DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK (CIPFA/SOLACE) Review of annual governance statements 2016/17

Introduction

Following extensive research and consultation, CIPFA in association with SOLACE published a new edition of *Delivering Good Governance in Local Government: Framework* and accompanying guidance notes in 2016. The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The revised Framework was published at a time of significant and continuing change for local authorities, much of it driven by austerity measures which has means that local authorities have had to adapt the way in which they operate. Legislation, such as the Cities and Local Government Devolution Act 2016, and Policing and Crime Act 2017 have brought new roles and greater flexibility for local authorities and wider collaboration.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes are what give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Also, the focus on sustainability and the links between governance and public financial management are crucial — local authorities must recognise the need to focus on the long term. They have responsibilities to more than their current electors; they must take account of the impact of current decisions and actions on future generations.

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with control and the management of risk. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities. There should be sound and inclusive decision making and clear accountability for the use of those resources in achieving defined outcomes for services users and the wider community.

The new Framework and guidance have now been in place for over a year. The Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. This briefing looks at how the 2016/17 annual governance statements prepared by local authorities have taken on board the focus of the new Framework.

2016 Framework – key points in relation to annual governance statements

Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance which is consistent with the good governance principles in the Framework. This includes:

- How the effectiveness of governance arrangements has been monitored and evaluated in the year
- Any planned changes in the coming period.

The annual governance statement is a valuable means of communication and should reflect an individual authority's particular features and challenges. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

The annual governance statement should:

- Provide a meaningful but brief communication regarding the review of governance that has taken place including the role of the governance structures involved (such as the authority; the audit and other committees)

- Be high level, strategic and written in an open and readable style

- Focus on outcomes and value for money and relate to the authority's vision for the area.

Unlike the earlier edition of the Framework, the 2016 edition does not provide a template for the annual governance statement. Instead, it provides guidance on what should be included (summarised below). In addition, good practice features for an annual governance statement are outlined in the guidance notes published in 2016 to accompany the Framework.

The annual governance statement should include:

- An acknowledgement of responsibility for ensuring that there is a sound system of governance (including the system of internal control) and refer to the authority's code of governance

- A reference to and assessment of the effectiveness of key elements of the governance framework in supporting planned outcomes and the role of those responsible for its development and maintenance

- An opinion on the level of assurance that the governance arrangements can provide

- An agreed action plan dealing with significant governance issues and also indicating how previous actions have been resolved

- A conclusion

- The signature of the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.

Review of 2016/17 Annual governance statements

Fifteen local authority annual governance statements were reviewed for the purpose of this briefing. The points summarized above were looked for, outlined in the table below. The aim is to assist local authorities in sharing best practice and to pick up common pitfalls. Several examples illustrating some of the good practice points mentioned below are included.

Criteria/comment	**Reporting tips**
Meaningful but brief communication, open and readable, high level	• Avoid too much description, particularly where web links to other documents would suffice • Ensure that the authority's code of governance (or documents that comprise the local code) is kept up to date and is on the authority's website. A link to the authority's code from the

	AGS will limit the need for a description of the authority's governance arrangements.
Focus on outcomes and value for money and relates to the authority's vision	• The AGS should link to the authority's strategy, mission and objectives, explaining how the governance arrangements support their realisation.
Takes account of the new Framework	• Ensure references are to the 2016 Framework and principles, not the previous edition • Ensure that the authority's code of governance is in line with the new Framework. In particular, that it takes account of: ○ sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures ○ the long term - the impact of current decisions and actions on future generations.
Quality of the assessment of the effectiveness of the governance framework	• Emphasis should be on the assessment of the Framework not a description of it eg how a robust assessment of the principal risks facing the authority's performance has been carried out. Pay particular attention to partnerships and evolving structures. • Demonstrate that arrangements are subject to review on an ongoing basis.
Articulation of key risks, future challenges and governance weaknesses	• Consider how the authority's controls manage the risk of failure in achieving outcomes – how are they being mitigated against? • Again, to make this more straight forward, use links to other documents already on the web such as the organisation's strategy, planning documents, risk analyses
Action plan A clear AGS is not what is being looked for, or what an authority should aim for. Where there has been a rigorous review, issues will inevitably be identified that the authority will need to address. An absence of issues to report may	• Include an action plan or refer to where it can be found • Ensure significant issues raised in the statement are covered in the action plan • Indicate what has been done about issues raised in previous the year • Ensure the plan shows who is responsible for action with appropriate time scales. • A table can be helpful for illustrative purposes

signify that governance arrangements are not as strong as they should be, rather than being an indication of strength.	• Ensure priorities are clear
Easily accessible Local authorities are required to include the statement *with* their statements of accounts. Therefore it is surprising when the accounts are easily found on an authority's website but not the annual governance statement.	• Ensure that the AGS can be found easily, close to the financial statements on the website.
Good use of diagrams, hyperlinks – connectivity	• Diagrams can communicate a lot of information in an easily accessible/attractive manner • However, the AGS should not be so sophisticated that stakeholders are unable to open the pdf.
Opinion	• An assurance opinion must be included. This is the opinion of those signing the statement on behalf of the entity.

Examples

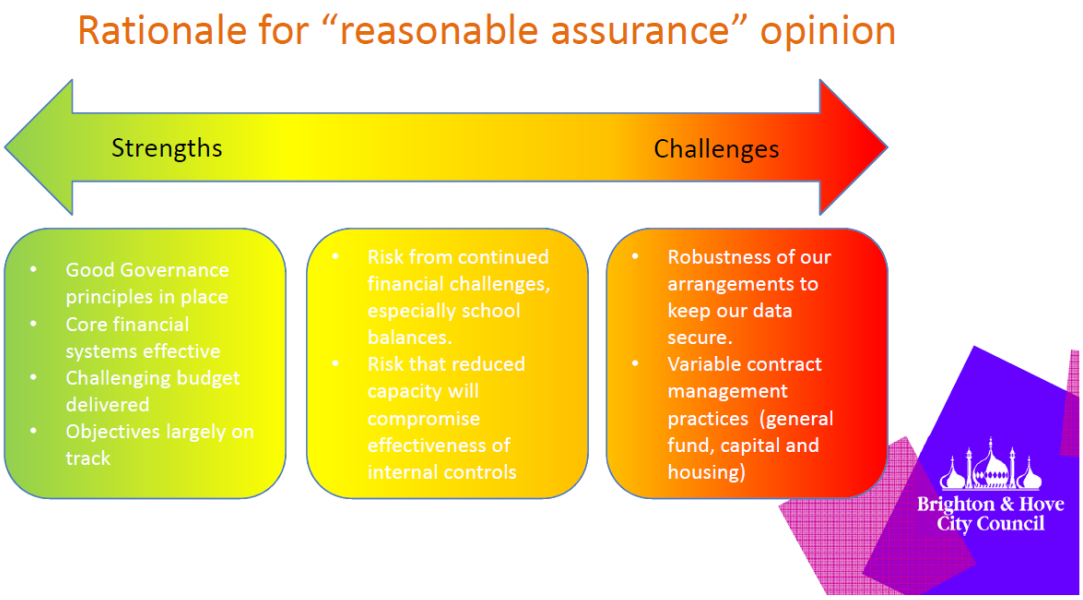
Cornwall Council – examples of actions showing how they have taken account of the Framework's principles and some of the priorities for 2017/18

Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	✓ The Council's Strategy and Business Plan for 2015/2020 has clearly defined economic, social and environmental outcomes to be delivered during the period. ✓ The Council has an approved Organisational Development Framework that consists of the key strategies through which the Council's Strategy and Business Plan will be delivered. ✓ Each Service has a Service Plan that outlines outcomes to be achieved and how they link to the Council's Strategy and Business Plan. ✓ The Council's Performance Management Framework ensured that key measures, targets, programmes and performance indicators were regularly reported to Directorate Leadership Teams, the Council Leadership Team, Cabinet and relevant Scrutiny and Policy Advisory Committees.

Priorities for 2017/18
In the approvals process for this Annual Governance Statement, the following key areas were identified as meriting particular attention over the next 12 months. Some have featured wholly or partly as issues for attention in 2015/16 and 2016/17 as set out above. As reflected by the table below lead officers have been appointed for each of these governance priorities and will be held to account through Corporate Leadership Team meetings.

No.	Area requiring improvements	Senior Responsible Officer
1	Contract management	Service Director – Commercial Services
2	Performance management	Service Director – Engagement and Communication
3	General compliance with operational policies and procedures	Chief Operating Officer and Section 151 Officer
4	Specific compliance with Public Sector Equality Duties	Service Director – Resources with Service Director – Engagement and Communications

Brighton & Hove City Council - diagram summarising rationale for opinion

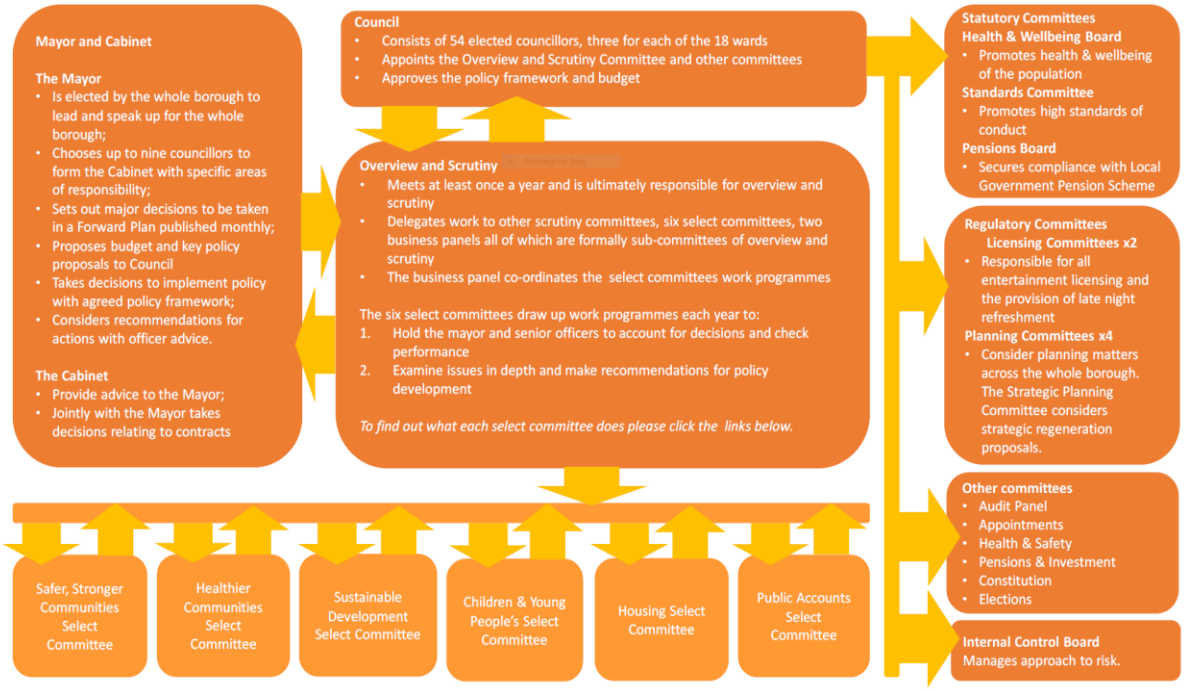


LB Lewisham – illustration of the Council's vision, governance structure, risk and strategy framework and review of effectiveness

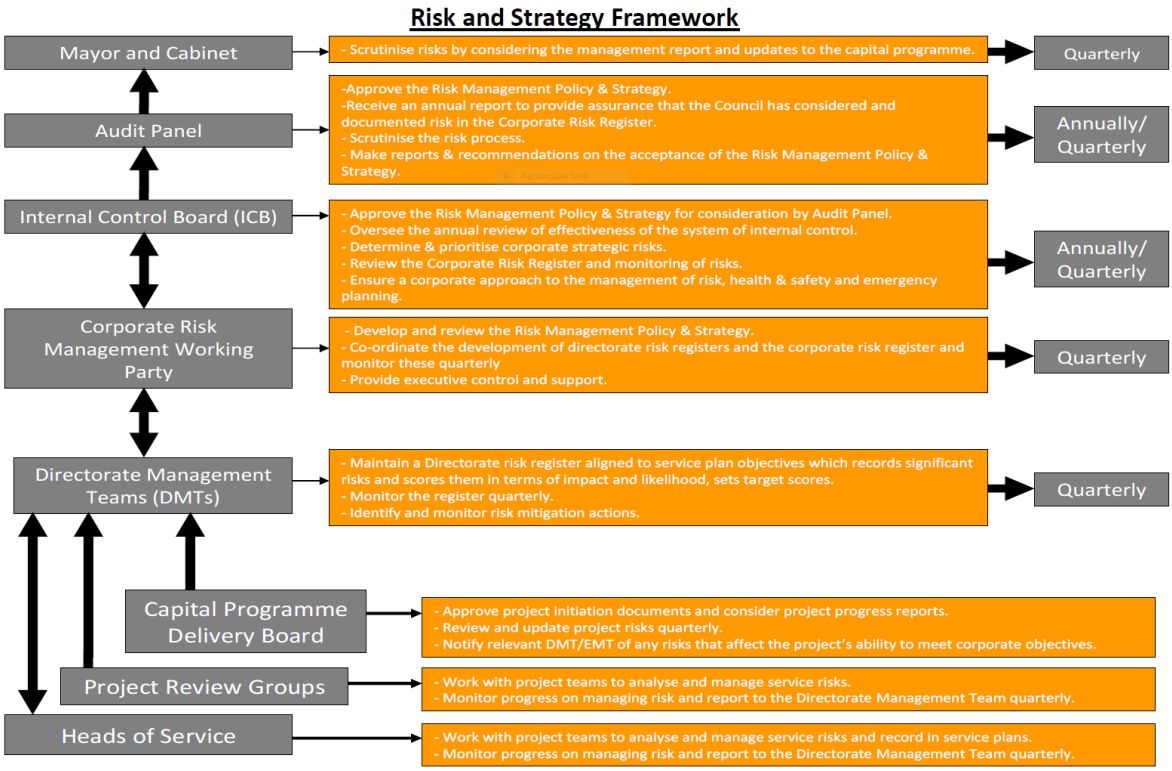
Vision

The Council has an overarching vision for the borough which is shared by its key partners and which was developed following extensive consultation with the community: 'Together we will make Lewisham the best place in London to live, work and learn. The Sustainable Community Strategy (SCS) 2008-20 outlines how all partners will work towards the vision by contributing to six key priorities:

Governance structure



Risk and strategy framework



Assessment

How do we know our arrangements are working?

Throughout the year, the Council regularly reviews the effectiveness of its governance framework, including its system of internal control. Activity undertaken includes:

- Consideration of governance issues by the ICB – including risk registers, counter-fraud updates and internal audit reports.

- Preparation of a rolling plan of audit coverage to be achieved in the forthcoming year by the Head of Audit and Risk, primarily based on an assessment of the Council's risk profile, and review of the plan by ICB.

- Receipt of the Internal Audit Strategy by the Audit panel and approval of the annual audit plan.

- Preparation of the annual assurance report by the Head of Resources, setting out his opinion on the Council's overall control environment and approval of the report by the Audit Panel.

- Annual updates to the Public Accounts Select Committee on the work of the Audit Panel

- Consideration by EMT of a full range of governance and performance issues throughout the year, including issues relating to the improvement of the Internal Audit Service and scrutiny of performance and risk (ensuring management action is taken where necessary).

- Consideration of the following reports by the Standards Committee:
    - Compliance with the Member Code of Conduct (November 2016)
    - Review of Whistle-blowing Policy (November 2016)
    - Review of Compliance with the Council's Code of Corporate Governance (July 2016)

- Consideration of external audit reports by Mayor and Cabinet, Audit Panel and relevant Select Committees.

- Changes made by the Constitution Working Party such as the introduction of the Pension Board

Essex County Council – illustration of link to local code, review of effectiveness and summary action plan

Local code link

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. Our local code of governance is underpinned by the 7 principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.

Review

The effectiveness of key elements of the governance framework are assessed throughout the year by the Corporate Governance Steering Board, the Audit Committee, Internal Audit and other Officer and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Counter Fraud's annual report, our own Service Assurance Statements (completed by all Directors) and from comments received from external auditors and other review agencies and inspectorates.

Action plan

Subject	Action(s)	Responsible Officer	Target completion date
Induction of new Councillors.	Ensure a comprehensive induction on governance arrangements is provided.	Director, Legal and Assurance	June 2017
Phase 2 of organisational redesign.	Ensure good governance arrangements are maintained.	Chief Executive	31 March 2018
Adult Community Learning	Ensure delivery of Service Quality Improvement Plan.	Director Economic Growth and Localities	December 2017
Information Governance	Monthly performance in responding to statutory requests for information to be monitored and reviewed.	Head of Strategy and Information Governance	Ongoing
	GDPR implementation project and roll out of Egress, a secure way of sending emails.	Head of Strategy and Information Governance	30 June 2017

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