

COUNCIL CABINET
9 JULY 2002

REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR CORPORATE GOVERNANCE

Report of the Directors of Finance and Corporate Services

SUMMARY OF REPORT

- 1.1. This report outlines the work undertaken to assess the Council's arrangements for Corporate Governance and sets out the proposed approach to demonstrating the Council's commitment to the principles of Corporate Governance.
- 1.2 We have recently undertaken a self assessment on how the Council compares against the principles of corporate governance.. The approach was to compare our current arrangements against the five key dimensions of a local authority's business as defined by the CIPFA / SOLACE Framework on Corporate Governance.
- 1.3 The self assessment showed that out of the 36 requirements of the five dimensions set out in the framework, the Council could demonstrate full compliance with 24 and partial compliance with a further 11. The remaining area is the final requirement of Dimension 4 on Risk Management and Internal Control. This is a new proposal currently under discussion nationally. The Council is not yet required to publish a statement and assessment of its risk management and internal control mechanisms, but we propose to produce an annual statement of assurance alongside the Council's financial statements.
- 1.4 Our arrangements for corporate governance are, in practice, already well developed but we could benefit from a more systematic approach to some aspects. We have developed an action plan with this in mind. This should help our decision making processes, improve resource usage and more clearly demonstrate the arrangements we have in place.
- 1.5 To demonstrate our commitment to the principles and practice of good corporate governance, the Council needs to publish a 'Statement of Assurance' annually in its Statement of Accounts and to develop a local code on corporate governance using the Framework document as a basis. This should form part of a Corporate Governance Policy Statement.

OPTIONS CONSIDERED

2. None in relation to this report.

RECOMMENDATIONS

- 3.1 To approve the Corporate Governance Policy Statement
- 3.2 To approve the inclusion of a “Statement of Assurance” annually accompanying the report on Statement of Accounts.
- 3.3 To approve the adoption of a local code on corporate governance based on the CIPFA / SOLACE framework.
- 3.4 To approve the Action Plan for achieving full compliance with the Framework

REASON FOR RECOMMENDATIONS

4. Drawing up an open and flexible local code of corporate governance will help the Council to enhance its processes of modernisation, community leadership and engagement and continuous performance improvement.

MATTER FOR CONSIDERATION

Background

- 5.1 In 2001, the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives produced a Guidance Note and Framework document “Corporate Governance in Local Government : A Keystone for Community Governance”. This Framework was intended to be used as best practice guidance for establishing a locally adopted code of corporate governance. The purpose of this Framework is to define the principles that should underpin the governance of each local authority. While it is not, and cannot be, a prescription for a single model of governance, CIPFA / SOLACE urge each local authority to :
 - review its existing corporate governance arrangements against this Framework
 - prepare, adopt and maintain an up-to-date local code of corporate governance, including arrangements for ensuring its implementation and ongoing application
 - make a statement annually in its financial statements and refer to it in its best value performance plan (BVPP), on how the authority is complying with its local code, including how it has monitored the effectiveness of its corporate governance arrangements in the year and any planned changes in the coming period.

- 5.2 The Guidance Note defines corporate governance as
“the system by which local authorities direct and control their functions and relate to their communities”.
- 5.3 Basically, corporate governance is about having a well managed authority that is accountable to local people, maintains high ethical standards, is clear about what it wants to do and reviews its performance to make sure its objectives are achieved. Although its origins are in the private sector where it has a particular focus on accountability to share holders, corporate governance concepts are also relevant to the public sector. The Audit Commission has based large parts of the Comprehensive Performance Assessment of local authorities that it will implement during 2002 on corporate governance issues.

Self-Assessment

- 5.4 In Derby, we believe that the principles of good corporate governance are already embedded in the way we do business.
- 5.5 CIPFA / SOLACE recommended that local authorities should review their existing corporate governance arrangements against the Framework and prepare and adopt a local code of corporate governance by 31 March 2002. It was also felt good practice to include a statement that they have done so in their financial statements for the 2001/02 financial year and to refer to it in their 2002/03 BVPPs.
- 5.6 We have recently undertaken a self assessment on how the Council compares against the principles of corporate governance. The underlying principles of good governance are:
- openness and inclusivity
 - integrity
 - accountability.

To meet these principles, a Corporate Governance Policy Statement has been drawn up, which sets out the Council's approach to addressing Corporate Governance. The policy statement is attached as Appendix 1.

- 5.7 Our approach was to compare our current arrangements against how the principles of corporate governance should be reflected within the five key dimensions of a local authority's business as set out in the CIPFA / SOLACE Guidance Note.

- 5.8 The results of the assessment are shown in Appendix 2. An action plan to address areas of partial or non-compliance is attached as Appendix 3. Below is a summary of the evidence to demonstrate compliance within each dimension and a summary of the actions that are required to achieve full compliance.

Community focus

- Priorities, targets and performance reported via Corporate Plan and BVPP
- A community strategy will be produced with Derby City Partnership by March 2003
- City-wide consultation strategy
- The Minority Ethnic Communities Advisory Committee, Disabled People's Advisory Committee, Women's Advisory Committee, Older and Young People's Forums.
- Area panels established
- Public question time at Council and area panels
- Established Scrutiny Commissions and all external audit and inspection reports are considered at public meetings of the Council
- Area and Neighbourhood Co-ordination
- Neighbourhood Renewal Strategy

Service delivery arrangements

- Performance monitored regularly by Chief Officers and Cabinet
- A more systematic approach to performance management at all levels is being developed
- Effective Best Value reviews
- Resources allocated to priorities through budget process and Corporate Plan
- Additional resources targeted at performance improvement through LPSA
- Good partnership working
- Reviewing our approach to strategic procurement during 2002

Structures and processes

- Documented constitution that meets all aspects of the Government's 'model' approach
- Agreed protocol on officer / member relations
- Regular Council Cabinet meetings and scheme of delegation to allow Members to concentrate on the strategic direction of the authority
- Programme of Member training and development

Risk management and internal control

- Key decisions taken collectively by the Cabinet, on the basis of reports identifying legal, financial, personnel, environmental and equalities implications that help to take account of and manage risk
- Annual audit plan based upon risk assessment

- Chief Officers take part in risk assessment workshop with external auditors
- A risk management tool to help Best Value reviews identify key issues for consideration
- Departments have risk management plans
- A risk management strategy to be developed following a Best Value review of Insurance and Risk Management
- Employee development and training based upon the Achievement and Development scheme

Standards of conduct

- Standards Committee
- Protocol on Officer / Member relations included in Constitution
- Officer and Member codes of conduct in development
- Confidential reporting code agreed
- Established corporate procedure for service complaints to be reviewed
- Financial procedure rules
- Clear standing orders cover the award of contracts

Actions required

The key areas for action are:

- complete the Community Strategy
- further development of Social Services partnership agreements
- raise the awareness of Partnership Arrangements generally
- IIP accreditation for all departments
- further development of a Performance Management System for reporting to Cabinet
- establishing firmer links between budget priorities / strategy and service planning
- development of a procurement strategy
- approval of Risk Management Policy & Strategy
- Corporate Risk Register needs to be more fully developed
- anti fraud and corruption strategy requires formal approval.

FINANCIAL IMPLICATIONS

6. None directly arising.

LEGAL IMPLICATIONS

7. None directly arising.

PERSONNEL IMPLICATIONS

8. None directly arising.

ENVIRONMENTAL IMPLICATIONS

9. None directly arising.

EQUALITIES IMPLICATIONS

10. None directly arising.