate governance framework.

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[1] CIPFA (Chartered Institute of Public Finance & Accountancy)
[2] SOLACE (Society of Local Authority Chief Executives)

ISSUE

CIPFA/SOLACE Good Governance Framework – Update on self-assessment

4. Since the original framework was published in 2007 the Council has maintained a local code of corporate governance together with an action plan identifying the extent of compliance and / or any areas in the council's arrangements that require further development.

5. This is subject to periodic review, primarily by the Corporate Governance Group which consists of the Chief Executive, Corporate Director and the Financial Services Manager (i.e. the three statutory officers).

6. The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

   - resources are directed in accordance with agreed policy and according to priorities;
   - there is sound and inclusive decision making;
   - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

7. This Committee first received a report on the revised framework in July 2016. This was followed by a further report in January 2017 which reported the outcomes from a self-assessment which looked at each of the seven principles in the framework and assessed the evidence available to demonstrate compliance.

8. The self-assessment was undertaken adopting the following indicators to assess the level of compliance:

   - Red   nil compliance - no evidence that arrangements exist;
   - Amber   scope to strengthen current arrangements / improvements required;
   - Green   current arrangements assessed as meeting the requirements.

9. The initial assessment concluded that the Councils governance arrangements were generally good and demonstrated compliance with the principles set out in the revised code. However, there were a small number of areas where it was felt the existing arrangements could be strengthened or required improvement. These were rated as Amber and the background to each is provided below together with an update on the current status:

   - *Ensuring the achievement of social value through service planning and commissioning – whilst the Council's governance framework refers expressly to ensuring account is taken of the social value requirements (e.g. in Contract Procedure Rules – CPR 7) there have been no instances of any significant commissioning (i.e. above EU thresholds) which would evidence where this has been a factor and hence currently this is shown as amber;*

     Update at Jan 2018 – the position remains as described above – there have been no significant procurements; however, the report author attended an event facilitated by the Local Government Association in 2017 at which a unitary borough council from the North West shared their experience of gaining social value through procurement evidencing that this could be obtained from low value procurements also. Further work is required on this to assess the potential benefits for Pendle but our resource constraints may limit the opportunity to explore this more fully given the modest payback expected.

- *Risk Management Policy and Strategy – whilst our arrangements are well established the actual policy and strategy statements require updating;*

  Update at Jan 2018 – the updated Risk Management Policy and Strategy documents were approved by this Committee in July 2017 and formally adopted by Council at its meeting on 26th October 2017.

- *Arrangements for Internal Audit – this was assessed as Amber purely as a result of impending staff changes and the need to put in place revised arrangements for 2017/18;*

  Update at Jan 2018 – revised arrangements were implemented following the retirement of the former Audit and Performance Manager. The effectiveness of these arrangements will be subject to annual review as has been the case for Internal Audit arrangements generally for some time.

- *Financial Statements – performance information used in the Narrative Report – this was a new requirement in 2015/16 and whilst we complied, our External Auditor recommended there was more we could do to strengthen this reporting – the accounts for 2016/17 provide the first opportunity to address this;*

  Update at Jan 2018 – the Statement of Accounts for 2016/17 reflected the feedback from External Audit with no issues of concern arising from the audit undertaken in respect of 2016/17 and as reported to the Committee on 31st July 2017.

- *LGA Peer Review – the Council invited a peer review, led by the LGA, in November 2015 and received a follow-up visit in November 2016; this confirmed good progress has been made on the recommendations from the initial review but in some cases work is still ongoing and hence this has been assigned an amber rating;*

  Update at Jan 2018 – the actions arising from the follow up visit by the LGA team in November 2016 were reported to Council in December 2016; since then these have been maintained under review by the Chief Executive supported by the Council's Corporate Client and Performance Manager. Progress against actions has mainly been completed or remains ongoing (e.g. addressing the council's financial position); an action on which progress has yet to be made is the formulation of an over-arching commercial strategy and work on this is expected to start shortly.

- *Managing Data – The Council is due to embark on a project to replace the current Intranet. The Council has also acquired Dotmailer to help communicate via HTML email with our customers. These developments combined with the ongoing implementation of IDOX software (using a unified view of property based data) require us to review and update various policies and practices (e.g. issues with duplicate data, data storage and retention policies);*

  Update at Jan 2018 – The Council opted not to progress the replacement of the Intranet as originally intended; instead the Council intends to re-develop the existing Intranet using current software provided by JADU; a project plan has been developed but work has been delayed owing to other priorities including the replacement Customer Relationship Management (CRM) system. The IDOX system has largely been implemented with only Land Charges activity remaining and this work is almost complete. IDOX provides a uniform view of property/address data for applications that use such data. Data storage and retention policies are presently under review linked to corporate work on the General Data Protection Regulations adopting a template provided by the LGA.

- Use of benchmarking to improve use of resources – whilst this is used within some services the Local Government Association (LGA) Peer Review team felt there was more the Council could do to build on these arrangements;

  Update at Jan 2018 – the former Audit Commission Value for Money Profiles are no longer maintained by the PSAA. They have been transferred to the Local Government Association and it is intended to view that latest data during Q1 2018 to help inform the service planning process for 2018/19.

Annual Governance Statement (AGS) – Update on 2016/17 Action Plan

10. The AGS published within the Statement of Accounts for 2016/17 contained the following action plan:

Issue No.	Issue Identified	Source of Evidence	Summary of Action Proposed
1	The scale of savings required over the medium term represents a significant challenge for the Council. There is a need to prioritise resources effectively and identify detailed savings options for the Council to consider as part of a strategy to achieve a balanced budget over the medium term.	Review of the Council's Medium-term Financial Plan – identified as a key strategic risk for the Council	Work has already begun to develop savings proposal for the period 2018/21 as part of the development of the Council's Financial Strategy and Medium Term Financial Plan. This work will also consider our arrangements for prioritising resources and maintaining organisational resilience. Reports will be considered by the Executive.
2	Need to ensure effective arrangements in place for the implementation of the General Data Protection Regulations (GDPR) in May 2018	GDPR will apply in the UK from May 2018	Review, analyse actions required and develop appropriate implementation plan and actions to ensure compliance by May 2018.
3	Disaster Recovery – review and testing of local arrangements including designated recovery site.	Proposals to transfer Colne Town Hall to Colne Town Council will impact on the availability of current designated recovery site	Determine and implement testing of specific recovery plans and confirm any revised arrangements for an alternative recovery site if this is required.
4	Development of an electronic records management system	Forms part of a project to develop and implement a new Staff Intranet	Develop an electronic records management policy by December 2017
5	Update required to the Council's Risk Management Policy and Strategy	Current documents are dated and need updating	Update and submit for approval a revised Risk Management Policy and Strategy.

11. An update against each of the above actions follows below:

- Action 1 – work is ongoing to update and refine the Council's medium-term financial plan and associated financial strategy. Various reports have been presented to the Budget Working Group, the Executive and Council respectively in support of this work. This will conclude in isolation for 2018/19 with the February cycle of reports with Council approving the budget and council tax for next year. Work will then continue of the next 3 year planning period.

- Action 2 – work is underway in response to the requirements of the GDPR – a separate report on this matter is presented elsewhere on this agenda.

- Action 3 – the Council's Business Continuity Policy and Strategy are currently being updated together with supporting documents; these will be concluded in the current year; whilst the recovery site remains temporarily at Colne Town Hall for the time being, discussions are taking place with Burnley Borough Council regarding mutual aid arrangements designed to bolster operational resilience in the event of an incident at either Council given we share the same IT service provider.

- Action 4 – this work was delayed given the changes to the replacement Intranet project as outlined above and now forms part of the work in progress at the present time linked to the implementation of the GDPR.

- Action 5 – completed and formally adopted by Council in October 2017.

Risk Management Arrangements

12. As referred to above, the Council has now formally adopted an updated Risk Management Policy and Strategy. This set out a revised risk matrix adopting a 5x5 rather than the previous 3x3 matrix (for assessing the likelihood and impact of risks). Work has commenced to re-align the current strategic risks to this new matrix and update the actions against each. A full update will be presented to the March meeting of the Committee.

13. The Corporate Risk Management Working Group has continued to meet quarterly during the year chaired by the report author. The actions and Minutes from each meeting are reported to the Council's Management Team and published on the staff intranet. The Group is supported by the Council's Health and Safety Consultant and representatives from our insurers (Zurich Municipal) and Broker (AON).

IMPLICATIONS

Policy
There no new policy implications arising from this report.

Financial
There are no direct financial implications arising from this report.

Legal
There are no legal implications arising directly from this report.

Risk Management
There are no new risk management implications arising directly from this report.

Health and Safety
There are no health and safety implications arising directly from this report.

Sustainability
There are no sustainability implications arising directly from this report.

Community Safety
There are no community safety issues arising directly from the contents of this report.

Equality and Diversity
There are no equality and diversity implications arising from the contents of this report.

APPENDICES
None.