

Southend-on-Sea Borough Council

Agenda
Item No.

4

Report of Chief Executive & Town Clerk

to

Audit Committee/Cabinet

on

24 June/22 September 2015

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& Information Management

Local Code of Governance: Review

Executive Councillor – Councillor Woodley

A Part 1 Public Agenda Item

1. Purpose of Report

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

2. Recommendations

- 2.1 **That the Audit Committee is asked to consider the 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 - 2015

- 4.1 The Code covers the following areas:
- 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 regularly and was last updated in September 2013 to reflect the 2012 guidance and other related developments in the last year. The Council's Corporate Management Team has reviewed the Code and feels it is still fit for purpose. It is, therefore, not recommending any changes to the 2013 Code, with the exception of the removal of a reference to guides for managers/members which is now dated.
- 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 of senior officers 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. The group reports to the Chief Executive and provides regular updates to Corporate Management Team and to Audit Committee (annually) and on an exception basis.

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 - Draft Local Code of Governance and supporting appendices