

# ***Report to the Council***

**Committee:** Audit and Governance Committee.

**Date:** 19 February 2008

**Chairman:** Councillor J Knapman.

**Item:** 12

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## **Recommending:**

**That the attached revised Local Code of Governance be adopted.**

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## **Background**

1. At its meeting in September 2007, the Audit & Governance Committee was advised that CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) had updated their earlier guidance to local authorities on assessing their corporate governance responsibilities. The corporate governance framework had now been revised due to the development and reform of local government, and had addressed some areas not previously covered. The new framework aimed to reflect the dimensions of the local government role, which were seen as:

- (i) to provide leadership for and with the community, and engage in effective partnerships;
- (ii) to ensure the delivery of high quality local services whether directly, in partnership, or by commissioning;
- (iii) to perform a stewardship role that protected the interests of local people and made the best use of resources; and
- (iv) to develop local democracy and citizenship.

2. The Committee was advised that work had begun on the new Local Code of Corporate Governance, and that the updated Code of Governance would be submitted to this Committee.

3. The Committee was also advised that the scope of the new Governance Statement would be far wider than the former Statement on Internal Control, as this had focused on corporate and service issues related to internal control and risk management. The new Governance Statement would relate to the whole organisation, and reflect the changes, challenges and expectations that had now been placed upon local authorities. In particular, joint working arrangements and partnerships would be given a higher profile, reflecting their increased prominence due to the development of Local Area Agreements and the change to Comprehensive Area Assessments.

4. The final version of this document "Delivering Good Governance in Local Government" was published by CIPFA and SOLACE in July 2007, and the Council's Code of Governance has been reviewed in light of this best practice document.

## **Revised Governance Framework for Local Government**

5. The document presents a framework of six core principles, with supporting principles

and urges local authorities to:

- (a) review their existing governance arrangements against this framework;
- (b) develop and maintain an up-to-date local code of governance; and
- (c) prepare an annual governance statement to publicly report the extent to which they comply with their own code and setting out improvement plans, where appropriate.

6. The six core principles that underpin and define the meaning of good governance are set out below:

- **focusing 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 a 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 of members and officers to be effective; and**
- **engaging with local people and other stakeholders to ensure robust public accountability.**

7. To achieve good governance, each local authority should be able to demonstrate that they are complying with the core and supporting principles contained in the framework and should therefore develop and maintain a local code of governance comprising the requirements of best practice outlined within the framework.

### **Code of Corporate Governance**

8. A revised Code of Corporate Governance has been prepared based on the best practice requirements of the CIPFA/SOLACE framework and is attached at Appendix 1 for recommendation to the Council for adoption. Adoption of this code will ensure that the Council complies with the requirement to develop and maintain an up to date local code of governance.

### **Annual Governance Statement & Annual Review**

9. The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, require local authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”. The governance framework published in July 2007, defines the proper practice that is now to be followed to meet the requirements of the Accounts and Audit Regulations. In practice this means that the Council will be required to produce an Annual Governance Statement that will subsume the Council’s existing Statement on Internal Control. The Governance Statement will be reported with the annual Statement of Accounts in June each year.

10. The governance statement should include the following information:

- (i) an acknowledgement of responsibility for ensuring there is a sound system of governance;
- (ii) an indication of the level of assurance that the systems and processes that comprise the authority's governance can provide;
- (iii) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
- (iv) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- (v) an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan

11. The Annual Governance Statement will be prepared following a detailed review of the effectiveness of the Council's governance arrangements. This review will consider each of the items in the "How we are achieving this..." column of the Code of Governance attached as Appendix 1. The results of this review and the first Annual Governance Statement will be presented to Members in June 2008.