
LOCAL CODE OF CORPORATE GOVERNANCE

Responsible Cabinet Member - Councillor Bill Dixon, Leader

Responsible Director -
Paul Wildsmith, Director of Neighbourhood Services and Resources

SUMMARY REPORT

Purpose of the Report

1. To inform Council of the proposed changes to the Council's Local Code of Corporate Governance and outline the Framework for production of the Annual Governance Statement.

Summary

2. Governance comprises the arrangements put in place by the Council to ensure that its intended outcomes for stakeholders are defined and achieved.
3. The Council's current Local Code of Corporate Governance was adopted in 2008. It is based upon the publication 'Delivering Good Governance in Local Government – Framework', issued in 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE), that set the standard for local authority governance in the UK.
4. To reflect the changing circumstances and environment in which local authorities operate, CIPFA/SOLACE have issued an updated 2016 edition of their 2007 publication.
5. Darlington's Local Code has been reviewed in the light of this new guidance and a revised draft has been produced at **Appendix A** that reflects the seven core principles of good governance.
6. The Accounts and Audit Regulations 2015 require local authorities to publish an Annual Governance Statement (AGS) each year. The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's governance framework so as to give assurance and/or produce a management action plan to address identified areas for improvement. The Framework for production of the AGS is outlined at **Appendix B**. The key documents/functions of the governance framework are highlighted and the sources that provide assurance on its adequacy and effectiveness specified.

Recommendation

7. It is recommended that Council:-

- (a) approve the revised draft Local Code of Corporate Governance at Appendix A;
- (b) note the AGS Framework at Appendix B.

Reason

8. To ensure the Council's Local Code of Corporate Governance reflects the latest CIPFA/SOLACE guidance on delivering good governance in local government.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

CIPFA/SOLACE Publications 'Delivering Good Governance in Local Government: Framework and Guidance Notes – 2016 Editions'

Brian James: Extension 5408

S17 Crime and Disorder	There are no specific issues that relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	The Council's Constitution includes the Local Code of Corporate Governance.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	The Council's governance arrangements underpin delivery of the Sustainable Community Strategy.
Efficiency	The Council's established governance structures facilitate effective and efficient delivery of planned services.

MAIN REPORT

What do we mean by Governance?

9. Governance comprises the arrangements put in place by Councils to ensure that their intended outcomes for stakeholders are defined and achieved.
10. In essence, it encompasses the systems and processes, and cultures and values, by which Councils are directed and controlled and through which they account to, engage with and, where appropriate, lead their community.
11. To deliver good governance both Councils and individuals working for them must try to achieve Council objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

General Background

12. Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention and one significant failing can taint a whole sector. Local authorities are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that their governance arrangements are not only sound but are seen to be sound.
13. It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. 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. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

The Current Position in Darlington

14. The Council adopted its current Local Code of Corporate Governance in 2008. It is based upon the 'Delivering Good Governance in Local Government Framework' published by CIPFA in association with SOLACE in 2007, which set the standard for local authority governance in the UK. The Local Code reflects the six core principles of good governance referred to in the Framework.
15. To ensure the Local Code was not a one-off document, but a dynamic process, it was developed as a series of main documents and functions that were linked to the principles. Each document/function identifies a particular duty and target audience and names a lead officer who is responsible for three types of action:
 - (a) Awareness – making sure that everyone who needs to know about the document/function does know about it;
 - (b) Monitoring – ensuring that the duty is carried out and awareness raising actually happens;
 - (c) Review – parts of the Local Code will evolve and develop as local government modernisation continues and legislation changes. Review actions ensure that

all parts of the Local Code are reviewed in the light of effectiveness and emerging good practice.

16. The Council's external auditors have recognised the Local Code as a key management tool for strengthening and improving the Council's corporate governance arrangements.

Revised Local Code Guidance

17. CIPFA/SOLACE have recently reviewed their 2007 publication to reflect that local government continues to undergo significant change much of it driven by austerity and the environment in which it works becoming increasingly complex. As well as economic and financial difficulties, the integration of health and social care, the Localism Act, the Cities and Local Government Devolution Act and other key pieces of legislation have brought new roles, opportunities and greater flexibility for authorities.
18. As a result CIPFA/SOLACE have published a new document 'Delivering Good Governance in Local Government Framework – 2016 Edition' with the key focus of governance processes and structures centred on the attainment of sustainable economic, societal and environmental outcomes. Although broadly similar in nature to the previous principles as set out in the 2007 Framework there are now seven core principles of good governance outlined:
 - (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of 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.

Updated Local Code

19. The Assistant Director Law and Governance and the Head of Corporate Assurance have reviewed Darlington's current Local Code in the light of the new guidance. A revised draft Local Code has been produced at Appendix A that reflects the revised guidance while maintaining the distinctive features of the current Code.
20. The new draft Code states the core and supporting principles of good governance, outlines the Council's commitment to them and how this commitment will be met, identifies the key documents/functions of the Council's governance framework and outlines how ongoing application and effectiveness will be monitored.

The Annual Governance Statement Framework

21. Regulation 6 (1) (a) of the Accounts and Audit Regulations 2015 requires local authorities to publish each year an AGS along with the Statement of Accounts. The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's governance framework so as to give assurance and/or to produce a management action plan to address identified areas for improvement.
22. The AGS is a key corporate document involving, in addition to the most senior member and officer as signatories, a variety of people charged with delivering governance:
 - (a) Directors and Managers assigned with the ownership of risks and the delivery of services;
 - (b) The Director of Neighbourhood Services and Resources as the financial officer responsible for the accounting control systems and records and the preparation of the statement of accounts;
 - (c) The Assistant Director Law and Governance in meeting his statutory responsibilities as Monitoring Officer;
 - (d) Members e.g. through the Audit Committee; and
 - (e) Others responsible for providing assurance.
23. The framework behind production of the AGS is outlined at Appendix B. The table highlights the key documents/functions of the governance framework and specifies the sources that provide assurance on its adequacy and effectiveness. Such sources include Internal and External Audit and Inspectorates.
24. At the centre of the governance framework is a management group who have ultimate responsibility for overseeing the drafting of the AGS after evaluating assurances and supporting evidence. This group consists of the:
 - (a) Chief Executive
 - (b) Director of Neighbourhood Services and Resources (S151 Officer);
 - (c) Assistant Director Law and Governance (Monitoring Officer);
 - (d) Assistant Director Finance and HR; and
 - (e) Head of Strategy, Performance and Communications.
25. The process includes the Audit Committee as the independent review body who examine the draft AGS and supporting evidence prior to approval.

Consultation

26. The Audit Committee at their meeting on 16 December 2016 endorsed the revised draft Local Code of Corporate Governance prior to consideration of the matter by full Council.