

Item no

Report to: **Audit Committee**

Date: **22nd May 2008**

Report of: **Governance and Risk Manager**

Subject: **Local Code of Governance – Review of Corporate Governance Framework**

Ward: **All**

1 **Purpose of Report**

1.1 To adopt a revised Local Code of Governance arising from a recent review of the Council's governance arrangements.

2 **Consultation**

2.1 In preparing this paper I have consulted with the Executive Member for Resources, the Executive Member for Improvement, the Director of Finance and Corporate Services, the Monitoring Officer and other officers of the corporate governance group who have dealt with the issue. Management Team has considered the report.

3 **Background**

3.1 The Council's existing Code of Corporate Governance was adopted by the Council in July 2002. Since then responsible officers have reviewed the arrangements on an ad hoc basis ensuring strong governance arrangements are in place. The strength of the arrangements is evidenced by various statements and inspection results over the period: -

- An 'excellent' corporate performance assessment
- Direction of Travel Statements
- Annual Audit Letters
- Use of Resources Assessments
- Annual governance reports which includes reference to the Council's financial and performance management arrangements, data quality and best value/value for money.

3.2 More recently changes to the Accounts and Audit Regulations coupled with further guidance from the government (Circular 03/2006) has led to further developments in this area whereby Council's are required to prepare an Annual Governance Statement which effectively replaces the existing Statement of Internal Control as a requirement for inclusion in the Council's financial statements.

3.3 In support of these changes the Chartered Institute of Finance Accountants (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have developed a framework 'Delivering Good Governance in Local Government' (published 2007) setting out best practice for developing and maintaining a Local Code of Governance and for discharging accountability for the proper code of public business, through the publication of an annual governance statement that will make the Councils adopted practices and governance arrangements open and explicit.

3.4 In view of these developments it is appropriate to review existing arrangements at the Council and the CIPFA/SOLACE Framework, has been used in the process. The framework defines the principles which should underpin the governance of each local authority and provides a structure to help individual authorities determine their own approach to assess the effectiveness or otherwise of their governance arrangements.

3.5 Taking account of the guidance the Annual Governance Statement (AGS) Framework for the Council has been developed and is set out in **Appendix 1**. The framework sets out the corporate governance environment and members will recognise the components included in the statement. The framework is the tool used to review and evidence the Council's arrangements.

4. **Position Statement and Options Appraisal**

4.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, and honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

4.2 Ultimate responsibility for ensuring the Councils Governance arrangements are appropriate rests with the District Council and effectively discharged through the Chief Executive. The regulations make it a requirement that an Annual Governance Statement is issued and signed off by the Chief Executive and Leader of the Council and shall be reported annually by inclusion in the Council's Statement of Accounts which are prepared on an annual basis.

4.3 The CIPFA/SOLACE framework defines 6 core principles of good governance: -

- Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- To engage with local people and other stakeholders to provide robust public accountability.

The six core principles have a series of supporting principles, each of which translates into a range of specific requirements that are reflected in the proposed Local Code.

4.4 Authorities are encouraged to test their structures against the six principles of good practice contained in the framework by: -

- Reviewing their existing governance arrangements against this 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 governance arrangements in the year, and on any planned changes in the coming period.

Review of the current arrangements

- 4.5 In order to carry out the review a small corporate governance group was established to assess and evidence the current governance arrangements and identify any actions needed to comply with the guidance. In future the group will be responsible for monitoring the arrangements and providing assurance on the process.
- 4.6 In carrying out a fundamental review of the current arrangements, it has been necessary to:-
- Consider the extent to which the authority complies with the principles and requirements of good governance set out in the framework;
 - Identify systems, processes and documentation that provide evidence of compliance;
 - Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 4.7 To capture the above, the Group has gathered and collated the necessary evidence to support the Code's core and supporting principles. This detail is set out in the Local Code of Governance Work plan (**Appendix 2**). Officers have carried out an assessment of the adequacy effectiveness of the Council's governance arrangements and scored the requirements to identify areas where further attention is required.
- 4.8 The Work plan provides a performance action plan that identifies the Council's current governance arrangements and in addition identifies those areas requiring further attention. The monitoring and effectiveness of those actions will be carried out by the Governance and Risk Manager through the Corporate Governance Group and as part of the existing terms of reference of the Audit Committee.
- 4.9 It is recommended that in future formal reviews are carried out on an annual basis.
- 4.10 As part of the exercise a revised **Local Code of Governance** has been proposed and this is set out in **Appendix 3**. The Local code takes account of the CIPFA/SOLACE guidance and provides the structure and outline of the Council's approach to corporate governance.

5 Implications

5.1 Financial

There are no specific financial implications arising from the contents of the report. A key principle from the Corporate Governance Framework includes "*ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money*".

The capacity issues around implementation and future monitoring of the governance arrangements were addressed under the best value review of support services and are contained in existing budgets.

5.2 **Legal**

There are no direct legal implications arising from this report however the framework does include the requirement that authorities use their legal powers to the full benefit of the citizens and communities in their area, and to recognise the limits of lawful activity placed on them. In addition, there is a new legal requirement effective from 2007/08 to produce an Annual Governance Statement to meet the requirements set out in Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and removes the requirement to publish a separate Statement on Internal Control

5.3 **Policy**

Previous arrangements have been formalised and it is now a requirement to produce and keep up to date a Local Code of Governance consistent with the principles of the CIPFA/SOLSACE Framework. The arrangement, reinforces the responsibility on the Council to have in place proper arrangements for the governance of its affairs and to keep such arrangements under review

5.4 **Local Government Review (LGR)**

The District Council will continue to have in place a Local Code and have appropriate assessment and assurance arrangements in place to provide an Annual Governance Statement for each of the financial years 2007/08 and 2008/09. In doing so, it has been necessary to take account of the LGR situation and the need to take an appropriate and proportionate approach.

The County Council will prepare its own annual governance arrangements up until 31st March 2009. An LGR Work stream sub-group has been established under the review programme to consider the Governance arrangements for the new Unitary Council post April 2009

5.5 **Risk**

The Local Code of Governance supports the Councils Risk Management policy and strategy and includes arrangements for the management of risk.

5.6 **Corporate Plan and Priorities**

By its very nature, the Local Code of Governance is consistent with the Council's Mission, Priorities and Objectives and provides a framework to link all aspects of the Council's activities into a single governance framework and provides corporate assurance through the Annual Governance Statement

5.7 **Equality and Diversity**

Equality and diversity issues are specifically included as a supporting principle under the Local Code of Governance.

5.8 **E-Government**

There are no direct e-government issues arising from this report.

5.9 **Procurement**

There are no direct procurement issues arising from this report.

5.10 **Communication**

The relevant issues arising from this report have been communicated to all appropriate parties, and arrangements will be made for any necessary training that may be required.

6.0 **Conclusion**

6.1 The report updates Audit Committee on the new Governance Framework and presents the Local Code and Framework which has been presented to Executive for adoption. The work-plan identifies areas where improvements need to be addressed and the framework establishes a system to review the effectiveness of the Council's governance arrangements and monitor its implementation.

The Chief Executive, as Head of Paid Service, and the Leader of the Council will be required to sign off an Annual Governance Statement to be included within the Councils published Statement of Accounts for 2007/8 and 2008/9.

7 **Recommendations**

7.1 Audit Committee is requested to:

- Note the revised Annual Governance Statement (AGS) Framework (**Appendix 1**) and Local Code of Governance (**Appendix 3**) which has been presented to Executive for adoption;
- Note it's responsibility for reviewing the effectiveness of the Council's governance arrangements and for monitoring those actions identified in the Workplan (**Appendix 2**) to ensure standards are met;
- Consider and review the effectiveness of the Councils' Governance arrangements in place via the Framework, Local Code and the Governance Workplan;

Background Papers and Documents

- Delivering Good Governance in Local Government – Framework (Solace/CIPFA)
- Delivering Good Governance in Local Government – Guidance Note for English Authorities (Solace/CIPFA)
- Accounts and Audit (Amendment) (England) Regulations 2006
- Annual Governance Statement – “Rough Guide for Practitioners” (CIPFA)
- Corporate Governance Group Agenda, Minutes and background papers