

Annual  
Governance  
Statement  
2016/2017



# What is Governance?

Governance generally refers to the arrangements put in place to ensure that the intended outcomes are defined and achieved.

The Council approved a new local Code of Corporate Governance in July 2016. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE<sup>1</sup>.

The Council aims to achieve good standards of governance by:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing its capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The overall aim of the local Code of Corporate Governance 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.

Underpinning the Code is the Council's commitment to equality of opportunity in its approach to policy-making, service delivery and employment.

## Opinion

After conducting a review of the governance arrangements across the Council and overall compliance with the Council's Code of Corporate Governance, we are satisfied that the arrangements are effective.

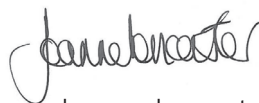
It is recognised that there are always opportunities to improve and the review has identified four improvement areas.

One of the four improvement areas, as it has been for the last two years, reflects the continued need to monitor shared service governance arrangements. We recognise that we've still not got the balance right between allowing the shared services to freely operate and yet still provide the necessary information to allow for full and effective Partner/Member scrutiny.

We are satisfied that this statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015 - to prepare an annual governance statement to accompany the 2016/17 Annual Financial Report.



Councillor Graham Bull  
Executive Leader



Joanne Lancaster  
Managing Director

23 August 2017  
Signed on behalf of Huntingdonshire District Council

<sup>1</sup> The Chartered Institute of Public Finance & Accountancy (CIPFA) & Society of Local Authority Chief Executives & Senior Managers (SOLACE).

# Improvement Areas - 2016/17

Four improvement areas have been identified. The reasoning as to why these areas need to be improved and the agreed action plan is set out below.

## **The continued development of effective governance and reporting arrangements for shared services.**

Lead Officer: Corporate Director (Services).

### **What are shared services?**

Huntingdonshire, Cambridge City Council and South Cambridgeshire District Council (known as the 3C's) are sharing ICT, Legal and Building Control services.

This item has been included in the governance statement for the last two years. Savings have been delivered by all of the shared services, however not all of the anticipated savings have been delivered in year one.

The Council delivers ICT for the 3C's partnership. The 2016/17 ICT savings target of £887k was missed by £590k. There are number of reasons for this – the primary ones being the use of expensive hired staff (including the former temporary Head of Service) and the failure to achieve the £200k savings from the rationalisation of contracts and the sharing of licence costs due to existing contractual obligations and insufficient time to re-procure common systems across all three authorities.

This highlights the need to ensure that business cases accurately reflect the challenges inherent in establishing shared services and capture investment requirements when early years savings targets are adopted. The budget overspend was highlighted in the financial information presented to both the 3C Partnership Board and the 3C Management Board but not until early in Qtr.4, 2016/17, highlighting the need for improved reporting and more proactive management of budget information.

Performance reporting – in respect of both delivery of the shared services business plan and budget – is not included in the performance management suite of information regularly presented to Members of the Council. Members received their only report on the performance of the three shared services in February 2017.

**Action taken:** A permanent Head of Digital & IT was appointed in January 2017. He has prepared a revised business plan that has reduced the savings targets from 15% to a yearly average of 9.7% across the 5 years of the plan. A stepped approach to the rationalisation of contract savings has been agreed. The financial reporting requirements set out in the Partnership Agreement have been introduced.

### **Action to be taken:**

The quarterly performance management suite is to include information in respect of the IT shared service performance from Qtr. 2 2017/18.

**Introduce the replacement financial management system so that it is operational and available to use from December 2017.**

Lead Officer: Head of Resources.

The 3C Council's jointly purchased a financial management system in June 2016 with the intention of modernising the way each Council undertakes its budgeting, financial forecasting, income collection, procurement and payment of suppliers. The 'go-live' date was April 2017. This date was not achieved and 'go-live' has been delayed until December 2017. The Project Board and the Shared Services Programme Board have approved this 'go live' date.

**Action taken:** The additional staff resources to support the implementation of the financial management system have been extended until December 2017. These costs can be met from the overall project budget.

**Ensure better outcomes are delivered to customers by improving that way in which complaints are recorded, investigated and outcomes reported back to the complainant.**

Lead Officer: Corporate Team Manager

An internal audit review of customer feedback procedures was undertaken during Qtr. 3, 2016/17. It concluded that overly bureaucratic and time consuming systems were in place to handle customer complaints, and a 'limited' assurance opinion was given.

**Action taken:** In line with the Transformation agenda, a LEAN review of complaints handling has been undertaken. A number of changes to the complaints process have been proposed – incl. clearly defining when a complaint should be recorded on the complaints system and making the complaint handling process simpler so that it is consistently used across all services.

**Action to be taken:** Policies and procedures are to be reviewed by 30 September 2017. An action plan will then be developed and agreed with SMT ahead of a relaunch of the complaints process by 31 January 2018.

The LEAN review also concluded that the IT system used to administer complaints was struggling to meet the Council's needs and options to replace the system will also need to be considered. No date has been agreed for this element of work.

## Introduce robust safeguarding procedures

Lead Officer: Head of Leisure & Health

An internal audit review of safeguarding procedures was undertaken during Qtr. 4, 2016/17. It concluded that the safeguarding procedures being followed were not as effective as they could be – there was an ad-hoc approach across Services to the assessment of safeguarding risks, piecemeal training and a lack of evidence that consistent checks on employees suitability for employment are carried out – this resulted in an ‘limited’ assurance opinion being given.

**Action taken:** The Managing Director has set-up a Safeguarding Governance Board. Its terms of reference and membership have been agreed. A number of Governance Board meetings have already been held. .

### **Action to be taken:**

The Safeguarding Governance Board will continue to meet on a regular basis to co-ordinate and oversee the delivery of the action plan identified through the internal audit. The key themes for delivery are:-

- Awareness Raising
- Adults at Risk
- HR Processes
- Service Issues
- Corporate Governance

The deadline for all audit actions being completed is December 2018, however the Governance Board have agreed that key actions will be dealt with as a priority, for example the development of an Adults at Risk safeguarding policy.

# Improvement Areas – 2015/16

There were two improvement areas included in the 2015/16 AGS.



## The need to improve debt management.

Lead Officer:  
Head of Resources

**Issue:** Internal audit reviews of the accounts receivable system during 2015/16 resulted in a 'little' assurance opinion being given for the third successive year. Whilst action plans had been agreed, few improvements had been made.

**Action taken:** A comprehensive and fundamental review of income systems and procedures has been undertaken during 2016/17 which has resulted in significant improvements. Internal audit now consider the system as being 'adequate'. One of the key improvements has been a reduction in the amount of outstanding 'general' debt over 21 days old. This reduced during 2016/17 by £1.2m to £991k.

To further improve debt management, a debt management policy was approved by Cabinet in July 2017.

The Head of Resources considers that the improvements made are such that this issue has been resolved.



## The continued development of effective governance and reporting arrangements for shared services.

Lead Officer:  
Corporate Director  
(Services)

This item has been carried forward into 2016/17. See page 4.

# How do we know our arrangements are working?

## Governance Framework

- Delivery of Corporate Plan priorities
    - Services are delivered economically, efficiently & effectively
      - Management of risk
      - Financial planning and performance
        - Effectiveness of internal controls
        - Community engagement & public accountability
        - Shared service governance
          - Project management & project delivery
          - Procurement processes
          - Roles & responsibilities of Members & Officers
            - Standards of conduct & behaviour
            - Training and development of Members & Officers
            - Compliance with laws & regulations, internal policies & procedures
- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Cabinet, Committees and Panels
- Corporate and service plans
- Shared service joint committee
- Policy framework
- Risk management framework
- Project management methodology
- Financial Performance Monitoring Suite
- Medium Term Financial Strategy
- Customer Service Strategy
- Consultation and Engagement Strategy
- Complaints system
- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Staff and Member training
- Codes of conduct
- Corporate Management Team
- Independent external sources



Assurance  
Required Upon

Sources of  
Assurance



Two key pieces of assurance are provided by Internal and External Audit.

The Internal Audit & Risk Manager stated in their 2016/17 annual opinion that the Council's internal control environment and systems of internal control provided adequate assurance over key business process and financial systems.

The external auditors, Ernst & Young LLP, have issued an unqualified opinion on both the 2016/17 statutory financial statements and the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

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- Regular performance and financial reporting
  - Annual financial report
  - External audit reports
  - Internal audit reports
  - Officer governance groups
  - On-going review of governance
  - External reviews and inspectorate reports
  - Customer feedback
  - Peer reviews
  - Council's democratic arrangements incl, scrutiny reviews and the 'audit' committee
  - Staff surveys
  - Council annual report
  - Corporate Governance Committee annual report
  - Community consultations

Assurances  
Received

- Continue to develop governance and reporting arrangements for shared services.
  - Introduce the replacement financial management system so that it is operational and available to use from December 2017.
  - Improve the complaint management process.
  - Introduce proportionate yet robust safeguarding procedures.
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Opportunities  
to Improve



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## Future challenges

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### Transformation

The Council has embarked on a transformation programme (MOSAIC) that is focused on improving customer service, generating efficiencies and lowering costs. It is a bold vision that will create a new model of service delivery based around an absolute focus on the customer and service user.

The programme is being developed as part of the efficient and effective Council strand of the Corporate Plan and is intended to run until 2019/20.

Delivery of the transformation programme will bring a number of governance challenges. These include the project management of such a large change programme, the recording and monitoring of the risks associated with each work element, the commercialisation of services and the continued successful delivery of services whilst change is occurring.

### Maintaining effective cyber security defences

Cyber security threats have become increasingly sophisticated and can be launched from anywhere, at any time, against any target. A number of high profile incidents have occurred during 2016/17 that have demonstrated the significant financial and reputational impact that this type of attack can have.

The Council relies on IT to deliver virtually all aspects of its services and is aware that it needs to maintain effective access controls and security update and patch controls across the network to mitigate financial, service delivery or reputational risks. A limited assurance opinion was given by internal audit on cyber security controls in the report they issued in Qtr. 3 2016/17. Whilst the audit review highlighted areas of good practice it has been agreed that improvements are needed in the areas of cyber risk assessments, the formal assessment of IT network security and incident management. One of the Corporate Governance Committees priorities for 2017/18 is to monitor the progress made by the IT shared service to introduce the agreed internal audit actions.

### General data protection regulation

The regulation applies from 25 May 2018. It will bring about a number of changes to the way that the Council collects and uses individuals personal data. It also significantly increases the fines that may have to be paid if a personal data breach occurs, whether through employee error or a cyber-attack. Work on preparing for the changes that the regulation will bring about has already commenced. An Information Governance Board has been established to support improvements to information management, information and security and compliance with information rights legislation.

## Post year end events

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### **Election of new Executive Leader**

In July 2017 Cllr Robin Howe, the Executive Leader resigned his position so that he could spend more time on his role as Deputy Mayor of the Cambridgeshire and Peterborough Combined Authority.

The Council elected Cllr Graham Bull to be the new Executive Leader. Cllr Bull has made changes to the Cabinet, reducing by one the number of Executive Councillors and re-assigning portfolio responsibilities.

### **Election of Mayor to the Cambridgeshire and Peterborough Combined Authority.**

The Combined Authority is made up of representatives from the seven principal local authorities within Cambridgeshire and Peterborough and the Greater Cambridge Greater Peterborough Enterprise Partnership. In November 2016 all eight organisations agreed to pursue the devolution deal made with Central Government. In May 2017, electors from across the region, elected the Combined Authority's first Mayor.

Cllr. Robin Howe, the Executive Councillor for devolution and growth is the Council's representative on the Combined Authority and holds the position of Deputy Mayor.

The Combined Authority is likely to impact upon the Corporate Plan priorities and objectives of delivering sustainable growth. There is the need for effective partnership relationships to be developed. A substantial amount of work has already been completed by the Managing Director and other Senior Offices in this area.

Two Councillors have been appointed to the Combined Authority Overview and Scrutiny Committee. Their brief requires them to consider the benefits to be gained by the Combined Authority as a whole, rather than focus on Huntingdonshire, and as such there may be conflicts that are required to be managed.

