

Southend-on-Sea Borough Council

Agenda
Item No.

4

Report of Chief Executive & Town Clerk

to

Audit Committee/Cabinet

on

25 September /5 November 2013

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Manager

Local Code of Governance: Annual Review

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the Council's revised Local Code of Governance to the Audit Committee for consideration.

2. Recommendations

- 2.1 **That the Audit Committee is asked to consider the revised Local Code of Governance, for recommended approval by Cabinet.**
- 2.2 **Once approved, that the Council's Constitution is updated with the revised Local Code of Governance.**

3. Background

- 3.1 The 1992 Cadbury Committee report, which set out recommendations on the arrangement of company boards and accounting systems to mitigate corporate risk and failures, defined corporate governance as the '*system by which organisations are directed and controlled*'.
- 3.2 A good governance framework for local government has been developed by Cipfa and Solace. Their 2007 'delivering good governance in local government framework', emphasises the importance of good governance to the wider outcomes of good management, good performance and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct and set the tone for the rest of the organisation.
- 3.3 The governance framework can be seen as an interrelated system that brings together an underlying set of values, legislative requirements, governance

principles and business management processes that enable an organisation to achieve its objectives.

- 3.4 The Framework sets out the principles and standards aimed at helping local authorities develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business.
- 3.5 The Framework has been accorded 'proper practices' status by the Department for Communities and Local Government (DCLG) through non statutory guidance, in respect of the requirement for local authorities to prepare an annual governance statement which must accompany the statement of accounts.
- 3.6 In order to comply with the guidance, the Council:
- Sets out its governance arrangements in its Local Code of Governance; and
 - Publishes an Annual Governance Statement having assessed the adequacy of these arrangements and the effectiveness which they have operated, throughout the year.
- 3.7 New guidance in applying the Framework ('delivering good governance in local government – guidance note for English authorities') was published in December 2012 to assist local authorities in reviewing the effectiveness of their own governance arrangements.

4. Southend Council Local Code of Governance - 2013

- 4.1 There are four sections to the Code, which cover:
- What governance is, why it is important and how members and staff are informed about the Code;
 - The principles and values to be adopted, setting the tone for how the organisation operates but also how individuals (both members and officers) conduct themselves;
 - The business management processes the Council operates in to enable it to successfully deliver the service objectives that it sets itself and
 - How these principles, values and business management arrangements should be implemented and the arrangements established to complete the annual review of their adequacy and operation throughout the year, which is used to support the production of the Governance Statement.
- 4.2 The Local Code of Governance is reviewed each year and a revised draft is attached at Appendix 2. The draft has been updated to reflect the 2012 guidance and other related developments in the last year (additions are underlined and shaded). This includes:
- A greater emphasis in the 2012 Guidance on demonstrating the *effectiveness* of the governance processes by organisations;
 - From the Guidance, how the CIPFA Framework six core principles of good governance, should be applied in practice.
 - The establishment of the Good Governance Group to strengthen the Council's ability to demonstrate this effectiveness;
 - A more explicit requirement to seek assurance of the adequacy and compliance with key management processes, from those overseeing key

management processes and other significant functions (such as projects and contract management) and

- A greater emphasis on communicating the contents of the Code to members and officers.

4.3 It will be necessary to ensure that: Internal Audit's terms of reference, Strategy and Audit Plan; the Audit Committee's terms of reference and work programme and the Annual Governance Statement are:

- Consistent with the Framework and Code and
- Operating in such a way as to enable the requirements of the Code to be complied with.

4.4 The Good Governance Group will help ensure the Council maintains governance arrangements that comply with good practice requirements and help ensure that sufficient assurance is available through the year to support the production of the Annual Governance Statement. The Good Governance Group will also promote the dissemination of the content of the Local Code to members and staff. This is likely to include the development of 'How to do it' guides for managers and members, which provide a simplified outline of what managers and members need to consider in helping the Council run effectively. These will also reflect developments, such as agreed themes emerging from the Council's cultural change programme. The group will report to the Chief Executive and provide regular updates to Corporate Management Team (quarterly) and to Audit Committee (annually) and on an exception basis. The terms of reference of the group are attached at Appendix 1.

5. Corporate Implications

5.1 Contribution to Council's Vision & Corporate Priorities

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities.

5.2 Financial Implications - None specific

5.3 Legal Implications

Accounts and Audit (England) Regulations 2011 Section 4 requires that the relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

The findings of the review must be considered by Council or by a committee. Following the review, the body or committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework (refer background papers). This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.

Therefore compliance with this Code satisfies the requirements of the Accounts and Audit (England) Regulations 2011.

5.4 People Implications

All members and staff need to adopt the principles and values outlined in the Code and apply the business management processes required within their service areas.

5.5 Property Implications – None

5.6 Consultation

The relevant stakeholders have been consulted.

5.7 Equalities and Diversity Implications

This is reflected in both the principles, values and business management processes to be adopted.

5.8 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities will not be delivered.

5.9 Value for Money

This is reflected in both the principles, values and business management processes to be adopted.

5.10 Community Safety Implications - None

5.11 Environmental Impact - None

6. Background Papers

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.
- The Accounts and Audit (England) Regulations 2011

7. Appendices

Appendix 1 – Good Governance Group Terms of Reference

Appendix 2 - Draft Local Code of Governance and supporting appendices

GOOD GOVERNANCE GROUP TERMS OF REFERENCE

Membership

- Group Manager – Policy, Engagement & Communications
- Policy & Governance Manager
- Head of Legal & Democratic Services
- Head of Finance & Resources
- Head of People & Policy
- Head of Internal Audit

Other staff will be invited to attend when required.

Statement of Purpose

The purpose of the Group is to ensure that the Council maintains governance arrangements that:

- Are fit for purpose and comply with good practice requirements and
- Ensure that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.

Work Programme

The key elements of the work programme are to:

- Review the Local Code of Governance;
- Draft the Corporate Assurance Statement, Manager Assurance Statements and any other Assurance Statements required;
- Review assurance statements to ensure that the assessment of compliance and supporting evidence is satisfactory;
- Support communication to members and officers, of the Council's approach to good governance, including, maintaining 'How To Do It' guides for officers and members;
- Contribute to the drafting of the Annual Governance Statement;
- Request feedback from Departmental Management Teams on the progress made implementing actions arising from assurance statements;
- Monitor progress made where further actions are required to strengthen arrangements;
- Assess compliance with the CIPFA / SOLACE delivering Good Governance guidance

Meeting cycle

The Group will meet quarterly,

Ad hoc meetings can be arranged to deal with specific issues that arise.

Reports To

- The Chief Executive and
- Provides update reports to Corporate Management Team (quarterly) and Audit Committee - annually, and on an exception basis.