

# CIPFA DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT FRAMEWORK AND THE ANNUAL GOVERNANCE STATEMENT

## 1 Purpose

- 1.1 To update the Committee on changes to 'proper practice' with regard to corporate governance and introduce the CIPFA Delivering Good Governance in Local Government Framework (2016).

## 2 Recommendations

- 2.1 Note the attached report and Appendix, "Delivering good governance in Local Government Framework (2016)".
- 2.2 Note the purpose of the Annual Governance Statement and the responsibility of the Audit Committee for its review and approval.

## 3 Supporting Information

- 3.1 The "Delivering Good Governance in Local Government: Framework", published by CIPFA in association with Solace<sup>1</sup> in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016.
- 3.2 The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 3.3 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The overall aim is to ensure that:
  - resources are directed in accordance with agreed policy and according to priorities
  - there is sound and inclusive decision making
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.4 It is up to each local authority to:
  - set out its commitment to the principles of good governance included in the Framework
  - determine its own governance structure, or local code, underpinned by these principles
  - ensure that it operates effectively in practice.

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<sup>1</sup> CIPFA (Chartered Institute of Public Finance & Accountancy) in association with Solace (Society of Local Authority Chief Executives)

- 3.5 The new Framework sets out seven governance principles, summarised below, and details the approach that should be taken to preparing the Annual Governance Statement (AGS). A copy of the Framework is attached as Appendix 1.

*Principles of good governance in the public sector:*

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 3.1 Both the Accounts and Audit Regulations 2015 and the national Code of Practice on Local Authority Accounting in the United Kingdom 2016 require that the Framework be adopted as 'proper practice'.
- 3.2 Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with the good governance principles in the Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 3.3 The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 3.4 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). It should be high level, strategic and written in an open and readable style.
- 3.5 The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them.
- 3.6 The annual governance statement should be approved at a meeting of the authority or delegated committee. Local authorities are required to include the annual governance statement with their statement of accounts.
- 3.7 The AGS 2016/17 is currently being prepared and a draft will be shared at the July meeting of the Audit Committee.

#### **4. Reasons for Recommendations**

- 4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

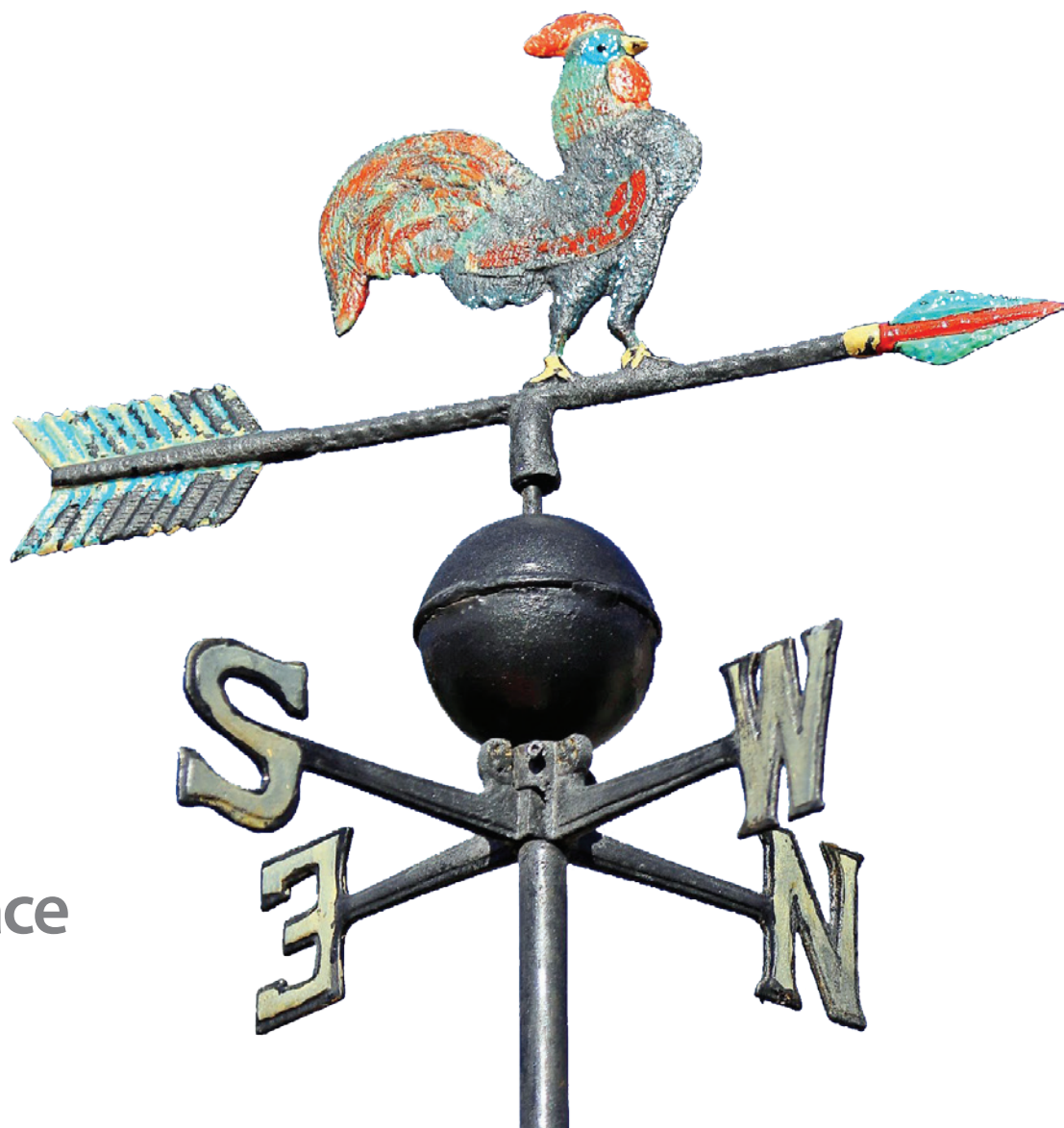
#### **5. Resource Implications**

- 5.1 There are no resource implications to report.

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Background papers: none

# delivering good governance

in Local Government  
Framework  
2016 Edition



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Framework  
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# CHAPTER ONE

## Introduction

- 1.1** Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2** It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3** The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes 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. Furthermore, 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. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.



# CHAPTER TWO

## Status

- 2.1** Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

*Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.*

*The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.*

- 2.2** This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.



## CHAPTER THREE

# Requirements

- 3.1** The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
  - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
  - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2** The term ‘local code’ essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3** To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4** It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.





# Applicability and terminology

## APPLICABILITY

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- 4.1** The Framework is for all parts of local government and its partnerships, including:
- county councils
  - district, borough and city councils
  - metropolitan and unitary councils
  - the Greater London Authority and functional bodies
  - combined authorities, city regions, devolved structures
  - the City of London Corporation
  - combined fire authorities
  - joint authorities
  - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
  - national park authorities.
- 4.2** The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

## TERMINOLOGY

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- 4.3** The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4** In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.



# CHAPTER FIVE

## Guidance notes

- 5.1** In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
  - local government in Wales (excluding police)
  - police in England and Wales
  - local government in Scotland.
- 5.2** The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

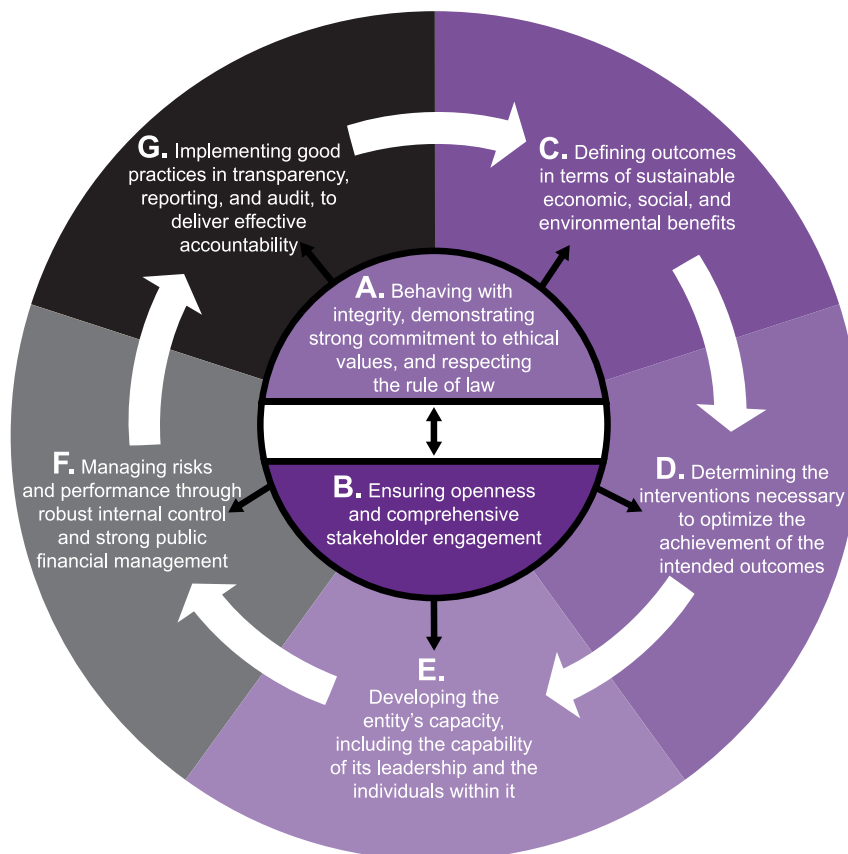


# The principles of good governance – application

## DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

*Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.*

## DEFINING GOVERNANCE

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6.2 The International Framework defines governance as follows:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

The International Framework also states that:

*To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

6.3 In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

## PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

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6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

## Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<b>Behaving with integrity</b>
<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<ul style="list-style-type: none"> <li>■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</li> <li>■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>
	<b>Demonstrating strong commitment to ethical values</b>
	<ul style="list-style-type: none"> <li>■ Seeking to establish, monitor and maintain the organisation’s ethical standards and performance</li> <li>■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation</li> <li>■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>



Core principles (shown in bold)	Sub-principles (shown in bold)
	<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>■ Dealing with breaches of legal and regulatory provisions effectively</li> <li>■ Ensuring corruption and misuse of power are dealt with effectively</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>■ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness</li> <li>■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> <li>■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> <li>■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> </ul>

**Core principles (shown in bold)****Sub-principles (shown in bold)**

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:
  - trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners

and that the added value of partnership working is explicit

**Engaging with individual citizens and service users effectively**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<p><b>Defining outcomes</b></p>
<p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<ul style="list-style-type: none"> <li>■ Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions</li> <li>■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>■ Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>■ Identifying and managing risks to the achievement of outcomes</li> <li>■ Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>
	<p><b>Sustainable economic, social and environmental benefits</b></p>
	<ul style="list-style-type: none"> <li>■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>■ Ensuring fair access to services</li> </ul>

Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>■ Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>

Principles (shown in bold)	Sub-principles (shown in bold)
	<p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> <li>■ Ensuring the achievement of ‘social value’ through service planning and commissioning</li> </ul>
<p><b>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</li> <li>■ Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> <li>■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority</li> </ul>

**Principles (shown in bold)****Sub-principles (shown in bold)**

- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
  - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>■ Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook</li> <li>■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</li> <li>■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</li> </ul>

**Principles (shown in bold)****Sub-principles (shown in bold)****Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
  - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
  - that its recommendations are listened to and acted upon

**Managing data**

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

**Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls



Principles (shown in bold)	Sub-principles (shown in bold)
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>■ Ensuring members and senior management own the results reported</li> <li>■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>■ Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</li> </ul>

# Annual review and reporting

## THE ANNUAL GOVERNANCE STATEMENT

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- 7.1** Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2** The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3** 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). It should be high level, strategic and written in an open and readable style.
- 7.4** The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5** The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
  - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
  - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
  - reference to how issues raised in the previous year's annual governance statement have been resolved
  - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6** The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7** The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8** Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

## GOVERNANCE ARRANGEMENTS

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- 7.9** Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
  - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
  - Documenting a commitment to openness and acting in the public interest.
  - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
  - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
  - Translating the vision into courses of action for the authority, its partnerships and collaborations.
  - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
  - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2015\)](#) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable \(2014\)](#) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption \(CIPFA, 2014\)](#).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit \(2010\)](#) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police \(CIPFA, 2013\)](#).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.







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