

Meeting: Audit Committee

Agenda Item: 6

Portfolio Area: Resources

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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 2012/13, and advise actions planned for 2013/14 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 2012/13, and actions planned for 2013/14 to enhance the Council's corporate governance arrangements, as identified in Appendix A.

3. BACKGROUND

- 3.1. 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 Accounts and Audit (England) Regulations (initially introduced in the 2006 legislation)
- 3.2. In August 2006, the Department for Communities and Local Government set out what they considered "proper practice" in relation to corporate governance by endorsing the CIPFA/SOLACE framework for Corporate Governance, "*Delivering Good Governance in Local Government*".

- 3.3. To meet legislation, 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.
- 3.4. In Autumn 2012, CIPFA revised the guidance that accompanies the framework reflecting an increased emphasis on strategic approach to reflect the significant change which local government is undergoing. This change being driven by the economic downturn and financial crisis, the provisions of the Localism Act and other key legislation. The revised guidance reflects the provision of public services through partnerships, collaboration, commissioning and the existence of shared services and partnership boards. These new ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.
- 3.5. 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.
- 3.6. 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.
- 3.7. 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 Corporate Governance Group review the requirements associated with the Six Principles and assess level of compliance on an annual basis. The 2013 assessment (approved by Strategic Management Board) is attached at Appendix A.

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 2013. 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. Improvement actions have been identified to address any identified weaknesses and enhance governance arrangements.
- 4.6 The changes to self-assessed scores since last year's assessment are set out in the table below:

Increased	7.6%
Decreased	1.3%
No change	89.4%

- 4.7 Increased scores relate to:
- The robust procedures put in place to ensure appropriate management accounting controls through the Joint Revenues and Benefits Management Board and improved control over the Housing Revenue Account as a result of Housing integration.(requirement 21)
 - Fit for purpose information provision to decision makers is now considered more robust and comprehensive with appropriate officer level challenge prior to consideration (requirement 47)
 - The assertion that advice provided on the levels of reserves/balances is in line with good practice guidance with a full risk assessment applied by Finance (requirement 51)
 - Lawful activity - consideration of the implications of the Localism Act for the Governance of the Council has been undertaken. There is Monitoring

- Officer representation at Executive and Full Council meetings (requirements 56/57)
- Following review and restructures, the Finance service is now adequately resourced in order to perform its role effectively (requirement 63).

4.8 The decreased score relates to the corporate officer induction process. Activity to address the identified weakness is already underway.

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

		2011/12			2012/13		
		Number	%	Compliance Status	Number	%	Compliance Status
Weakness identified	Score 5	0	0	11.4%	1	1.3%	11.50%
	Score 6	1	1.3%		1	1.3%	
	Score 7	8	10.1%		7	8.9%	
Compliant	Score 8	29	36.7%	88.6%	24	30.3%	88.5%
	Score 9	34	43.0%		38	48.1%	
	Score 10	7	8.9%		8	10.1%	

4.10 Where a weakness has been identified for a particular requirement, an action to address the weakness has been assigned. In some cases, due to the significant changes the Council is experiencing as a result of the economic downturn, financial pressures and new working arrangements (particularly shared services), actions have been carried forward a year. This is clearly indicated on Appendix A with an update on the current position and an appropriate explanation.

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” (2012 Framework and Guidance)

7 APPENDICES

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