

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

23 October 2007

### Report of the Chief Executive

#### Part 1- Public

#### Matters for Recommendation to Council

## 1 DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT

### Summary

This report informs Members of the publication by CIPFA/SOLACE of a revised framework and guidance of Delivering Good Governance in Local Government.

### 1.1 Introduction

- 1.1.1 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 identified by Cadbury, Nolan and, in England, the former Department of the Environment, Transport and the regions (DETR) into a single framework of good governance for use in local government and published 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework'.
- 1.1.2 Following an audit of the provisions of this document, the Council introduced a Code of Corporate Governance and a Risk Management Strategy in order to meet the requirements of the framework. These documents have been reviewed and updated on a regular basis and now form part of the Key Lines of Enquiry Review.
- 1.1.3 In addition to the original framework requirements there has also been a number of other Governance requirements introduced by Central Government, for example, the Statement on Internal Control.
- 1.1.4 In July 2007 CIPFA/SOLACE issued a revised guidance and framework. This framework will form the basis on which the Council's approach to Corporate Governance will be measured for the Key Lines of Enquiry review.

### 1.2 Core Principles

- 1.2.1 The Code contains six Core Principles with supporting principles, each of which translates into a range of specific requirements that should be reflected in the local Code of Corporate Governance.

- 1.2.2 The Council will be required to demonstrate in the Local Code of Corporate Governance how these principles are addressed.
- 1.2.3 The six core principles and supporting principles are as follows: -

**Principle 1 - Focusing on our purpose and on outcomes for the community and creating and implementing a vision for the local area**

The function of governance is to ensure that with other local government and external partners we fulfil our purpose and achieve our priority outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. We must therefore develop and articulate a clear vision of our purpose and intended outcomes for our citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

- exercising strategic leadership by developing and clearly communicating our purpose and vision and its intended outcomes for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- ensuring that we make best use of resources and that taxpayers and service users receive excellent value for money.

**Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function
- ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

**Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

- ensuring that organisational values are put into practice and are effective

**Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- being rigorous and transparent about how decisions – are taken and listening and acting on the outcome of constructive scrutiny
- having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- ensuring that an effective risk management system is in place
- using our legal powers to the full benefit of the citizens and communities in their area.

**Principle 5 - Developing the capacity and capability of members and officers to be effective**

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

**Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability**

- ensure robust public accountability exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning
- making best use of human resources by taking an active and planned approach to meet responsibility to staff.

### **1.3 Annual Corporate Governance Statement**

- 1.3.1 Another outcome from the revised Framework will be an Annual Corporate Governance Statement that will replace the annual Statement on Internal Control in the Accounting Year 2007/08.
- 1.3.2 This document will explain how the principles above have been monitored, how performance against them was measured and what action is planned in the future to meet them. The statement will require signing by myself and the Leader of the Council. It is still being debated whether the full statement or an abridged version will form part of the accounts.
- 1.3.3 This document will be subject to auditing by the Council's external auditors and will form part of the Key Lines of Enquiry review.

### **1.4 Action Required**

- 1.4.1 The new framework requires the Council to produce a Code of Corporate Governance that states what the core and supporting principles are and identifies what policies and systems the Council has in place to comply with them.
- 1.4.2 In addition, the framework also requires monitoring against the Code to provide evidence that the principles are being met and if not what action is required to meet them. This evidence will be subject to external audit.
- 1.4.3 This evidence will need to be in place for the current accounting year (i.e. 2007/08) to support the year-end Corporate Governance Statement.
- 1.4.4 In order to achieve the requirements of the revised framework, it is recommended that a review is carried out of the framework requirements in order to ensure that the principles are being complied with and that satisfactory evidence exists to support this. I have asked the Chief Internal Auditor and Principal Accountant to carry out this review as it is a similar exercise to providing evidence for the Key Lines of Enquiry.
- 1.4.5 A revised Code of Corporate Governance will need to be produced to reflect the principles contained within the framework and how they are met.
- 1.4.6 An action plan will need to be drawn up to identify how the supporting evidence can be monitored and performance measured.

### **1.5 Legal Implications**

- 1.5.1 The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. This local code provides a framework for discharging this accountability for the proper conduct of our public business. The preparation and publication of an annual governance statement in accordance with this framework is necessary to meet the statutory requirement set out in Regulation

4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities to prepare a statement of internal control in accordance with our governance framework.

## **1.6 Financial and Value for Money Considerations**

1.6.1 There are no additional financial considerations arising from this report. However, there is the possibility of increased cost of external auditing if the Code and Corporate Governance and supporting evidence are not considered adequate.

## **1.7 Risk Assessment**

1.7.1 The framework is considered best practice in order to provide a robust Code of Corporate Governance. Failure to address the principles contained within the framework would lead to an adverse external audit inspection and could result in a reduction in assessment scores in the Key Lines of Enquiry.

## **1.8 Recommendations**

1.8.1 It is **RECOMMENDED** that

- 1) a review is carried out against the requirements of the revised framework in order to assist full compliance with the principles contained within it;
- 2) following this review a revised Code of Corporate Governance is prepared for consideration and approval by Members for adoption by full Council;  
and
- 3) an action plan is prepared to identify how the supporting evidence can be monitored and performance measured.

Background papers:

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Nil

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Chief Executive