

Item no

Report to: **Audit Committee**
Date: **12th March 2009**
Report of: **Governance and Risk Manager**
Subject: **Review of the Councils Local Code of Governance**
Ward: **All**

1 **Purpose of Report**

1.1 To review the Council's Local Code of Governance and seek assurance that the arrangements 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.

3 **Background**

3.1 The Council's current Local Code of Governance was adopted in May 2008. Since then The Governance & Risk Manager together with the Corporate Governance Group have reviewed the arrangements on a regular basis to ensure strong governance arrangements are in place. The strength of the arrangements is evidenced by various statements and inspection results over the period since the last review, including:

- 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 The Council's Annual Governance Statement (AGS) Framework is attached as **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.

4.3 The Governance Workplan incorporates all of the 6 core principles of good governance contained within the CIPFA/SOLACE Framework: -

- 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 Council's 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.

5.0 Review of the Current Arrangements

5.1 The Council has an established corporate Working Group (Corporate Governance Group) comprising the following Officers:

Tom Bell - Director of Finance & Corporate Services;
David Taylor - Monitoring Officer;
Barry Garside – Head of Democratic Services;
Gordon Fletcher – Audit Manager
Mary Readman- Principal Corporate Development Officer
Stuart Wardle – Governance and Risk Manager

5.2 The Corporate Governance Group has completed a fundamental review and assessment of the Council's existing governance arrangements against the requirements of the framework and in accordance with the supporting CIPFA/SOLACE Guidance Note. The Group has collated and provided the necessary evidence to support the Code's Core Principles and Supporting Principles as set out in the Local Code of Governance Workplan (**Appendix 2**). In addition, the Group has carried out an assessment of the adequacy and effectiveness of the Council's governance arrangements and scored the same to help determine any areas where further attention is required.

- 5.3 The Workplan 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 the required actions is undertaken by the Governance and Risk Manager through the Corporate Governance Group and as part of the existing terms of reference of the Audit Committee.
- 5.4 Ultimate responsibility for ensuring the Council's 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. In view of Local Government Re-organisation, the Council's Governance arrangements have been reviewed and updated up until vesting day. Any matters arising are to be dealt with by the new Unitary Durham County Council

A copy of the Council's Local Code of Governance is attached as **Appendix 3**

- 5.5 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.
- 5.6 In carrying out a fundamental review of the current arrangements, the Corporate Governance Group has:
- considered the extent to which the authority complies with the principles and requirements of good governance set out in the framework;
 - identified systems, processes and documentation that provide evidence of compliance;
 - identified the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - identified the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - identified the individuals who would be responsible for undertaking the actions required and plan accordingly.

- 5.7 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 and effectiveness of the Council's governance arrangements and scored the requirements to identify areas where further attention is required.

- 5.8 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 the required actions is undertaken by the Governance and Risk Manager through the Corporate Governance Group and as part of the existing terms of reference of the Audit Committee.

6 **Implications**

6.1 **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*”.

6.2 **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, it is legal requirement 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.

6.3 **Policy**

The Council is required 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

6.4 **Local Government Review (LGR)**

As the District Council of Easington demises on 31st March 2009, 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 it's own Annual Governance arrangements for year ended 31st March 2009 as part of their Statement of Accounts. Any governance arrangements arising from the Annual Governance Statements of the Durham Districts are being integrated as part of Durham County Councils Governance arrangements.

An LGR Work stream has been established under the Local Government Review Programme to consider and put in place appropriate governance arrangements for the new Unitary Council post 1st April 2009

6.5 **Risk**

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

6.6 **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

6.7 **Equality and Diversity**

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

6.8 **E-Government**

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

6.9 **Procurement**

There are no direct procurement issues arising from this report.

6.10 **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. Details will also be passed to Durham County Council.

7.0 **Conclusion**

7.1 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 for the year 2008/9.

As this is the final report on the Council's Governance arrangements prior to the dissolution of Easington District Council on 31st March 2009, the Governance & Risk Manager and the Corporate Governance Group would like to record their thanks to all Members of the Audit Committee for their support and direction. In addition, we wish to acknowledge the professional manner in which the Audit Committee have robustly sought assurances in the way the Council manages its governance arrangements.

8.0 **Recommendations**

Audit Committee is requested to:

- Note there are no proposed changes to the Council's Annual Governance Statement (AGS) Framework (**Appendix 1**) and Local Code of Governance (**Appendix 3**);
- Consider and review the effectiveness of the Council's governance arrangements and for monitoring the actions identified in the Governance Workplan (**Appendix 2**) to ensure standards are met and obtaining assurances that the arrangements are robust;

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