

REPORT FOR DECISION

Agenda Item	
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MEETING: Audit Committee
DATE: 19th April 2007
SUBJECT: Local Code of Corporate Governance
REPORT FROM: Head of Strategic Finance
CONTACT OFFICER: Stephen Kenyon

TYPE OF DECISION: KEY DECISION

**FREEDOM OF INFORMATION/
STATUS:** For Publication

SUMMARY:

This report provides Members with an up-dated version of the Local Code of Corporate Governance reflecting the latest draft of guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives.

OPTIONS AND RECOMMENDED OPTION (with reasons):

Members are recommended to confirm that they place the highest possible priority on achieving sound corporate governance and that they approve the draft Code in view of the fact that it reflects the best and most up-to-date professional guidance on corporate governance.

IMPLICATIONS -

Corporate Aims/Policy Framework:

Do the proposals accord with the Policy Framework? Yes No

Financial Implications and Risk Considerations

See DoFEG statement below

Statement by Director of Finance and E-Government:

There are no direct cost implications arising from this report, and production of and

compliance with the revised Code will be achieved from within existing resources.

Good governance is essential as it enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Equality/Diversity implications Yes No
Considered by Monitoring Officer: Yes No

Are there any legal implications? Yes No

Staffing/ICT/Property: No

Wards Affected: No

Scrutiny Interest: Resource and Performance Scrutiny Commission

TRACKING/PROCESS

DIRECTOR: Finance & eGovernment

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
5/3/07			
Scrutiny Commission	Executive	Audit Committee	Council
	21/3/07	19/4/07	

1.0 BACKGROUND

- 1.1 Governance comprises systems and processes for the direction and control of local authorities through which they account to, engage with and lead their communities.
- 1.2 Effective local government relies on public confidence in elected councillors and appointed officers. Good governance strengthens credibility and confidence in public services. The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner.
- 1.3 This concept should guide all governance activity. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but be seen to be sound.

2.0 THE GOVERNANCE FRAMEWORK

- 2.1 Each local authority operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. Traditionally, local government has conformed in whole or in part and in many different ways with the principles of good governance and has had a sound base on which to build. There has been a strong regulatory framework in existence and robust arrangements for monitoring and review.
- 2.2 In 2001 CIPFA, in conjunction with SOLACE, and with support from key organisations in local government responded to the need to draw together the principles of sound governance identified by Cadbury, Nolan and, in England, the former Department of the Environment, Transport and the Regions into a single framework of good governance for use in local government.
- 2.3 As a result they published a document, *Corporate Governance in Local Government: A Keystone for Community Governance* which recommended that local authorities review their existing governance arrangements against a number of key principles and report annually on their effectiveness in practice.
- 2.4 The authority responded by producing a Local Code of Corporate Governance reflecting the principles set out in the Framework.
- 2.5 CIPFA/SOLACE have since recognised that local government has been subject to change and reform and so a revised draft of the Framework has been published for consultation entitled *Good Governance in Local Government: A Framework*. The revised Framework builds on recent governance work in both the public and private sectors and in particular *The Good Governance Standard for Public Services* drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management (OPM) in partnership with the Joseph Rowntree Foundation.
- 2.6 The revised Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and making adopted practice open and explicit.
- 2.7 The Framework defines the principles that should underpin the governance of each local authority but it is not a prescription for a single model of governance. Whatever form of executive arrangements are in place, authorities are urged to test their structures against the principles contained in the Framework by:
- reviewing their existing governance arrangements against this Framework
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness
 - preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2.8 The Framework makes clear that in order to review their current arrangements authorities will need to:

- consider the extent to which the authority complies with the 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.

3.0 THE LOCAL CODE OF CORPORATE GOVERNANCE

3.1 In response to the revised Framework an up-dated Local Code of Corporate Governance has been prepared and is attached. This reflects the latest draft guidance although it is accepted that changes may need to be made if the final guidance varies from the draft. However it is felt appropriate to up-date the Local Code as part of on-going work which is being undertaken to review the authority's Ethical Framework.

3.2 A key change from the original Code is the requirement to produce an annual Governance Statement which will replace the existing Statement of Internal Control.

3.3 The Code has been written and structured in such a way as to feed directly into the Governance Statement i.e. the Code says what we will do, and the Governance Statement will say how we have done it.

4.0 RECOMMENDATIONS

4.1 Members are asked to confirm that Bury MBC places the highest possible priority on the achievement of sound corporate governance and to endorse the revised Code.

Background Documents:

CIPFA/SOLACE consultation document *Good Governance in Local Government: A Framework* available from the Director of Finance and E-Government

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