

AUDIT COMMITTEE

23rd January 2008

Local Code of Corporate Governance

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT

- 1 To explain the new requirement upon councils to develop and maintain a Local Code of Corporate Governance; and
- 2 To seek Members' approval for a draft Local Code of Corporate Governance, which has been prepared in accordance with the prevailing guidance.

This report is public

RECOMMENDATIONS

1. **That the draft Local Code of Corporate Governance be approved.**

1.0 Introduction

- 1.1 A sound system of corporate governance underpins the achievement of all the Council's strategic objectives but is key to ensuring that the Council continues to improve its performance as governance arrangements form a significant element of the Use of Resources assessments and will be fundamental to the forthcoming Comprehensive Area Assessment regime.
- 1.2 In England, the preparation and publication of an annual governance statement in accordance with proper practices is necessary to meet a statutory requirement set out in Regulation 4(2) of the Accounts & Audit (Amendment) (England) Regulations 2006.

2.0 Report

- 2.1 In relation to the production of a Governance Statement, "proper practices" are defined as those set out in a framework and guidance issued by CIPFA & SOLACE¹ during 2007 and these will apply to the production of the next statement (that in relation to the 2007/08 financial year). Specifically, the Council is now required to develop and maintain a Local Code of Corporate Governance and to prepare a Governance Statement in order to report publicly on an annual basis on the extent to which the Council complies with its own Code. This requirement supersedes previous requirements to produce an annual Statement on Internal Control (SIC).
- 2.2 A detailed comparison has been carried out of the contents and procedures set out in the new framework with those that have been put in place in the Council over the past few years. This has shown that, whilst the structure and emphasis within the

¹ "Delivering Good Governance in Local Government" – CIPFA & SOLACE 2007

framework has shifted somewhat, the substance and basic procedures are not significantly different. The approach taken has therefore been to address the new requirements by embracing the new framework and at the same time building on existing arrangements. The single most notable development is the adoption of a formal Code of Corporate Governance.

2.3 A draft Local Code of Corporate Governance has therefore been prepared in accordance with the guidance and is attached to this report for members' consideration. The contents of the draft Code are summarized below.

3.0 The Draft Local Code – A Summary

3.1 The new CIPFA SOLACE Framework identifies the following 6 core principles which underpin a council's system of governance:

- 1. Focussing on the purpose of the authority and on outcomes for the community including citizens and service users 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 of the authority and demonstrating the values of good governance through behaviour**
- 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
- 5. Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively**
- 6. Engaging with local people and other stakeholders to ensure robust local public accountability.**

3.2 Corporate governance is therefore the product of the interlocking systems and processes through which an organisation manages and directs itself to determine and deliver its objectives. Although, as the phrase implies, this includes issues of probity, ethics and personal conduct, the impact is much wider. The above principles demonstrate that governance is primarily about having effective performance management and risk management systems in place.

3.3 In meeting the requirements of the new framework and guidance, the Council is expected to:

- consider the extent to which it complies with the above 6 core 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.

3.4 The attached draft Local Code describes the arrangements it is proposed to adopt within the Council to comply with the above requirements and these are summarised below.

Compliance with the 6 Core Principles

- 3.5 Under each core principle, the CIPFA/SOLACE framework identifies a series of sub-principles. These have been reviewed and tailored to the Council's situation to provide a 67 point checklist. A Management Group comprising key officers will conduct a detailed annual self-assessment against this checklist.

Evidence

- 3.6 Wherever possible reference will be made to independent sources of assurance such as external or internal audit reports to confirm the effectiveness of specific arrangements.

Annual Governance Statement

- 3.7 The results of the self-assessment, including any significant non-compliance issues will be published in the Annual Governance Statement alongside the annual accounts. This will include any non-compliance issues arising from Assurance Statements completed by each Service Head.
- 3.8 The production of Service-specific assurance statements will be established to supplement the corporate self-assessment and will aim to evaluate compliance with a range of corporate policies and procedures within service units.

Monitoring and Review

- 3.9 Management Team will review the draft Statement prior to it being submitted to Audit Committee.
- 3.10 Audit Committee will review and approve the draft Statement for signing by the Leader of the Council and the Chief Executive. This function represents the annual culmination of the Committee's responsibility for reviewing the adequacy and effectiveness of the overall Council's overall governance arrangements.

4.0 Options & Options Analysis

- 4.1 The options available are:
- 1) to approve the draft Code of Corporate Governance without amendment;
 - 2) to approve the draft Code but with the inclusion of amendments; or
 - 3) not to approve the Code
- 4.2 Given the statutory backing provided to the CIPFA/SOLACE framework and guidance, failure to adopt and maintain a local Code of Corporate Governance is likely to reflect badly on the Council and hinder progress in terms of future corporate assessments. The preferred option is therefore that the draft Code of Corporate Governance be approved, with or without amendment at this stage. As a general principle, it is recommended that the Code should be reviewed annually.

5.0 Conclusion

- 5.1 The adoption of a Local Code of Corporate Governance will meet the Council's legislative responsibilities and establish a sound basis on which to further improve performance and the results of external assessments.
- 5.2 The approach to the monitoring and review of arrangements against the draft Code represent a natural development of the approach taken by the Council over the last five years. This means that the introduction of the Code should be smooth and involve little disruption to existing arrangements.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising from this report

FINANCIAL IMPLICATIONS

None arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and her comments have been incorporated.

LEGAL IMPLICATIONS

Adoption of a Local Code of Corporate Governance and procedures for its effectiveness to be reviewed in connection with the publication of an annual Governance Statement will meet legislative requirements under the Accounts & Audit (Amendment) (England) Regulations 2006.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and her comments have been incorporated.

BACKGROUND PAPERS

CIPFA/SOLACE – Delivering Good Governance in Local Government

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