



## AUDIT & GOVERNANCE COMMITTEE

### 2 December 2013

### GOVERNANCE UPDATE REPORT

#### **SUMMARY AND PURPOSE:**

The purpose of this report is to provide a half year update on the internal control environment areas within the 2012/13 Annual Governance Statement and the governance arrangements during 2013/14.

#### **RECOMMENDATIONS:**

The Committee is asked to:

- a) Confirm they are satisfied with the ongoing governance work; and
- b) Refer any concerns to the Cabinet or relevant Cabinet Member.

#### **INTERNAL CONTROL ENVIRONMENT:**

- 1 The 2012/13 Annual Governance Statement (AGS) identified a number of areas within the internal control environment that require strengthening in order to enhance the overall governance arrangements.

##### Capital Monitoring

- 2 'As the council looks to borrow to invest significantly over the next 3-4 years in property for service provision, investment and regeneration purposes, it is important that this is in line with a clearly articulated and agreed strategy and that there is appropriate governance around such capital spending decisions.'

- 3 On 23 July 2013 Cabinet agreed an investment strategy for the Council as part of ensuring it maintains its financial resilience, protects its long term financial position and develops alternative sources of income that reduce its reliance on Government grants and Council tax increases. This set out a proposed governance framework including the establishment of an Investment Advisory Board to advise Cabinet on implementation of the investment strategy. It also approved the proposal to establish, subject to a full business case to be agreed at Cabinet, a Property Investment Company (see paragraph 14).

##### Project Management

- 4 'There should be an increased focus on strong project management as an important tool in delivering change across the council. This should emphasise the strong importance of stakeholder engagement; ensure robust business cases with a strong rationale; and require proper tracking of envisaged benefits to ensure their realisation.'
- 5 A follow-up audit before the end of the year will assess progress.

### Commercial Services

- 6 'Governance around the four trading activities within Commercial Services (Education catering; Civic catering; Building cleaning; Maintenance of gym and other school equipment) should be strengthened and include greater visibility of the business plan and proper monitoring and scrutiny of performance against that plan.'
- 7 The agreed Management Action Plan set timescales for implementation of the recommendations by the mid-point of financial year 2013/14. The Head of Service for Commercial Services had informed Internal Audit that governance arrangements have been drafted and will be taken to the Children & Education Select Committee shortly. As such a follow-up to this audit has been scheduled for December 2013.

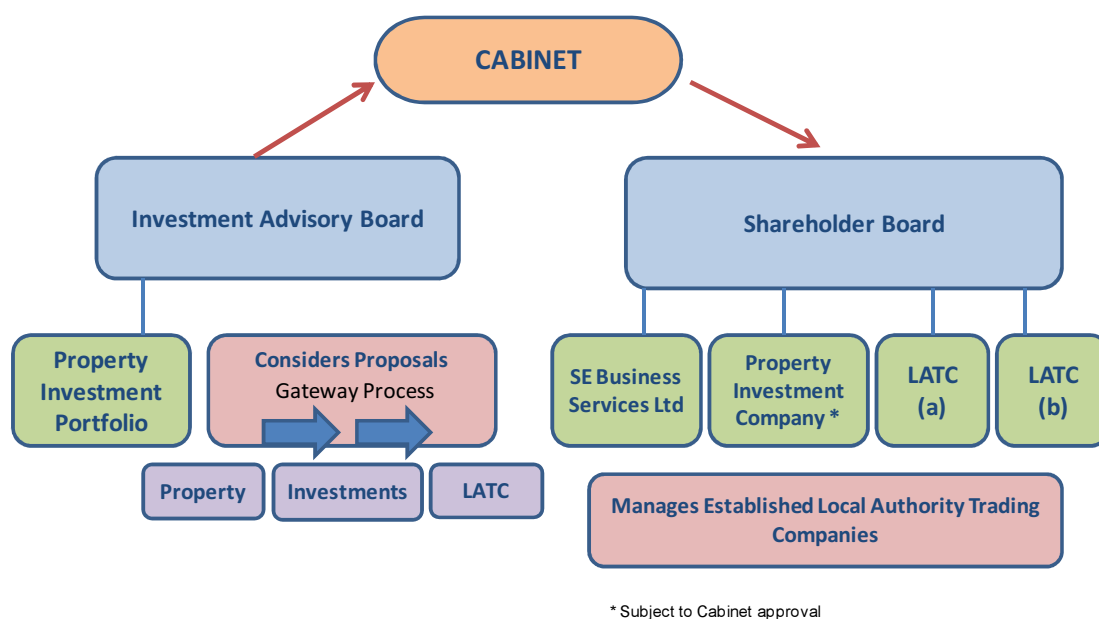
### Direct Payments (DPs)

- 8 'Social care reviews should be conducted at least annually in accordance with stated policy and DP account reconciliations should be completed in a timely manner and refer to the associated support plan that details the purpose the DP has been agreed for.'
- 9 A follow-up audit has been completed and its findings were reported in September 2013. This showed that progress has been made in reducing the number of overdue social care reviews. Whilst the council is still not compliant with national guidance or its own policies it should be noted that a shortfall in social care reviews is a national problem with approximately one third of service users nationally not getting at least an annual review. By comparison, between April 2012 and September 2013 the council has moved from 32% of DP recipients overdue for review to 17% overdue. Although it is necessary to comply with policy and guidance it is important to acknowledge the progress Surrey is making against a national backdrop of other councils backsliding in this area. Problems persist in the reconciliation of DP accounts: 34% of DP recipients were found to be failing to meet their responsibilities, with approximately £4,000,000 paid out to a group of 386 service users over 12 months who failed to return any paperwork accounting for their spend.

<b>2013/14 GOVERNANCE ARRANGEMENTS:</b>
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- 10 The Corporate Leadership Team (CLT) focus on strategic issues through leadership boards, which enable them to co-ordinate and lead on the delivery of the Corporate Strategy. In particular, the Continual Improvement Board (see annex A) takes a lead on risk and governance and receives updates from the Strategic Risk Forum and the Governance Panel as appropriate.
- 11 The 2012/13 Annual Governance Statement (AGS) identified a number of areas of focus for the 2013/14 year to ensure continual improvements in governance:
  - Sustainability through the Corporate Strategy and Medium Term Financial Plan;
  - Continued collaboration with partners; and
  - Internal engagement across the organisation.
- 12 A recent financial resilience review by Grant Thornton looked at the council's financial performance, strategic financial planning, financial governance and financial control. The external auditor's 2012/13 Annual Audit Letter concluded that *'the council's current arrangements for achieving financial resilience are adequate or better.'*

- 13 The Corporate Strategy and the Medium Term Financial Plan (MTFP) are tracked through regular monitoring reports to senior management and members. There are also case studies to evidence the achievement of priorities and these are published in the Chief Executive's six-month progress report and the Annual Report. The People Strategy has recently been refreshed to ensure consistency with the updated Corporate Strategy and MTFP.
- 14 Partnership working is increasing and proportionate governance arrangements are being put in place. For example, memorandums of understanding are in place with district and borough councils and a Public Service Transformation Network statement of intent. The council's new trading strategy is also ensuring effective governance arrangements are in place for all trading activities (see diagram below and annex A).



- 15 The council is ensuring sustained culture change by strengthening its capacity and capability to innovate. The council's approach to innovation (Shift) has been applied to a number of projects to act as a catalyst for different models of delivery and achieving the Corporate Strategy.

#### **IMPLICATIONS:**

##### **Financial**

- 16 There are no direct financial implications of this report.

##### **Equalities**

- 17 There are no direct equalities implications of this report.

##### **Risk management**

- 18 Sound governance and internal control leads to improvements in council performance.

#### **WHAT HAPPENS NEXT:**

Governance update reports will be provided to future Committee meetings.

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**REPORT AUTHOR:** Ann Charlton, Chair of Governance Panel

**CONTACT DETAILS:** 020 8541 9001 or [ann.charlton@surreycc.gov.uk](mailto:ann.charlton@surreycc.gov.uk)

**Sources/background papers:** 2012/13 Annual Governance Statement, governance review working papers, internal audit working papers, 2012/13 Annual Audit letter, Cabinet reports.

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**Continual Improvement Board**

Purpose: To provide leadership, challenge, oversight and early consideration of issues relating to and underpinning the delivery of the Corporate Strategy, Medium Term Financial Plan and the development of corporate policy.

**Membership:**

Strategic Director for Environment and Infrastructure (Chair)  
Chief Finance Officer and Deputy Director for Business Services  
Head of Human Resources and Organisational Development  
Head of Policy and Performance  
Heads of Service/Assistant Directors from Adult Social Care; Childrens, Schools and Families; Environment and Infrastructure; and Customers and Communities.

**Investment Advisory Board**

Purpose: To strategically manage the overall portfolio of investments and advise Cabinet.

**Membership:**

Leader of the Council  
Deputy Leader  
Cabinet Member for Business Services  
Cabinet Member for Assets and Regeneration Programmes

Supported by: Chief Executive, Strategic Director for Business Services, Chief Property Officer, Monitoring Officer (Head of Legal and Democratic Services) and the Chief Finance Officer.

**Shareholder Board**

Purpose: To influence and inform the development and implementation of the council's approach to trading.

**Membership:**

Leader of the Council (Chair)  
Chief Executive  
Up to 3 Cabinet Members

Supported by: Chief Finance Officer and Head of Legal and Democratic Services

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