

REPORT TO	DATE OF MEETING
Governance Committee	14 June 2010

Report template revised June 2008



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Code of Corporate Governance	Not Applicable	G Barclay	4

SUMMARY & LINK TO CORPORATE PRIORITIES

Under guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) & SOLACE (Society of Local Authority Chief Executives) the Council is required to develop and maintain a local Code of Corporate Governance and to prepare a Governance Statement on an annual basis in order to report publicly on the extent to which the Council complies with its own Code.

In March 2008 a local Code of Governance was adopted by members which complied with the guidance available at that time. Due to recent changes in the guidance for the production of local Codes of Governance, plus organisational changes, it has become necessary to present members with a revised Code for approval.

This report impacts on all the Council's priorities but it specifically relates to ensuring that South Ribble is an efficient, effective and exceptional organisation.

RECOMMENDATION

That the revised Code of Corporate Governance be recommended for approval by Council.

DETAILS AND REASONING

A sound system of corporate governance underpins the achievement of all the Council's strategic objectives, but is key to ensuring that the Council is an excellent organisation as it forms a significant element of the Comprehensive Area Assessment (CAA) and Use of Resources assessment regimes.

In 2007 CIPFA and SOLACE issued a document entitled "Delivering Good Governance in Local Government" which provided a Framework under which councils are required to:

- develop and maintain an up-to-date **code of governance** consistent with the core principles set out in this Framework, including arrangements for ensuring its ongoing application and effectiveness;
- prepare a **governance statement** in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- **review its existing governance arrangements** against this Framework.

In March 2008 members approved a Code of Corporate Governance to show how South Ribble aimed to implement the provisions of the CIPFA SOLACE Framework and therefore ensure full compliance with it.

THE ORIGINAL LOCAL CODE - A SUMMARY

The CIPFA SOLACE Framework identifies the following **6 core principles** which underpin a council's system of governance

1 - Focusing on the purpose of the authority and on outcomes for the community 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

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

5 - Developing the capacity and capability of members and officers to be effective.

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

Corporate governance is therefore the product of the interlocking systems and processes through which an organisation manages and directs itself to determine and deliver its objectives. Although, as the phrase implies, this includes issues of probity, ethics and personal conduct; the impact however is much wider. The above principles demonstrate that governance is also about having effective **performance management** and **risk management** systems in place.

CIPFA SOLACE requires the Council to:

- consider the extent to which it complies with the above 6 core principles and requirements of good governance set out in the Framework;
- identify systems, processes and documentation that provide evidence of compliance;
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

The original Local Code describes the arrangements that were established within the Council to comply with the above requirements. These are summarised below.

Compliance with the 6 Core Principles

Under each core principle, CIPFA SOLACE identifies a checklist of control measures which the Council is expected to have in place. A working group comprising of key officers and supported by Internal Audit conduct a detailed annual self-assessment against this checklist.

Evidence

Wherever possible, reference is made to independent sources of assurance such as external or internal audit reports to confirm the effectiveness of specific arrangements.

Annual Governance Statement

The results of the self-assessment, including any significant non-compliance issues, are published in the Annual Governance Statement alongside the annual accounts.

This includes any non-compliance issues arising from service level assurance statements. These statements were introduced to supplement the corporate self-assessment and sought to evaluate compliance with a range of corporate policies and procedures within services.

Monitoring & Review

The officer level Corporate Governance Group reviews the draft Statement prior to signature by the Leader and Chief Executive. The Governance Committee approves the draft Statement prior to publication, and in so doing has responsibility for reviewing the adequacy and effectiveness of the Council's overall governance arrangements.

THE REVISED LOCAL CODE

CIPFA has recently updated its 2003 Statement on the Role of the Chief Finance Officer (CFO) in Local Government to reflect the changed environment in which the CFO now operates and to set out how the requirements of legislation and professional standards should be fulfilled by CFOs in carrying out their role.

The 2010 Statement on the Role of the CFO in Local Government sets out the following **5 principles** that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them:

The CFO in a Local Authority:

- 1. is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;**
- 2. must be actively involved in, and be able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy, and**
- 3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.**

To deliver these responsibilities the CFO:

- 4. must lead and direct a finance function that is resourced and fit for purpose; and**
- 5. must be professionally qualified and suitably experienced.**

The 2010 Statement contains a detailed checklist of measures against which councils need to benchmark their own arrangements in order to demonstrate their compliance or otherwise with the above principles. The 2010 Statement also requires Councils to report the outcome of this assessment publicly.

Rather than report the outcome of this assessment separately, CIPFA has published an “Application Note” which sets out a process for reviewing compliance with the 2010 Statement as an integral part of the annual review of councils’ governance arrangements and the publication of the Annual Governance Statement in accordance with the CIPFA SOLACE Framework.

Essentially, the checklist of control measures that we assess to demonstrate compliance with the 6 core principles under CIPFA SOLACE has been expanded to incorporate additional questions which will simultaneously assess compliance with the 5 principles under the 2010 Statement on the Role of the CFO in Local Government. Therefore any non-compliance issues arising from the review of compliance with the 2010 Statement on the Role of the CFO in Local Government will be reported in the Council’s Annual Governance Statement.

Section 5 of the attached Local Code of Corporate Governance incorporates the latest guidance in respect of the 2010 Statement on the Role of the CFO in Local Government and the corresponding Application Note to Delivering Good Governance in Local Government.

The revised Local Code also incorporates organisational and other less material changes that have occurred since it was first produced in 2008.

IMPLICATIONS OF REPORT

The attached Local Code of Governance is a key corporate document and as such impacts on the Council as a whole rather than for any specific services.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below.

FINANCIAL	Although the report has no specific financial implications, the revised Code ensures compliance with the latest 2010 CIPFA Statement on the Role of the Chief Finance Officer in Local Government.		
LEGAL	Legal and regulatory compliance is fundamental to strong corporate governance. The attached Local Code seeks to ensure that the Council’s Monitoring Officer is delivering their role effectively and in accordance with established best practice.		
RISK	An effective risk management framework is also one of the cornerstones of strong corporate governance. The attached Local Code underpins this by ensuring that sound risk management arrangements are in place within the Council, both at the strategic and service / operational levels.		
OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

CIPFA SOLACE - Delivering Good Governance in Local Government
Statement on the Role of the CFO in Local Government
Application Note to Delivering Good Governance in Local Government



**Code
Of
Corporate
Governance**

June 2010

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1. BACKGROUND

- 1.1 The Council's Vision is "Making South Ribble a great place to live, work, visit and play and its corporate priorities & objectives are set out in the Corporate Plan. A sound system of corporate governance underpins the achievement of all the Council's strategic objectives but is particularly important to ensuring that the Council is an efficient, effective & exceptional organisation as it forms a significant element of the Comprehensive Area Assessment (CAA) and Use of Resources assessment regimes.
- 1.2 In 2007 CIPFA and SOLACE issued a Framework document and supporting guidance entitled "Delivering Good Governance in Local Government" under which the Council is urged to:
- develop and maintain an up-to-date local code of governance consistent with the core principles set out in this Framework, including arrangements for ensuring its ongoing application and effectiveness;
 - review its existing governance arrangements against this Framework;
 - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- 1.3 This local Code of Corporate Governance has been produced to show how South Ribble Borough Council will implement the core principles and detailed provisions of the new CIPFA SOLACE Framework and therefore ensure full compliance with it.
- 1.4 The Local Code was last revised in 2008 and has now been further updated to incorporate the latest guidance in respect of the 2010 Statement on the Role of the CFO in Local Government and the corresponding Application Note to Delivering Good Governance in Local Government.

2. CORE PRINCIPLES

- 2.1 The following six **core principles** are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from CIPFA and have been adapted for local government purposes. Good governance means:
- 1 - Focusing on the purpose of the authority and on outcomes for the community 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**
- 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**
- 5 - Developing the capacity and capability of members and officers to be effective.**
- 6 - Engaging with local people and other stakeholders to ensure robust local public accountability.**
- 2.2 The above six core principles also have **supporting principles** which reflect the dimensions of a local authority's business. The following paragraphs illustrate the specific **control measures** that South Ribble Borough Council is seeking to apply in order to comply with those principles:

Core principle 1 – Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

To achieve this we aim to:

- exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning
- ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

In order to achieve our aims we will:

promote and review the Council's purpose and vision;

review on a regular basis the Council's governance arrangements;

foster effective relationships and partnerships with the public, private, community and voluntary sectors;

Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties;

Decide how the quality of service for users is to be measured and make sure that the information needed to regularly review service quality is available;

Put in place effective arrangements to identify and deal with failure in service delivery;

Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively

measure the impact of policies, plans and decisions on the community and its environment.

Core principle 2 - Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

To achieve this we aim to:

- ensure effective leadership throughout the authority including clarity of the members' role
- ensure that a constructive working relationship exists between elected members and officers and that their responsibilities are carried out to a high standard
- ensure that relationships between the authority and the public are clear so that each knows what to expect of the other.

In order to achieve our aims, the Council will maintain a clearly documented Constitution which covers the Balance of Power and Authority, Roles and Responsibilities of Members and Senior Officers. These will include:

Balance of Power and Authority.

protocols to ensure that:

- the Leader and Chief Executive share a clear understanding of their roles and objectives;
- effective and appropriate communication exists between members and officers in their respective roles;

Roles and responsibilities Cabinet members.

a clear statement of the respective roles and responsibilities of the Cabinet Members;

The role of Cabinet including responsibility for providing effective political leadership and for ensuring that the Council successfully discharges its overall responsibilities and activities;

Cabinet members meeting on a formal basis regularly to set the strategic direction of the Council and to monitor service delivery;

Cabinet members undertaking a leadership role in the work of South Ribble Partnership and the community;

Roles and responsibilities Scrutiny members.

The role of Scrutiny including overview of Council activity and responsibility for holding Cabinet to account.

Roles and responsibilities Governance & Standards Committee members.

The role of Governance & Standards Committees includes a duty to promote and monitor high standards of corporate governance & ethical behaviour

Roles and responsibilities – All members.

members are properly trained for their roles and have access to all relevant information, advice and resource to enable them to carry out their roles effectively;

a scheme of delegated powers, including a formal schedule of those matters specifically reserved for the collective decision of the Council;

The terms of remuneration for Members as recommended by the Independent Remuneration Panel are clearly defined and regularly reviewed;
Roles and responsibilities – Senior Officers.
<p>roles and responsibilities of the following statutory officers are clearly defined and understood;</p> <ul style="list-style-type: none"> • Head of Paid Service - A Chief Executive or equivalent is accountable for all aspects of operational management; • Chief Finance Officer (the S151 officer) – A senior officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control; • Monitoring Officer - A senior officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with;
The role and responsibilities of other senior officers including to work with members, officers, partners and local communities to ensure that the authority achieves its vision and priorities and upholds its values; and to provide effective strategic leadership and deliver Value for Money.
In order to achieve our aims we will also:
<p>maintain management processes for:</p> <ul style="list-style-type: none"> • policy development, implementation and review; • decision making, monitoring, control, and reporting; • formal procedural, financial and procurement regulations to govern the conduct of the council’s business;
maintain effective mechanisms to monitor service delivery;
ensure that the Council’s vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders;
ensure that the vision and supporting plans are clearly articulated and disseminated;
<p>ensure that partnership working is effective by:</p> <ul style="list-style-type: none"> • defining members’ roles and responsibilities both individually and collectively in relation to the partnership and to the Council; • providing clarity about the legal status of partnerships; • ensuring that all partners and their representatives understand the extent of their powers to bind their organisation to partner decisions;

Core principle 3 - Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

To achieve this we aim to:

- ensure that elected members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- ensure that organisational values are put into practice and are effective.

In order to achieve our aims we will:

ensure that the Council's leadership shapes the Council by creating a climate of openness, support and respect;

ensure that the standards of conduct and personal behaviour that are expected of members and employees, agents and partners are defined and communicated and complied with;

maintain arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;

maintain an effective standards committee that promotes and monitors high standards of ethical behaviour;

maintain the Council's values and communicate these with members, employees, the community and partners;

ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness;

use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;

in partnering arrangements agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively;

Core Principle 4 - Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

To achieve this we aim to:

- be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny
- have good quality information, advice and support to ensure that services are delivered effectively and meet the community needs
- ensure that an effective risk management system is embedded
- use legal powers to the full benefit of our citizens and communities.

In order to achieve our aims we will:

maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible;

maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;

maintain arrangements to safeguard members and employees against conflicts of interest and processes to ensure that they continue to operate in practice;

develop and maintain an effective audit / governance committee, which is independent of the executive and scrutiny functions, responsible for the Council's governance and control matters;

ensure that the Council maintains an effective, transparent and accessible complaints process, including the handling of complaints made to the Local Government Ombudsman;

ensure that those making decisions, whether for the Council or a partnership, are provided with information that is fit for the purpose; i.e. relevant, timely and gives clear explanations of technical issues and their implications;

ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately;

ensure that risk management is embedded into the culture of the Council, with members and managers at all levels recognising that risk

management is part of their jobs;
maintain arrangements for whistle-blowing and ensure conformity with the Council's policy on whistle blowing;
strive to utilise powers to the full benefit of the community, whilst actively recognising the limits of lawful activity;
observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, taking into account rationality, legality and natural justice as part of the decision making process;

Core principle 5 - Good governance means developing the capacity and capability of members and officers to be effective

To achieve this we aim to:

- make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group
- encourage talent so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

In order to achieve our aims we will:

provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;

ensure that the officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council;

assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively;

develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;

ensure that effective arrangements are in place for reviewing the performance of Cabinet and other Committees and their membership and agreeing action to address any training or development needs;

ensure that effective arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;

ensure that career structures are in place for members and officers to encourage participation and development.

Core principle 6 - Good governance means engaging with local people and other stakeholders to ensure robust public accountability

To achieve this we aim to:

- exercise appropriate leadership in the community which effectively engages with local people, partnerships and other stakeholders and develops constructive accountable relationships
- take 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
- make best use of human resources by taking an active and planned approach to meet responsibility to employees

In order to achieve our aims we will:

ensure that the Council's vision is delivered through the community strategy and corporate plan and that both are clearly consulted, articulated and disseminated with all key stakeholders;

consider all stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required;

produce an annual report on the activity of the scrutiny function;

ensure that clear channels of communication are in place with all sections of the community and other stakeholders, (e.g. Area Committees, South Ribble Partnership and Citizens Panel) and put in place proper monitoring arrangements to ensure that they operate effectively;

hold meetings in public unless there are good reasons for confidentiality;

ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;

maintain a clear policy that supports consultation and engagement with the public and service users including an appropriate feedback mechanism;

consult or engage with the public and service users on key issues and include a feedback mechanism for those consultees to demonstrate what has changed as a result;

publish an annual plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users;

ensure that the Council as a whole is open and accessible to the community, service users and its employees. That it is committed to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality where it is proper and appropriate to do so;

maintain a clear policy on how employees are consulted and involved in decision making including trade union representation.

3. REVIEW OF ARRANGEMENTS

3.1 The CIPFA SOLACE Framework requires the Council to:

- consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

3.2 An officer level Corporate Governance Group has been formed with prime responsibility for conducting a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:

- Strategic and business planning;
- Communication;
- Performance management;
- Risk management;
- Value for money;
- Probity;
- Financial strategy;
- Financial standing;
- Financial management;
- Asset management.

3.3 These are also the areas upon which the Audit Commission bases its annual governance report.

3.4 The Corporate Governance Group includes the Monitoring Officer and Section 151 Officer and has corporate responsibility for oversight of compliance with the CIPFA SOLACE Framework and the process leading to the publication of the Annual Governance Statement.

3.5 Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and should in turn be fed into the business / service planning process to ensure that they are subjected to systematic monitoring which in turn ensures their resolution.

3.6 The Annual Governance Statement is also reported to Senior Management Team and Cabinet at the respective chief officer and member levels. In addition, the Governance Committee has responsibility for oversight and scrutiny of governance matters written into its terms of reference. The overall reporting system for corporate governance is shown at Appendix 1. This also indicates that the Corporate Governance Group acts as a conduit for any governance issues identified through external audit and inspection reports, including CAA and Use of Resources assessments.

4. ROLE OF THE CHIEF FINANCE OFFICER IN LOCAL GOVERNMENT

- 4.1 In 2010 CIPFA updated its 2003 Statement on the Role of the Chief Finance Officer (CFO) in Local Government to reflect the changed environment in which the CFO now operates and to set out how the requirements of legislation and professional standards should be fulfilled by CFOs in carrying out their role.
- 4.2 The 2010 Statement on the Role of the CFO in Local Government sets out the following 5 principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them:

The CFO in a Local Authority:

- 1 is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;**
- 2 must be actively involved in, and be able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy, and**
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.**

To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced and fit for purpose; and**
- 5 must be professionally qualified and suitably experienced.**

- 4.3 The 2010 Statement on the Role of the CFO contains a detailed checklist of measures against which Councils need to benchmark their own arrangements in order to demonstrate their compliance or otherwise with the above principles. The 2010 Statement on the Role of the CFO also requires Councils to report the outcome of this assessment publicly.
- 4.4 Rather than report the outcome of this assessment separately, CIPFA has published an "Application Note" which sets out a process for reviewing compliance with the 2010 Statement on the Role of the CFO as an integral part of the annual review of Councils' governance arrangements and the publication of the Annual Governance Statement in accordance with the CIPFA SOLACE Framework.
- 4.5 Essentially, the checklist of control measures that is assessed to demonstrate compliance with the 6 core principles under CIPFA SOLACE has been expanded to incorporate additional questions which will simultaneously assess compliance with the 5 principles under the 2010 Statement on the Role of the CFO. Therefore any non-compliance issues arising from the review of compliance with the 2010 Statement on the Role of the CFO will be reported in the Council's Annual Governance Statement.
- 4.6 This Local Code of Corporate Governance therefore incorporates the latest guidance in respect of the 2010 Statement on the Role of the CFO in Local Government and the corresponding Application Note to Delivering Good Governance in Local Government.
- 4.7 The additional questions in respect of the above 5 principles are as follows:

Core principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

SUPPORTING PRINCIPLES	CONTROL MEASURES
<p>Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.</p>	<p>Ensure that timely, accurate & impartial financial advice & information is provided to assist in decision making & to ensure that the authority meets its policy objectives & provides effective stewardship of public money & value for money in its use.</p>
	<p>Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with its available resources; monitors income & expenditure levels to ensure that this balance is maintained & takes corrective action when necessary</p>
	<p>Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance & CIPFA's Treasury Management Code</p>

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

SUPPORTING PRINCIPLES	CONTROL MEASURES
<p>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</p>	<p>Ensure that the CFO reports directly to the Chief Executive & is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these will deliver the same impact</p>
<p>Ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.</p>	<p>Ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members.</p>
	<p>Appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government & ensure they are properly understood throughout the authority.</p>
	<p>Ensure that the CFO:</p> <ul style="list-style-type: none"> • Leads the promotion & delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively • Has a line of professional accountability for finance staff throughout the organisation
	<p>Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance</p>
<p>Ensure that appropriate management accounting systems & controls are in place so that finances are kept under review on a regular basis. These systems & controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role.</p>	

Ensuring relationships between the authority and the public are clear so that each know what to expect of the other.	Establish a medium term business & financial planning process to deliver strategic objectives including: <ul style="list-style-type: none"> • A medium term financial strategy to ensure sustainable finances • A robust annual budget process that ensures financial balance • A monitoring process that enables this to be delivered
	Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used

Core principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

SUPPORTING PRINCIPLES	CONTROL MEASURES
Ensuring that organisational values are put into practice and are effective	Ensure that systems & processes for financial administration, financial control & protection of the authority’s resources & assets are designed in conformity with appropriate ethical standards & monitor their continuing effectiveness in practice

Core principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

SUPPORTING PRINCIPLES	CONTROL MEASURES
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	Maintain and resource an effective Internal audit Function
	Ensure the authority’s governance arrangements allow the CFO direct access to the audit committee & external audit
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	Ensure the provision of clear, well presented, timely, complete and accurate financial reports to budget managers & senior officers on the budgetary & financial performance of the authority
	Ensure the authority’s governance arrangements allow the CFO to bring influence to bear on all material decisions
	Ensure that advice is provided on the levels of reserves & balances in line with good practice guidance
Ensuring that an effective risk management system is in place	Ensure the authority’s arrangements for financial & internal control & for managing risk are addressed in annual governance reports
	Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review & monitoring, physical safeguards, segregation of duties, accounting procedures, information systems & authorisation & approval processes

Core principle 5 - Developing the capacity and capability of members and officers to be effective

SUPPORTING PRINCIPLES	CONTROL MEASURES
<p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p>	<p>Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and no-financial areas of their role</p>
	<p>Review the scope of the CFO’s other management responsibilities to ensure financial matters are not compromised</p>
	<p>Provide the finance function with the resources, expertise and systems necessary to perform its role effectively</p>
<p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group</p>	<p>Embed financial competencies in person specifications & appraisals</p>
	<p>Ensure that councillors’ roles & responsibilities for monitoring financial performance / budget management are clear, that they have adequate access to financial skills & are provided with appropriate financial planning on an ongoing basis to help them discharge their responsibilities</p>

Core principle 6 - Engaging with local people and other stakeholders to ensure robust local public accountability

There are no additional controls on this core principle in respect of the new Statement on the Role of the CFO in Local Government.

5. ANNUAL GOVERNANCE STATEMENT

- 5.1 Regulation 4(2) of the Accounts and Audit Regulations 2003 requires a local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and include (in the financial statements) a Statement on Internal Control, prepared in accordance with proper practices....”.
- 5.2 The CIPFA SOLACE Framework defines proper practice for the form and content of an Annual Governance Statement (AGS), which meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 in relation to the publication of a Statement on Internal Control.
- 5.3 The Council therefore publishes an AGS based on the CIPFA SOLACE model governance statement as shown at Appendix 2. The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:
- the authority's policies are put into place
 - the authority's values are met
 - laws and regulations are complied with
 - required processes are adhered to
 - financial statements and other published information are accurate and reliable
 - human, financial and other resources are managed efficiently and effectively
 - high quality services are delivered efficiently and effectively.
- 5.4 It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of governance. Consequently, approval and ownership of the AGS should be at a corporate level and should be confirmed by the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.
- 5.5 The Leader and Chief Executive therefore sign the AGS on behalf of South Ribble Borough Council once the review and approval process (Appendix 1) has been followed. The AGS will be approved by the Governance Committee and published with the annual financial statements so that the publication timetable for the financial statements drives the AGS approval timetable.

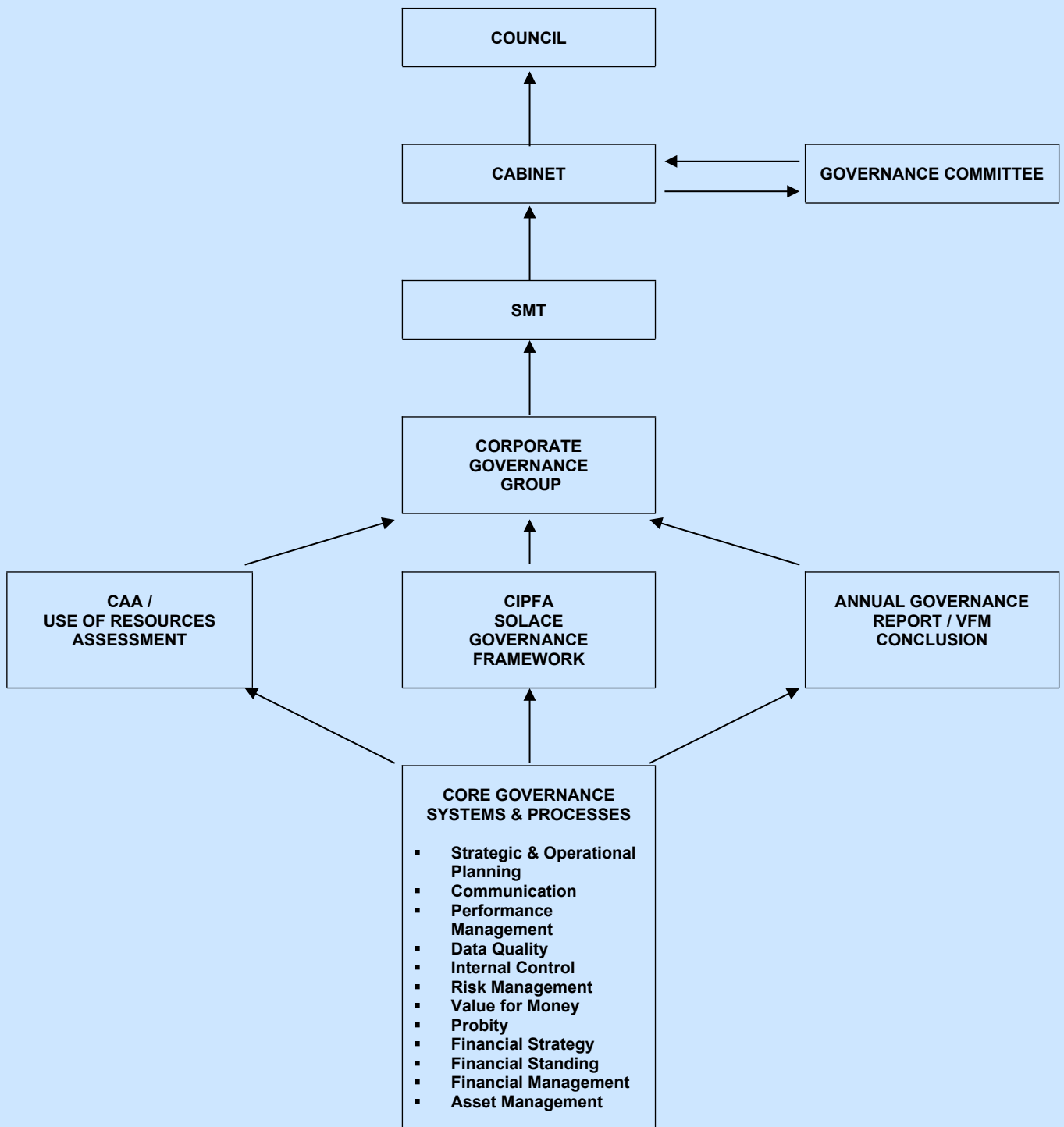
6. SERVICE ASSURANCE STATEMENTS

- 6.1 As Section 4 above indicates, before signing the AGS the Leader and Chief Executive will seek assurances that the review and approval process described in Appendix 1 has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
- 6.2 However in reviewing and approving the AGS members and the Chief Executive will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their services.
- 6.3 The Council has therefore adopted a system of Service Assurance Statements which are also compiled on an annual basis to coincide with the production of the AGS. These require Directors & Heads of Service to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 6.4 The completed Service Assurance Statements are then analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging will be included in the Annual Governance Statement itself.

7. OTHER GOVERNANCE ASSESSMENTS

- 7.1 In addition to the above corporate and service level assessments which are the prime means of reviewing the adequacy of the Council's governance arrangements there are a number of other internal and external reviews and assessments which also impact upon the Council's system of governance.
- 7.2 These include:
- The Annual Organisational / Use of Resources Assessment (Audit Commission)
 - Annual Audit Letter (Audit Commission)
 - Annual Report of the Head of Internal Audit
 - The Annual Review of the Effectiveness of the System of Internal Audit (Internal)
 - The Triennial Review of Internal Audit (Audit Commission).
- 7.3 Any key recommendations emanating from these reviews will also be incorporated within the Council's Annual Governance Statement.

CORPORATE GOVERNANCE REPORTING ARRANGEMENTS



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 facilitating 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 *Delivering 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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts & Audit (Amendment) (England) Regulations 2006 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, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 framework

Describe the key elements of the systems and process that comprise the authority's governance arrangements including arrangements for:

- Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision its implications for the authority's governance arrangements
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks

- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities
- Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements

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 governance framework, 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]