

Application Note to Delivering Good Governance in Local Government: a Framework

March 2010

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

SOLACE (the Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector. The Society promotes public sector management excellence and provides professional development for its members who come from all areas of the public sector. Whilst the vast majority of its members work in local government it also has members operating in senior positions in health authorities, police and fire authorities and central government. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.

Acknowledgements

The working group

CIPFA is grateful to the following members of the sub group to the *Delivering Good Governance in Local Government Working Group* for their time and assistance in preparing this document.

John Whiteoak (Chairman)	<i>Whiteoak Associates Ltd</i>
David Aldous	<i>Audit Commission</i>
Martin Evans	<i>Audit Commission</i>
Steve Freer	<i>CIPFA</i>
Diana Melville	<i>CIPFA</i>
Mike Weaver	<i>Worcestershire County Council</i>
Kerry Ace	<i>Secretary to the working group (CIPFA)</i>

The Application Note was approved by the SOLACE Board at its meeting on 25th March 2010. We are grateful for the support of SOLACE and in particular the help we have received from Mike Bennett during the preparation of this document.

Background

In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them. In the Statement CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.

CIPFA has issued its *Statement on the Role of the Chief Financial Officer in Local Government(2010)* (http://www.cipfa.org.uk/panels/finance_director/index.cfm). The Statement builds heavily on CIPFA's Role of the Chief Financial Officer in Public Services and applies the principles and roles set out in that document to local government.

It is UK Government policy that all government departments should have a professional chief financial officer reporting directly to the permanent secretary. *Managing Public Money* (HM Treasury) notes that "It is good practice for all other public sector organisations to do the same and to operate to the same standards". CIPFA supports the Treasury's recommendation. The governance requirements in the *Statement on the Role of the Chief Financial Officer in Public Services* are that the CFO should be professionally qualified, report directly to the chief executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the organisation's annual governance report, together with how these deliver the same impact.

The development of the Statement is particularly timely as we move to times of tighter financial settlements. It is essential that all local authorities have access to good quality financial advice and local authorities will therefore need to ensure that their CFO is able to operate effectively.

Development of an Application Note

This note has been developed to advise on the application of the *Statement on the Role of the Chief Financial Officer in Local Government* under the current CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Application Note illustrates :

- how the governance requirements to support the principles in the CFO statement build on the governance requirements that need to be reflected in an authority's local code set out in the CIPFA/SOLACE Framework and guidance note
- how the annual governance statement can reflect compliance with the CFO statement for reporting purposes.

In implementing the 'comply or explain' concept, CIPFA recommends that organisations report publicly on compliance. If their arrangements do not conform with the framework they will be urged to explain the reasons for this, and how they deliver the same impact as those in the Statement. Local authorities will need to consider very carefully the reasons for operating a different model and whether it really delivers the same level of assurance in practice.

The Application Note is intended to be a temporary measure that will operate for the financial years 2009/10 and 2010/11 during which time we are aiming to carry out a full review of the CIPFA/SOLACE Framework including consultation. As long as compliance with the 'comply or explain' principle is voluntary, there will be no role for auditors in reporting on compliance with the *Statement on the Role of the Chief Financial Officer in Local Government*.

Application Note

Introduction

Following extensive research and consultation, the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government: Framework* and accompanying guidance note in 2007. The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework is helping authorities to improve their performance, give local people better local services and provide stronger leadership for communities.

The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct, and so set the tone for the rest of the organisation.

The Framework illustrates best practice for developing and maintaining a local code of governance and making adopted practice open and explicit. It recommends that authorities must be able to demonstrate that they are complying with the principles of good governance. The six core principles defined in the Framework are taken from the *Good Governance Standard for Public Services* developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management (OPM) and CIPFA, in partnership with the Joseph Rowntree Foundation, 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 the 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 public accountability.

The Framework urges local authorities to test their structures against these principles by:

- reviewing their existing governance arrangements against the Framework
- developing and maintaining an up to date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their annual governance arrangements in the year, and on any planned changes in the coming period.

The guidance note that was published to accompany the CIPFA/SOLACE Framework is aimed at assisting authorities in:

- considering how they might go about reviewing their governance arrangements
- developing and updating their own local codes of governance
- demonstrating compliance with the principles of good governance.

It outlines how good governance principles have developed and looks at how the 'governing body' operates in local government. The guidance note also provides good practice examples and case studies and includes examples of the systems, processes and documents that might be cited by an authority as evidence of compliance with good practice. Further guidance is also provided on developing and maintaining effective audit and standards committees, and the scrutiny function and on risk management.

For further details on the Framework and the guidance note, please see http://www.cipfa.org.uk/panels/corporate_governance/publications.cfm

Recent CIPFA developments

In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The CFO in a public services organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- 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:

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

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many day to day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

In CIPFA's *Statement on the Role of the Chief Financial Officer in Public Service Organisations*, CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management. CIPFA also recommends that organisations should report publicly where their arrangements do not conform with the compliance framework, explaining the reasons for this, and how they deliver the same impact as those in the Statement.

CIPFA has issued its *Statement on the Role of the Chief Financial Officer in Local Government(2010)*. The Statement draws heavily on the *Statement on the Role of the Chief Financial Officer in Public Service Organisations* and applies the principles and roles set out in that document to local government. The *Statement on the Role of the Chief Financial Officer in Local Government(2010)* can be found at http://www.cipfa.org.uk/panels/finance_director/index.cfm .

Purpose of the application note

The purpose of this application note is to advise on the application of the *Statement on the Role of the Chief Financial Officer in Local Government (2010)* under the CIPFA/SOLACE Framework. It illustrates:

- how the governance requirements to support the principles in the CFO statement build on the governance requirements that need to be reflected in an authority's local code set out in the CIPFA/SOLACE Framework and guidance note
- how the annual governance statement can reflect compliance with the CFO statement for reporting purposes.

Using the application note

The guidance note to the CIPFA/SOLACE Framework is intended to assist authorities in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self assessment.

Appendix A to the application note provides an amended version of the tables¹ from Section 5 of the CIPFA/SOLACE guidance note – 'Schedule to assist in putting the principles into practice'. The illustrative tables overleaf show:

- the six core principles from the Framework (the heading for each section)
- the supporting principles from the Framework (column A)
- the range of specific requirements that should be reflected in authorities' local codes from the Framework (column B)
- the additional/expanded governance requirements from the CFO Statement which build on the principles and requirements from the CIPFA/SOLACE Framework and guidance note and should also be reflected in the local code (column C).

Reporting

Delivering Good Governance in Local Government: Framework urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored 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 corporate governance and internal control framework of an organisation.

¹ The amended version of the tables does not include the examples of source documents etc to demonstrate compliance that are included in *Delivering Good Governance in Local Government : Guidance Note*. This part of the schedule will be revised when the full CIPFA/SOLACE Framework and guidance note are updated.

In England², the preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 which requires authorities to “conduct a review at least once in a year on the effectiveness of its systems of internal control” and to prepare a statement on internal control “ in accordance with proper practices”.

The Supplement to the Framework includes an example annual governance statement. This is set out over leaf but has been amended to reflect compliance with the *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The amendments are highlighted in italics.

² The preparation of an annual governance statement in accordance with *Delivering Good Governance in Local Government* would fulfil the statutory requirement in Wales and Northern Ireland for a local authority to conduct a review at least once in each financial year of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. Scottish local authorities are not required by legislation to conduct a review at least once in a year of the effectiveness of their system of internal control but should consider doing so voluntarily and preparing an annual governance statement.

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 and 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 20xx 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 processes that comprise the authority's governance arrangements including arrangements for:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and 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 and documenting the roles and 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 and 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 required to manage risks
- *ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)*
- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committee – 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 needs 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 by the Audit Commission's report on the governance of partnerships³, and reflecting these in the authority's overall governance arrangements

Include a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.

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
- *chief financial officer*
- 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 by 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.

³ Governing Partnerships: Bridging the Accountability Gap, The Audit Commission 2005

Significant governance issues

[Include an outline of the actions taken, or proposed, to deal with significant governance 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 (or equivalent) & Chief Executive (or equivalent) on behalf of [the authority].

Schedule to assist in putting the principles into practice - amended version

1 Core principle : Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area			
	<i>A</i> Supporting principles	<i>B</i> The local code should reflect the requirement of local authorities to:	<i>C</i> Expanded/additional governance requirements from the CFO statement that should be reflected in the local code :
1	Exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcome for citizens and service users	<ul style="list-style-type: none"> develop and promote the authority's purpose and vision 	
		<ul style="list-style-type: none"> review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements 	
		<ul style="list-style-type: none"> ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners 	
		<ul style="list-style-type: none"> publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance 	
2	Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning	<ul style="list-style-type: none"> decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available 	
		<ul style="list-style-type: none"> put in place effective arrangements to identify and deal with failure in service delivery 	

Schedule to assist in putting the principles into practice - amended version

3	Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. 	<ul style="list-style-type: none"> Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use
			<ul style="list-style-type: none"> Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary
			<ul style="list-style-type: none"> Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code

Schedule to assist in putting the principles into practice - amended version

2 Core principle : Members and officers working together to achieve a common purpose with clearly defined functions and roles			
	Supporting principles	The local code should reflect the requirement of local authorities to:	Expanded/additional governance requirements from the CFO statement that should be reflected in the local code:
1	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	<ul style="list-style-type: none"> • set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice • set out a clear statement of the respective roles and responsibilities of other authority members, members generally, senior officers and of the leadership team and its members individually 	<ul style="list-style-type: none"> • ensure that the CFO reports directly to the chief executive and 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 deliver the same impact
2	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	<ul style="list-style-type: none"> • determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required 	
		<ul style="list-style-type: none"> • make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management 	<ul style="list-style-type: none"> • ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members

Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none"> ▪ develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained 	
		<ul style="list-style-type: none"> • make the CFO responsible to the authority 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 financial control 	<ul style="list-style-type: none"> • appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority • ensure that the CFO : <ul style="list-style-type: none"> • leads 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 • has a line of professional accountability for finance staff throughout the organisation • ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance • Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling

Schedule to assist in putting the principles into practice - amended version

			role
		make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations are complied with	
3	ensuring relationships between the authority, its partners and the public are clear so that each know that to expect of the other	<ul style="list-style-type: none"> develop protocols to ensure effective communication between members and officers in their respective roles 	
		<ul style="list-style-type: none"> set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel ensure that effective mechanisms exist to monitor service delivery 	
		<ul style="list-style-type: none"> ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated 	<ul style="list-style-type: none"> Establish a medium term business and 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

Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none">• when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority • when working in partnership:<ul style="list-style-type: none">▪ ensure that there is clarity about the legal status of the partnership ▪ ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	
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Schedule to assist in putting the principles into practice - amended version

3 Core principle : Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour			
	Supporting principles	The local code should reflect the requirement of local authorities to:	Expanded/additional governance requirements from the CFO statement that should be reflected in the local code :
1	ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect 	
		<ul style="list-style-type: none"> ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols 	
		<ul style="list-style-type: none"> put in place arrangements to ensure that members and employees of the authority 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 	
2	ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners 	

Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none"> • put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice 	<ul style="list-style-type: none"> • Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice
		<ul style="list-style-type: none"> • develop and maintain an effective standards committee 	
		<ul style="list-style-type: none"> • use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority 	
		<ul style="list-style-type: none"> • in pursuing the vision of a partnership, 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 	

Schedule to assist in putting the principles into practice - amended version

4 Core principle : Taking informed and transparent decisions which are subject to effective scrutiny and managing risk			
	Supporting principles	The local code should reflect the requirement of local authorities to:	Expanded/additional governance requirements from the CFO statement that should be reflected in the local code :
1	being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall 	<ul style="list-style-type: none"> Ensure an effective internal audit function is resourced and maintained
		<ul style="list-style-type: none"> develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based 	
		<ul style="list-style-type: none"> put in place arrangements to safeguard against conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice 	
		<ul style="list-style-type: none"> develop and maintain an effective audit committee or equivalent which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee 	<ul style="list-style-type: none"> Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit
		<ul style="list-style-type: none"> put in place effective transparent and accessible arrangements for dealing with complaints 	

Schedule to assist in putting the principles into practice - amended version

2	having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications 	Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority
		<ul style="list-style-type: none"> ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately 	<ul style="list-style-type: none"> 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 and balances in line with good practice guidance⁴
3	ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job 	<ul style="list-style-type: none"> Ensure the authority's arrangements for financial and internal control and 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 and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorization and approval processes
		<ul style="list-style-type: none"> ensure that effective arrangements for whistle blowing are in place to which staff and all those contracting with the authority have access 	
4	using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> actively recognise the limits of lawful activity placed on them by, for example 	

⁴ LAAP – Local Authority Reserves and Balances

Schedule to assist in putting the principles into practice - amended version

		the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities	
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Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none">• recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	
		<ul style="list-style-type: none">• observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	

Schedule to assist in putting the principles into practice - amended version

5 Core principle : Developing the capacity and capability of members and officers to be effective			
	Supporting principles	The local code should reflect the requirement of local authorities to:	Expanded/additional governance requirements from the CFO statement that should be reflected in the local code :
1	making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"> provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis 	
		<ul style="list-style-type: none"> ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority 	<ul style="list-style-type: none"> Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised Provide the finance function with the resources, expertise and systems necessary to perform its role effectively
2	developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	<ul style="list-style-type: none"> assess the skills required by members, officers and managers and make a commitment to develop those skills to enable roles to be carried out effectively 	<ul style="list-style-type: none"> embed financial competencies in person specifications and appraisals ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities

Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none"> 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 	
		<ul style="list-style-type: none"> ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs 	
3	encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal	<ul style="list-style-type: none"> ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority 	
		<ul style="list-style-type: none"> ensure that career structures are in place for members and officers to encourage participation and development. 	

Schedule to assist in putting the principles into practice - amended version

6 Core principle : Engaging with local people and other stakeholders to ensure robust public accountability			
	Supporting principles	The local code should reflect the requirement of local authorities to:	Expanded/additional governance requirements from the CFO statement that should be reflected in the local code :
1	exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships	<ul style="list-style-type: none"> • make clear to themselves, all staff and the community, to whom they are accountable and for what • consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required 	
		<ul style="list-style-type: none"> • produce an annual report on the activity of the scrutiny function 	
2	taking 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 or in partnership	<ul style="list-style-type: none"> • ensure clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements and ensure that they operate effectively 	
		<ul style="list-style-type: none"> • ensure that arrangements are in place to enable the authority 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 	
		<ul style="list-style-type: none"> • establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result 	

Schedule to assist in putting the principles into practice - amended version

		<ul style="list-style-type: none"> on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period 	
		<ul style="list-style-type: none"> ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so 	
3	making best use of resources by taking an active and planned approach to meet responsibility to staff	<ul style="list-style-type: none"> develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making. 	