

**Meeting: Audit Committee**

**Agenda Item: 10**

Portfolio Area: Resources

**Date: 7 March 2011**

## **Corporate Governance Arrangements**

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### **PURPOSE**

- 1.1. To advise Members of the Audit Committee on the Council's self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework.
- 1.2. To update Members of the Audit Committee on progress made against actions identified for delivery in 2010/11, and advise actions planned for 2011/12 to enhance the Council's corporate governance arrangements.

### **2. RECOMMENDATIONS**

- 2.1. That Members note the Council's self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework, as set out in Appendix A to this report.
- 2.2. That Members note the progress made against actions identified for delivery in 2010/11, and actions planned for 2011/12 to enhance the Council's corporate governance arrangements, as identified in Appendix A.

### **3. BACKGROUND**

- 3.1. In August 2006, the Department for Communities and Local Government set out what they considered "proper practice" in relation to corporate governance in the publication, Delivering Good Governance in Local Government.
- 3.2. Council's needed to adopt a local Code of Corporate Governance that set out their commitment to corporate governance and a framework that would demonstrate appropriate implementation. 2007/08 was the first year of implementation. The Audit Committee approved the Council's local code and embraced the CIPFA/SOLACE Framework on 17 March 2008.
- 3.3. The CIPFA/SOLACE Framework focuses on six key principles of corporate governance. The Framework sets out the actions authorities need to follow to achieve 'Good Governance' when applying the six key principles. These actions

include a review of existing governance arrangements against the CIPFA/SOLACE Framework.

- 3.4. The CIPFA/SOLACE six key principles of corporate governance are:
- **A clear definition of the authority's purpose and desired outcomes:** focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - **Well defined functions and responsibilities:** Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - **An appropriate corporate culture:** promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - **Transparent decision making:** taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - **A strong governance team:** developing the capacity and capability of Members and officers to be effective
  - **Real accountability to stakeholders:** engaging with local people and other stakeholders to ensure robust public accountability.
- 3.5. For each key principle, the CIPFA/SOLACE Framework outlines:
- A set of supporting principles
  - A range of specific requirements to assess the authority's quality of governance arrangements.
- 3.6 In March 2010, CIPFA published an 'Application Note to delivering Good Governance in Local Government: A Framework', to advise on the application of the *Statement on the Role of the Chief Financial Officer in Local Government* under the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 3.7 The application note aligned the principles that apply to the compilation of the CIPFA CFO Statement, published in June 2009, to the six CIPFA/SOLACE Corporate Governance Principles. The Application Note is intended to be a temporary measure that will operate for 2010/11 during which time CIPFA aim to carry out a full review of the CIPFA/SOLACE Framework. The five principles that apply to the CIPFA CFO Statement are attached as Appendix B.
- 3.8 As a result of this application note, a number of new requirements were added to the Framework.

## 4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The self-assessment of the Council Corporate Governance arrangements against the CIPFA/SOLACE six key principles forms part of the assurance process for the production of the Council's Annual Governance Statement.

- 4.2 The assurance process is the link between the strategic objectives and statutory requirements of the authority and how they will be delivered. It requires the identification of key controls that contribute to their effective delivery.
- 4.3 The review of the corporate self assessment against the six principles was completed during February 2011 by officers with key governance responsibilities. This review assessed the position of the organisation as a whole against the six principles, applying a score between 1 and 10 against each requirement. The following criteria were applied to determine scores:
- 1 – 3: High risk to the organisation, lacking significant structure
  - 4 – 7: Fundamental principle in place, but with identifiable weakness
  - 8 – 10: Compliant, any actions identified pertaining to best practice
- 4.4 The updated self assessment and improvement plan is shown at Appendix A.
- 4.5 Improvement actions have been identified to enhance arrangements where the requirement has been scored at seven or below.
- 4.6 The changes to self-assessed scores since the 2010 assessment are set out in the table below:

Increased	5%
Decreased	10%
No change	52.5%
New requirements 10/11	31.25%
Deleted requirement	1.25%

- 4.7 The limits on the Council's resources during 2010/11 resulted in a decrease in some scores and it is anticipated that delivery of actions in 2011/12 will continue to be challenging. However, the scores allocated indicate that the Council is compliant with the majority of requirements. Scores allocated are as follows:

Score 6	1	1.3%
Score 7	15	18.9%
Score 8	24	30.4%
Score 9	33	41.8%
Score 10	6	7.6%

- 4.8 Milestones have not been identified for the delivery of relevant elements of the Customer Focus Strategy, as the scope for delivery of the Customer Focus Strategy is reviewed periodically to ensure appropriate prioritisation having regard for available capacity.
- 4.9 Additional resources are being put in place to facilitate implementation of a competency based appraisal framework and enhancements to the Council's induction process.

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 There are no financial implications arising directly from this report.

### **5.2 Legal Implications**

5.2.1 It is a requirement for the Council to publish an Annual Governance Statement as part of its Statement of Accounts. This is due to be reported to Audit Committee in June 2011 supported by service based governance assurance.

### **5.3 Risk Implications**

5.3.1 Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate objectives and statutory requirements.

### **5.4 Other Corporate Implications**

5.4.1 The corporate governance regime affects all aspects of the work of the Council, as well as partners of the Council contributing to service delivery, and other agencies with which the Council shares information. External bodies in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust corporate governance arrangements that are fully embedded.

## **6 BACKGROUND DOCUMENTS**

- CIPFA/SOLACE, "Delivering Good Governance in Local Government"
- CIPFA/SOLACE, "Application Note to Delivering Good Governance in Local Government: A Framework"

## **7 APPENDICES**

- Appendix A – Self assessment against the requirements that form the six key principles of corporate governance in the CIPFA/SOLACE Framework.
- Appendix B - CIPFA CFO Statement five principles