

Report

Subject : Governance Framework and Governance Statement
Report to : Audit Committee
Date : Wednesday 26 September 2007
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1. Introduction

- 1.1. The new governance framework for local government has now been issued. The report outlines the key features of the framework and the requirements for implementation. Although the decision on unitary status means that the governance framework that the council puts in place will have a very short life-span, the publication of the governance statement next year with the accounts for 2007/8 is a statutory requirement. The governance review also provides an opportunity to identify areas of strength and weakness which the council should seek to address in future negotiations on the governance arrangements of the new unitary authority.

2. Key Features of the Framework

- 2.1. The framework sets out a new 'plain English' definition of governance which is more understandable than previous definitions:
- 'Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.'
- This is what the council should be aiming for if we are to say that we have good governance.
- 2.2. Governance comprises the systems and processes and culture and values, by which the council is directed and controlled and through which it accounts to, engages with and leads the community. In short governance enables the council to pursue its vision and underpin that vision with mechanisms for control and management of risk.
- 2.3. The Framework has been developed by SOLACE and CIPFA based on The Good Governance Standard for Public Services by the Independent Commission on Good Governance in Public Services. There are six core principles, set out in the diagram below.



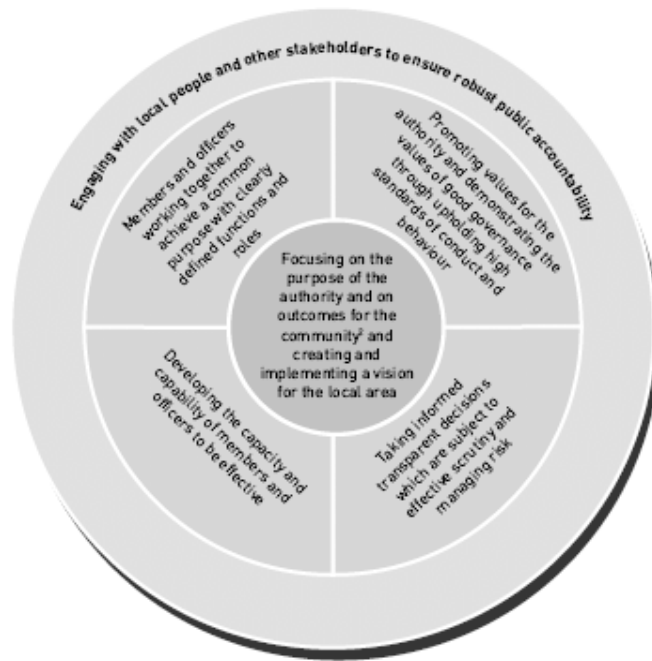
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Delivering Good Governance in Local Government - Framework

2.2 Each of the core principles has a number of supporting principles. These are set out in the attached appendix. The purpose of the framework is to help the council to achieve good governance and to be able to demonstrate to the public that it has good governance.

3 Requirements of the Framework

3.1 The supplement to the framework has been adopted as providing 'proper practices' to meet the statutory requirement under the Accounts and Audit Regulations (amendment 2006) to review annually the effectiveness of the system of internal control and publish a statement on internal control. What this means in practice is that the council will no longer publish a Statement on Internal Control (SIC) but will incorporate this within a Governance Statement. An annual review of governance arrangements and publication of the Statement is thus a statutory requirement.

3.2 The recommended best practice to support the production of the Statement includes the following:

- Review the council's existing governance arrangements against the framework.
- Develop and maintain an up to date local code of governance, including arrangements for ensuring its ongoing application and effectiveness.

3.3 The governance statement needs to include the following information:

- An acknowledgement of responsibility for ensuring that there is a sound system of governance.
- An indication of the level of assurance that the systems and processes that comprise the governance arrangements can provide.
- A brief description of the governance framework.
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.
- An outline of actions taken or proposed to deal with any significant governance issues.

- 3.4 The governance statement needs to cover all significant corporate systems, processes and controls, spanning the whole range of the council's activities. Inevitably there are some overlaps with the requirements of the SIC but new areas include:
- Assurance that the council's values and ethical standards are met.
 - Assurance that high quality services are delivered efficiently and effectively.
 - Assurance that the council's policies are implemented in practice.
- 3.5 In the development of the governance statement the council will need to gain assurance from a number of sources. The council already has an Assurance Framework in place to support the SIC and this will need to be developed to take account of the needs of the Governance Statement. The current Assurance Framework is set out in the [Appendix B](#).
- 3.6 The Governance Statement for 2007/8 will need to be approved by Full Council following review by the Audit Committee, as for the SIC. The inclusion of ethical standards within the statement means that the Standards Committee will also wish to consider that aspect also. The Statement needs to be signed by the Chief Executive and the most senior member and will be published with the Statement of Accounts. It is also recommended that it should be incorporated into an annual report, such as the Corporate Plan.
- 3.7 The SIC is subject to review by the Audit Commission to ensure that a proper process of review has been undertaken and that the action plan is consistent with their knowledge of the council. It is envisaged that a similar approach will be taken for the Governance Statement. It will also form a key part of the Use of Resources judgement from the Audit Commission.

4 Salisbury's approach to the review

- 4.1 The council will need to undertake the review and publish a Statement for 2007/8. With a vesting date of April 2009 arrangements for 2008/9 will need to be agreed across Wiltshire. The council would still be responsible for a review of its governance arrangements in that year, but it may be appropriate to develop some convergence in this period. The new authority will have new governance arrangements and a new assurance framework; however work that is undertaken now can be used to shape these arrangements. The council has initiated a comparison of all the Wiltshire council's arrangements for governance and internal control to inform the transition team and new developments for the Governance Statement will link into this. It is important however that the review process is tightly focused to avoid unnecessary use of resources.
- 4.2 The report to Audit Committee in September 2006 envisaged the establishment of a project team to conduct the review, develop the local code and establish the assurance framework for the Statement. The team proposed will include the Acting Chief Executive, Monitoring Officer, Head of Community Initiatives, Principal Democratic Services Manager and the Chief Internal Auditor. It is also important that there is Member input to the process from two separate aspects: to ensure that the process is adequate to allow the Audit Committee and Standards Committee to review and agree the Governance Statement and also to develop appropriate assurance mechanisms from Members themselves. The Audit Committee and Standards Committee are asked to consider whether they wish to nominate a representative to chair the review. Cabinet will also be asked to consider their representation on the review group.
- 4.3 The results of the governance review will be reviewed by Management Team and then brought to Audit Committee and Standards Committee for approval by April 2008. The Governance Statement will be brought to the June meeting of the Audit Committee to coincide with the review of the Statement of Accounts. It will then need to go to Full Council prior to signature by the Chief Executive and leading member.

5 Recommendations

- 5.1 The committee is recommended to approve the proposed approach to the governance review and nominate a representative.

Implications:

Financial: None

Legal: Regulation 4 of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 requires the council to publish a statement on internal control in accordance with proper practices. From 2007/8 the supplement to the Good Governance Framework defines proper practices for the form and content of a governance statement that meets this requirement.

Personnel: None

Community Safety: None

Environmental Impact: None

Council's Core Values: Communicating with the public, excellent service, open learning council and a willing partner.

Delivering Good Governance in Local Government: Framework
Key and Supporting Principles

Key Principles	Supporting Principles
Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.
	Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.
	Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.
Members and officers working together to achieve a common purpose with clearly defined functions and roles	Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
	Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
	Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
	Ensuring that organisational values are put into practice and are effective.
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.
	Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.
	Ensuring that an effective risk management system is in place.
	Using their legal powers to the full benefit of the citizens and communities in their area.
Developing the capacity and capability of members and officers to be effective	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
	Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal.

<p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>
	<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.</p>
	<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>

Salisbury District Council Assurance Framework

