

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Executive Director (Legal & Democratic Services)

to

Audit Committee

on

23 October 2019

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A Simple and Effective Governance Framework

Executive Councillor – Councillor Gilbert

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To review the Council's Local Code of Governance (now to be called 'A simple and effective governance framework').

2. Recommendations

- 2.1 **To recommend to Cabinet that they approve the revised Local Code of Governance – A simple and effective governance framework – as set out at Appendix A.**
- 2.2 **Once approved, that the Council's Constitution is updated to reflect the revised framework.**

3. Background

- 3.1 The Council is required to have in place a Local Code of Governance that sets out its governance framework. The framework outlines the Council's approach to good governance and enables the annual review of the effectiveness of internal control to be carried out. This review, a legal requirement, is undertaken via the Annual Governance Statement presented to Audit Committee each year, signed by the Leader and Chief Executive, and is published as part of the annual statement of accounts.
- 3.2 The 1992 Cadbury Committee report, set out recommendations on the arrangement of company boards and accounting systems to mitigate corporate risk and failures and defined corporate governance as the 'system by which organisations are directed and controlled'. Many of these recommendations were adopted by public sector bodies and complemented by the development of the Committee on Standards in Public life 'Nolan principles' to promote ethical standards across the whole of public life in the UK.

- 3.3 A good governance framework for local government was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and provides an over-arching framework to local authority local codes of governance. The framework has been revised a number of times, most recently in 2016, and the Council adopted the framework's seven core principles as the basis on which to operate.
- 3.4 In summary, the framework states that 'the overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.'
- 3.5 It is part of the Council's Control Environment Assurance, which also includes the:
- risk management strategy
 - counter fraud, bribery and corruption policy and strategy
 - counter money laundering policy and strategy
 - whistleblowing policy
 - directed surveillance procedures.

4. A Simple and Effective Governance Framework - 2019

- 4.1 The current Local Code of Governance (agreed in 2016) has, therefore, been revised to reflect the direction of the council in recent years. This includes the adoption of the Southend 2050 Road Map, the council's new values and behaviours and changes to officer governance arrangements. It has also been simplified to remove (but provide links to) the CIPFA / SOLACE sub-principles of good governance and the Nolan principles of public life, but otherwise retains the core content of the 2016 Local Code of Governance.
- 4.2 The revised framework covers the following areas:
- What governance is;
 - The principles, values and behaviours to be adopted, setting the tone for how the organisation operates but also how councillors and officers conduct themselves;
 - The business management processes the Council operates to enable it to successfully deliver desired outcomes;
 - How the principles, values, behaviours and business management arrangements should be implemented;
 - The arrangements to complete the annual review of their adequacy and operation throughout the year, used to support the production of the Annual Governance Statement;
 - Evidencing effective implementation.
- 4.3 It will be necessary to ensure that Internal Audit's Strategy and Audit Plan, the Audit Committee's terms of reference and work programme and the Annual Governance Statement are consistent with the framework.

5. Other Options

- 5.1 Not adopting a revised simple and effective governance framework that incorporates would mean the Council's governance framework would lack clarity and would hinder delivery of the Southend 2050 outcomes.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

Simple and effective governance is one of the seven transforming together 'conditions', identified as required for the delivery of the Southend 2050 ambition and desired outcomes for 2023.

6.2 Financial Implications - None specific

6.3 Legal Implications

Accounts and Audit (England) Regulations 2015, 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 2015.

6.4 People Implications

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

6.5 Property Implications – None

6.6 Consultation

The relevant stakeholders have been consulted.

6.7 Equalities and Diversity Implications

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

6.8 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.

6.9 Value for Money

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

6.10 Community Safety Implications - None

6.11 Environmental Impact – None

7. 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 (2016).
- 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 Accounts and Audit (England) Regulations 2015

8. Appendices

Appendix 1 – A simple and effective governance framework – Southend on Sea Borough Council’s Local Code of Governance