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Report

Report subject	: Good Governance in Local Government: A Framework
Report to	: Audit Committee and Standards Committee
Date	: 26 September 2006 and 16 October 2006
Authors	: Diana Melville and John Crawford

1   Introduction;

1.1   Salisbury District Council adopted a local code of corporate governance in 2004 based upon the CIPFA / SOLACE framework *Corporate Governance in Local Government* published in 2001. In 2005 the Office for Public Management and CIPFA published *The Good Governance Standard for Public Services*, which aimed to provide a common governance platform for all bodies providing public services. CIPFA and SOLACE have now produced a consultation draft *Good Governance in Local Government: A Framework*. This is an update of the 2001 framework and is intended to be followed as best practice for developing and maintaining a locally adopted code of governance.

2   Summary:

2.1   This report summarises the key features of the new framework and highlights the changes from the previous framework. The closing date for comments on the consultation draft is 11 September and it is intended that the final framework will be published by the end of 2006. The report therefore considers the implications for Salisbury's local code and the annual review and recommends a timetable.

3   Key changes to the framework:

3.1   There have been changes to the terminology and the layout of the framework but the fundamentals of an effective governance framework have not been changed. The framework defines the principles that should underpin the governance of each local authority but is not prescriptive in the way these are achieved. The table below sets out the principles of governance and the dimensions of a local authority's business for both the 2001 and 2006 frameworks. The full description of the 2006 principles and dimensions are in Appendix A.

Awarded in:
Housing Services
Waste and Recycling Services

INVESTOR IN PEOPLE   CUSTOMER SERVICE EXCELLENCE

SALISBURY
District Council

2001	2006
Principles	
Openness and inclusivity	Purpose, outcomes & vision
Integrity	Leadership, defined functions & roles
Accountability	Promoting values and behaviour
Effectiveness	Decision making, scrutiny and managing risk
Up to date	Capacity & capability of members and officers
Leadership	Accountability
Dimensions	
Community focus	Leadership
Service delivery arrangements	Quality Services
Structures and processes	Stewardship
Risk management & internal control	Democracy & citizenship
Standards of conduct	

3.2   As can be seen there isn't a clear map from 2001 to 2006 but once the detailed principles are examined there are clear relationships. For example the first principle of the 2006 framework 'Focussing on the purpose of the authority and on outcomes for the community … and creating and implementing a vision for the local area' can be linked back to both community focus and service delivery arrangements in the 2001 framework. However, there have been shifts in emphasis which will need to be examined.

4   Implications of the new framework:

4.1   Clearly the new framework will not be finalised until after the consultation, likely to be towards the end of 2006. The annual review of corporate governance was due to be reported to the next meeting of the Audit Committee in January, which may not allow sufficient time to reflect the published framework.

4.2   In response to the framework authorities will be urged to test their structures against the principles by:

- Reviewing governance arrangements against the framework.
- Developing and maintaining an up to date local code of governance.
- Preparing an annual governance statement to report publicly on compliance with the code. (Appendix B shows the draft template for the governance statement.)

Although there is no legal requirement to undertake these actions it is clearly good practice to do so and this approach is likely to be endorsed by the Audit Commission as the approach expected for local authorities. It is also being proposed that the governance statement will be combined with the Statement on Internal Control (SIC) from 2007/8. Potentially this means that Audit and Standards Committees and Full Council will need to consider the combined governance statement in June 2008. Like the current SIC, the governance statement will need to signed by the Chief Executive and most senior member prior to publication.

5   Proposed work programme and timetable:

5.1   The following draft timetable is proposed.

Area of work	Responsible officers	Deadline & reporting arrangements
Planned 2006 review of corporate governance arrangements and review of action plan. It is proposed to focus this work on the agreed action plan only.	Chief Auditor in consultation with other officers	Report to Audit Committee and Standards Committee January 2007

Review governance arrangements against the framework	Statutory officers (Chief Executive, Monitoring Officer and S151 Officer) Chief Auditor Member representatives from both Audit Committee and Standards Committee Other officers or members as appropriate, particularly in relation to community engagement, scrutiny and service delivery.	Report to Audit Committee and Standards Committee January 2008
Develop a new code of local governance in accordance with the new framework	As above	Report to Audit Committee and Standards Committee January 2008 prior to approval by Council
Prepare an annual governance statement combined with SIC	Assurance process for SIC involves receiving assurances from all senior managers in the authority, risk management group and Chief Auditor. This process will need to be developed to cover wider governance assurances.	Report to Audit and Standards Committees June 2008, prior to approval by full Council

If agreed the governance review and development of a new code during 2007/8 will need to be included in the council's Resources Portfolio Plan. Once the final framework is published then any necessary adjustments to the work programme and timetable will be reported to the Committee. Nominations for member involvement in the review will be sought nearer the time.

6   Governance work in 2006/07:

6.1   The corporate governance action plan identified a number of actions and will be reported in full to the December meeting of the Committee. In addition the Audit Commission proposed that work was undertaken on a review of ethical standards. This was referred to the Standards Committee for consideration.

6.2   Standards Committee considered a report on ethical governance from the Monitoring Officer at its meeting on 20th March 2006. It resolved that in the light of the self assessment carried out by the Council using the CIPFA/SOLACE model in 2004/2005 and the findings of the Audit Commission as part of its Use of Resources judgement earlier this year neither a further assessment nor a voluntary audit was needed at this time but the position would be reviewed following the local elections in May 2007. Standards Committee will need to review its decision in the light of the published finalised framework.

7   Recommendations:

7.1   It is recommended that the draft timetable be agreed.

7.2   It is recommended to Cabinet that the review of corporate governance is included in Resources portfolio plan for 2007/8.

8   Background papers:
        Good Governance in Local Government: A Framework, CIPFA and SOLACE

Principles of Good Governance (2006)

Good governance means:

1. Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3. Promoting the values of the authority and demonstrating the values of good governance through behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5. Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively.

6. Engaging with local people and other stakeholders to ensure robust local public accountability.

Dimensions of a Local Authority (2006)

1. To provide leadership for and with the community and engage in effective partnerships.

2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.

3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.

4. To develop local democracy and citizenship.

Source:

Good governance in local government: a framework
CIPFA / SOLACE, June 2006

Statement template from 2006 Consultation Draft

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

[The authority] is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. [The authority] also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, [the authority] is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

[The authority] has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the code is on our website at […] or can be obtained from [...]. This statement explains how [the authority] has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of [the authority's] policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at [the authority] for the year ended 31 March 200x and up to the date of approval of the [annual report] and statement of accounts.

The governance environment

Describe the key elements of the systems and process that comprise the authority's governance arrangements including arrangements for: • establishing and monitoring the achievement of the authority's objectives • the conduct of behaviour • the facilitation of policy and decision-making • ensuring compliance with established policies, procedures, laws and regulations • embedding risk management in the activity of the authority, including how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties; • ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty; • the financial management of the authority and its financial reporting; and • the performance management of the authority and the reporting of performance management.

Review of effectiveness

[The authority] has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of:

- the authority
- the executive
- the audit committee/overview and scrutiny committees/risk management committee
- the standards committee
- internal audit
- other explicit review/assurance mechanisms.

I/we have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive/audit committee/overview and scrutiny committee/risk management committee *(amend list as appropriate)*, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

[Include an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.]

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………………………………………………………

Leading Member & Chief Executive on behalf of [the authority]