

Item 7

REPORT TO COUNCIL

27TH JULY 2007

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

ANNUAL REVIEW OF CORPORATE GOVERNANCE 2006-07

1. SUMMARY

This report has been prepared in accordance with the Local Code of Corporate Governance, as approved by Council in December 2002 (Minute C54/02 refers) and is an annual report detailing compliance with, content of and progress against the action plans established to develop the Councils corporate governance arrangements during the 2006/07 financial year.

2. RECOMMENDED

It is recommended that

- 2.1 The Annual Report for 2006/07 be approved.
- 2.2 Following the review of compliance with, content of and progress against the actions plans established, the Local Code of Corporate Governance, as approved by Council in December 2002, remains unchanged.
- 2.3 The Chief Executive continues to monitor, through Management Team, progress against the Corporate Governance action plans and further reports be submitted to Cabinet on an annual basis.

3. BACKGROUND

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) issued a framework document "Corporate Governance in Local Government: A Keystone for Community Governance" and an accompanying guidance note in 2001. The framework defined the principles that should underpin corporate governance and every Local Authority was urged to: -
 - Review its existing Corporate Governance arrangements against the framework.
 - Prepare, adopt and maintain an up to date Local Code of Corporate Governance, including arrangements for ensuring its implementation and ongoing application.
 - Make a statement annually in its financial statements and refer to it in its Best Value Performance Plan (BVPP), on how the Council is complying with its Local Code,

- including how it monitored the effectiveness of its Corporate Governance arrangements in the year and any planned changes in the coming year.

3.2 Strong and effective Corporate Governance arrangements enable the Council to demonstrate that:

- it has community focus;
- effective service delivery arrangements;
- robust structures and processes;
- effective risk management and internal controls; and
- proper standards of conduct.

The principles underpinning these five 'dimensions' are accountability, integrity and openness and inclusivity.

3.3 Council approved the Local Code of Corporate Governance at its Special meeting in December 2002, detailing the measures the Council takes to demonstrate how it meets the requirements of the five dimensions of Corporate Governance. An action plan was compiled to ensure that any tasks that needed to be undertaken to fully comply with the Code were identified and regular monitoring of progress against these actions (to strengthen the Councils Corporate Governance arrangements) have been reported to Management Team since that date.

3.4 CIPFA and SOLACE are still reviewing and updating the original framework and a number of key areas are being addressed:

- Partnership arrangements;
- the emerging Local Government Agenda;
- the fit with the Statement of Internal Control;
- the Operating and Financial Review;
- the good governance standard for public services;
- monitoring and review arrangements;
- the role of the Monitoring Officer;
- the role of the Standards and Audit Committees.

A draft of the new framework had been drawn up and a consultation document issued giving local authorities and other interested parties an opportunity to influence the outcome. The revised recommended arrangements are expected to be published shortly.

4. IMPROVING CORPORATE GOVERNANCE ARRANGEMENTS DURING THE YEAR

4.1 The Chief Executive has specific responsibility for:

- Overseeing the implementation and monitoring of the operation of the Code.
- Reviewing the operation of the Code in practice.
- Reporting annually to the 'Body charged with Governance' (which, in accordance with the Constitution, is the full Council) on the compliance with the Code and to identify any changes that may be necessary to maintain it and ensure its effectiveness in practice

- 4.2 The Head of Financial Services is responsible for co-ordinating and monitoring progress against the action plans developed to further strengthen the Councils Corporate Governance arrangements and for preparing update reports for consideration. Management Team has considered progress made against the outstanding/ongoing tasks on two occasions in respect of the 2006/2007 financial year.
- 4.3 Members will recall that there was a schedule showing 7 tasks that were in the process of being undertaken at the end of the 2005/06 financial year. During the 2006/07 financial year, a number of those tasks have been completed, including:
- *Develop an organisational development plan.*
 - *Undertake a self-appraisal of key partnerships, including SCB, Surestart, Community Safety and develop a partnership protocol/framework.*
 - *Develop appropriate governance arrangements for the local area agreement.*
 - *Ensure that there are procedural notes/manuals in place for those systems that are business critical.*
 - *Develop and communicate a formal ICT System Business Continuity/Disaster Recovery Plan.*

It is noted that whilst some of the initial tasks have now been completed, a number of Action Plans have subsequently been developed to ensure ongoing progress is being achieved or maintained and progress against these Action Plans should be considered by the Council's Strategic Working Groups.

- 4.4 A full list of outstanding tasks as at the end of 2006/07 financial year is shown at Appendix 1.

5. EXTERNAL AUDITOR JUDGEMENT

- 5.1 The Audit Commission review the Council's Corporate Governance arrangements on an annual basis as part of their normal audit programme. In the 2006/07 Annual Management and Inspection Letter, recently presented to Audit Committee, the Audit Commission concluded that the Council's overall Corporate Governance arrangements are robust and provide a sound basis for continued improvement. The Audit Commission also confirmed that there are good working relations among political parties, councillors and officers and the Council had worked with partners to address the weaknesses in the local strategic partnership identified by the Government Office North East.
- 5.2 During the 2005/06 financial year the Audit Commission consulted with all local authorities on a review methodology for undertaking Corporate Governance Inspection and its associated Key Lines of Enquiry. The Audit Commission did consider the responses to the consultation but have delayed publishing their final framework for Corporate Governance Inspection until after the revised guidance from CIPFA/SOLACE had been published. It is intended that a small group of Heads of Service will review the revised framework and any consequent actions required to achieve full compliance will be included in a revised action plan, with progress being monitored by Management Team.

6. ANNUAL STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE

- 6.1 In accordance with recommended best practice, the Chief Executive and Leader of the Council are required to both sign a 'Statement of Assurance on Corporate Governance' for inclusion in the annual Statement of Accounts.
- 6.2 The 'Statement of Assurance' in the 2005/06 Statement of Accounts stated that, on the basis of information supplied to them, the Chief Executive and Leader were satisfied that the Council's arrangements were adequate and operating effectively. It was acknowledged that there were several aspects of the Code of Corporate Governance that were not in place but that actions were being undertaken which were being monitored by Management Team to ensure that full compliance will be achieved.
- 6.3 Given the findings of the 2005/06 Corporate Governance Audit by the Audit Commission and progress achieved in the last year, the 'Statement of Assurance' in the 2006/07 Statement of Accounts will again, in the opinion of the Chief Executive and the Leader, state that the Council's arrangements are adequate and operating effectively. Monitoring of progress against the actions identified will continue to be undertaken to ensure that full compliance will eventually be achieved over a reasonable timescale.

7. CONCLUSIONS

- 7.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) existing framework document "Corporate Governance in Local Government: A Keystone for Community Governance" is about to be revised and the Audit Commission will also issue revised methodology for undertaking its Corporate Governance Inspection and its associated Key Lines of Enquiry. Officers of the Council will review these documents when available and consider the implications in order to determine the extent of the Council's compliance with their revised requirements.
- 7.2 The Councils Corporate Governance arrangements will continue to be subject to annual external and internal review and audit and the operation of the existing or revised Code in practice, through regular update reports to Management Team on progress achieved against action plans is designed to strengthen these arrangements.
- 7.3 Therefore, there is no reason as yet to change, amend or alter the existing Local Code of Practice, until further information is available from CIPFA, SOLACE and the Audit Commission.

8. RESOURCE IMPLICATIONS

- 8.1 There are no financial issues arising directly from this report.

9. CONSULTATIONS

Responsible officers allocated to the individual outstanding tasks have been fully consulted in the production of this report.

10. LINKS TO CORPORATE OBJECTIVES/VALUES

Reviewing and monitoring the Council's Corporate Governance arrangements ensures that the following corporate value is being addressed:

- *Being open, accessible, equitable, fair and responsive.*

11. RISK MANAGEMENT

If the Council is not able to demonstrate to the Audit Commission during a Comprehensive Performance Assessment (CPA) Review, that it had good governance arrangements in place, or any weaknesses were not being addressed, it would inevitably have a detrimental impact on the overall assessment and it would not be possible for the Council to achieve the highest possible score.

If there are not adequate Governance arrangements in place when the Council is engaged with partners for the delivery of services, there is also a risk that the Council may be required to deal with any financial liabilities resulting from any failure in the partnership arrangements.

12. HEALTH AND SAFETY

No additional implications have been identified.

13. EQUALITY AND DIVERSITY

No additional implications have been identified.

14. LEGAL AND CONSTITUTIONAL

No new implications have been identified.

15. OTHER MATERIAL CONSIDERATIONS

No other material considerations have been identified.

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Ward(s) Proposals are not ward specific

Background Papers

- Corporate Governance in Local Government: A Keystone for Community Governance Framework and Accompanying Guidance Note – issued by CIPFA and SOLACE.
- Local Code of Corporate Governance – Report to Special Council 20.12.02
- Corporate Governance – Task Updates – Reports to Management Team 16.10.06; 5.02.07.
- Audit Commission Annual Audit and Inspection Letter 2005/06 – Report to Audit Committee April 2007
- Local Code of Corporate Governance – Annual Report and Review of Corporate Governance 2005/06 – Report to Council July 2006

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Management Team has approved the report.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

APPENDIX 1

<i>Task</i>	<i>Description</i>	<i>Responsible Officer</i>	<i>Revised Target Date for Completion</i>
1.	Develop an ICT Security Policy	Head of ICT	December 2007
2.	Review (and amend where necessary) the Contract Procedure Rules within the Constitution.	Head of Financial Services	July 2007

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