

Meeting: Audit Committee

Agenda Item: 9

Portfolio Area: Resources

Date: 28th March 2012

Corporate Governance Arrangements

Author – Elaine Wright, ext 2192

Contributor – Suzanne Brightwell, ext 2966

Lead Officer – Scott Crudgington, ext 2185

Contact Officer – Elaine Wright, ext 2192

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 2011/12, and advise actions planned for 2012/13 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 2011/12, and actions planned for 2012/13 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. Councils 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, adding additional requirements to the six principles suite and the deletion of one requirement from March 2010. The Application Note was intended to be a temporary measure for 2010/11 during which time CIPFA aimed to carry out a full review of the CIPFA/SOLACE framework.
- 3.8. At the end of 2010, CIPFA, in association with SOLACE, circulated a questionnaire to seek practitioner's views on how the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was working in practice. After carefully considering the responses, CIPFA decided not to revise the Framework itself at this stage but update the guidance note that accompanies the Framework in order to consider how changes arising from the current policy agenda, including the impact of the transparency agenda and the proposals included in the Localism Bill, can be taken into account and reflected in an authority's local code of governance.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The self-assessment of the Council's 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 to meet Regulation 4 of the 2011 Accounts and Audit (England) Regulations.
- 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 Corporate Governance Group meets every two months to proactively consider the council's status of corporate governance focussing on one of the six principles at each meeting. In addition, an annual review of the Council's position against the full self-assessment framework is carried out.
- 4.4 The review of the corporate self assessment against the six principles was completed during February 2012. 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
- 4.5 The updated self assessment and improvement plan is shown at Appendix A.
- 4.6 Improvement actions have been identified to enhance arrangements where the requirement has been scored at seven or below.
- 4.7 The changes to self-assessed scores since last year's assessment are set out in the table below:

Increased	12.7%
Decreased	0%
No change	87.3%

- 4.8 Increased scores relate to:
- Improved shared partnership vision/values as a result of SHL integration and 'Working Together' (requirements 3 and 39)
 - Improvements to the quality of information to review service quality, particularly in relation to website development, and reflecting Govmetric award (requirement 5)
 - Enhancements to mechanisms to monitor service delivery which have been introduced over recent years (requirement 25)

- Completion of Code of Conduct revisions and awareness raising (requirements 32 and 33)
- Enhanced risk management arrangements (requirement 52)
- Enhanced induction process (requirement 59)
- Review of CFO responsibilities to ensure financial matters are not compromised (requirement 62)
- Production of annual report on scrutiny function (requirement 73).

4.9 The scores allocated indicate that the Council is compliant with the majority of requirements. Scores allocated are as follows:

		2010/11			2011/12		
		Number	%	Compliance Status	Number	%	Compliance Status
Weakness identified	Score 6	1	1.3%	20.2%	1	1.3%	10.2%
	Score 7	15	18.9%		7	8.9%	
Compliant	Score 8	24	30.4%	79.8%	30	37.9%	89.8%
	Score 9	33	41.8%		34	43.0%	
	Score 10	6	7.6%		7	8.9%	

4.10 The Localism Act is likely to have an impact on a number of requirements. The impact of this will be further considered as part of the compilation of the Annual Governance Statement as more information regarding the Act becomes available (currently anticipated in June 2012).

4.11 Due to the capacity of the Human Resources and Organisational Development service unit, actions requiring Human Resources input identify that the action cannot be completed until after implementation of Single Status (specific requirements: 64, 65, 67 and 70).

5 IMPLICATIONS

5.1 Financial Implications

There are no financial implications arising directly from this report.

5.2 Legal Implications

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 2012 supported by service based governance assurance.

5.3 Risk Implications

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

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”
- CIPFA CFO Statement Five Principles

7 APPENDICES

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