

Southend-on-Sea Borough Council

Agenda
Item No.

4

Report of Chief Executive & Town Clerk

to

Audit Committee

on

21 September 2016

Report prepared by: Tim MacGregor – Team Leader - Policy
& Information Management

Local Code of Governance: Review

Executive Councillor – Councillor Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

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

2. Recommendations

- 2.1 That Audit Committee is asked to consider a revised Local Code of Governance (Appendix 1), for recommended approval to Cabinet.**
- 2.2 Once approved, the Council's Constitution is updated with the revised Local Code of Governance.**

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 enables the annual review of the effectiveness of the Council's system 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.
- 3.4 The governance framework brings together an underlying set of values, legislative requirements, governance principles and business management processes that enable an organisation to achieve its objectives. The Cipfa/Solace 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 Cipfa/Solace Framework has been revised on a number of occasions and, in April 2016 the 2012 version was updated and significantly revised. The new Framework (**Appendix 2**) is intended to reflect the International Framework for Good Governance in the Public Sector, as well as on-going financial constraints, new ways of working (for example, through partnerships, local authority trading companies, combined authority arrangements and devolution deals) and to be more outcome focussed.
- 3.6 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.'*
- 3.7 The framework applies to Annual Governance Statements prepared for the financial year 2016/17 onwards. Therefore, to ensure it is working to best practice, the Council's Local Code of Governance needs to align with the new Framework to enable the AGS to be undertaken next year.
- 3.8 The Framework is intended to assist authorities individually in 'reviewing and accounting for their own unique approach'. The Council's revised Local Code of Governance), has, therefore, been updated to reflect current Council practice and incorporates the Cipfa/Solace 2016 Framework core principles and sub principles.
- 3.10 The seven new core principles are:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law.
 - B. Ensuring openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and

strong public financial management.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Principles A and B provide the overarching requirements for acting in the public interest, while principles C to G focus on the implementation of governance and achievement of outcomes.



4. Southend Council Local Code of Governance - 2016

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 Good Governance Group of senior officers helps to 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 has reviewed and endorsed the revised Local Code and will help promote the dissemination of its content across the Council. A self-assessment matching Council process and practice with the Cipfa/Solace framework is being undertaken by the group.
- 4.3 The Good Governance Group has also overseen the production of 'A guide to Southend-on-Sea Borough Council' providing a basic introduction to the Council and 'How it Works' guide for managers to help the Council run effectively. These have been provided to managers across the authority. This complemented a successful 'Do the Right Thing' session for around 50 managers in June, which re-enforced the Council's values, the importance of ethical governance and Council processes to ensure the local authority runs effectively. This session will be followed up with further related training and development for staff and members to help embed the values, principles and processes of the code.

5. Corporate Implications

5.1 Contribution to Council's Vision & Corporate Priorities

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

5.2 Financial Implications - None specific

5.3 Legal Implications

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require a local authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

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

- CIPFA / Solace publication: Delivering Good Governance in Local Government Framework (2016 edition).
- CIPFA / Solace publication: Guidance Note for English Authorities
- The Accounts and Audit (England) Regulations 2015.

7. Appendices

Appendix 1 - Draft Southend on Sea Borough Council Local Code of Governance and supporting appendices

Appendix 2 – Cipfa/Solace Delivering Good Governance in Local Government: Framework (2016 Edition).

Appendix 3 – Summary of Cipfa/Solace Delivering Good Governance in Local Government Framework.