

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

22 November 2006

Joint Report of the Leader & Chief Executive

Part 1- Public

Matters for Recommendation to Council

1 LOCAL CODE OF CORPORATE GOVERNANCE

Summary

This report introduces a revised Local Code of Corporate Governance with a recommendation to refer it to full Council for adoption.

1.1 Background

- 1.1.1 Members may recall that the Council introduced a Local Code of Corporate Governance in September 2003 as part of the Council's overall approach to Corporate Governance.
- 1.1.2 A number of Government reports had resulted in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) publishing a framework for local authorities to follow, that drew together the principles identified by Cadbury, Nolan and the DETR. The Local Code of Corporate Governance was produced to meet the requirements of that framework.
- 1.1.3 The Local Code of Corporate Governance was prepared using the wording of the Framework Guidelines and identifying how this Council met the objectives contained therein. The revision of the Code has been updated to include new evidence of compliance with the Framework.
- 1.1.4 The Council is now required to include a Corporate Governance Statement within the framework of the Statement of Accounts. This statement is intended to provide assurance by the Leader of the Council and the Chief Executive that satisfactory measures are in place to demonstrate that effective Corporate Governance exists within the Council. The Local Code of Corporate Governance provides evidence of how this assurance is achieved.
- 1.1.5 The Local Code of Corporate Governance has been considered by the Audit Committee who recommended that the Code "be commended to the Council for adoption subject to ensuring the wording conforms with the Constitution". The wording of the Code is taken directly from the Framework Guidelines and some Members felt that there was a conflict with the Constitution.

- 1.1.6 CIPFA/SOLACE are currently reviewing the Framework and intend to issue a revision early in 2007. Although there is a copy of the draft revised Framework available on the CIPFA website there is not a copy of revised Guidelines so there is no indication of how the wording on the revision may be altered. When the new wording is available the Chief Executive will, together with the Chief Solicitor, ensure that there is full integration with the Constitution.

1.2 Draft Revision

- 1.2.1 The Code was only adopted in September of 2003 and revised in 2004. The Council is continually developing and adopting new strategies and policies that improve the overall corporate governance position of the Council.
- 1.2.2 The original Code was inspected as part of the Corporate Performance Assessment and the content and format met the requirements of the external auditors.
- 1.2.3 One of the underlying principles of Corporate Governance is “up to date” information. As there is the requirement to comment upon Corporate Governance in the Statement of Accounts it is considered appropriate to review and update the Code in advance of the Statement being issued.
- 1.2.4 The framework for revision is set out in the Code as Council approval through the Cabinet.
- 1.2.5 The draft revision of the Local Code of Corporate Governance is attached at **[Annex 1]**.
- 1.2.6 The draft revision has been updated with only minor amendments to reflect new policies that have been introduced. These changes appear in the “How we do this” column of the Code and appear in bold italics for ease of recognition.

1.3 Legal Implications

- 1.3.1 There is no legal requirement for the Council to have a Code of Corporate Governance but there is an obligation under the Accounts & Audit Regulations to ensure that adequate systems of internal control exist. The Local Code of Corporate Governance forms part of the evidence to demonstrate this requirement is met.

1.4 Financial and Value for Money Considerations

- 1.4.1 There are no direct financial or value for money considerations.

1.5 Risk Assessment

- 1.5.1 The existence of Local Code of Corporate Governance demonstrates that the Council has sound Corporate Governance in place. It is also used as evidence for meeting the Key Lines of Enquiry part of the Corporate Performance Assessment.

- 1.5.2 The lack of a Code would lead to a reduced score in external assessments.
Equally a failure to keep the Code up to date would also lead to a reduced score.

1.6 Recommendations

- 1.6.1 The Cabinet is **RECOMMENDED** to **COMMEND** the Revised Draft Local Code of Corporate Governance to the Council for final adoption.

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Leader of the Council

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Chief Executive

Background papers:

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CIPFA/SOLACE Publications
Corporate Governance in Local Government –
Framework
Corporate Governance in Local Government –
Guidance Note