

## **Brighton & Hove City Council**

**Meeting:** Audit Panel, Standards Committee

**Date:** 9<sup>th</sup> October 2006, 7 November 2006

**Report of:** Director of Finance & Property

**Subject:** New Code of Governance Consultation Paper

**Ward(s) affected:** All

### **1. Purpose of the report**

1.1 A working group set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) has revised their 2001 guidance "Corporate Governance in Local Government: a keystone for Community Governance." This report summarises the proposals for a new corporate framework, potential implications and actions for Brighton & Hove City Council.

### **2. Recommendations**

It is recommended that the Audit Panel and Standards Committee note:

- 2.1 The contents of the draft framework and the implications and actions for the council.
- 2.2 Once the framework has been finalised, a further report be put to the Audit Panel on how it can be used to further the council's corporate governance framework.

### **3. Information/background**

#### **The Draft Framework**

- 3.1 In 2001 CIPFA and SOLACE published 'Corporate Governance in Local Government: A Keystone for Community Governance' which gave guidance to local authorities on a framework with which to assess how well they were meeting their corporate governance responsibilities.
- 3.2 CIPFA/SOLACE point to a number of areas where since 2001 development and reform have changed the local government

picture and in the light of which it would be helpful to update the corporate governance framework. In particular it was felt that a new framework should address the following areas not previously covered:

- The role of standards and audit committees
- Partnership arrangements
- Risk management
- The relationship of the Framework with the Statement on Internal Control
- The relationship of the Framework with the 'Good Governance Standard'

3.3 A working group was set up with 28 members drawn from a range of local authorities and organisations. The working group has drafted a new framework, for authorities to follow as best practice for developing and maintaining a locally adopted code of governance.

3.4 The framework defines the principles that should underpin local authority governance, without prescribing a single model of governance. It then proposes that authorities should test their structures against these principles by:

- Reviewing their existing governance arrangements against this framework
- Developing and maintaining an up-to-date local code of governance
- Preparing a governance statement to report annually on the extent to which this local code has been met

3.5 The framework aims to reflect the dimensions of the local government role, which are seen as:

- To provide leadership for and with the community and engage in effective partnerships
- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning
- To perform a stewardship role which protects the interests of local people and makes the best use of resources
- To develop local democracy and citizenship

3.6 Six principles underpinning the framework have been taken from the Good Governance Standard developed by the Independent

Commission on Good Governance in Public Services, suitably adapted for local government purposes, as follows:

- (i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
  - exercising leadership by clearly communicating the authority's 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 the authority makes best use of resources and that tax payers and service users receive excellent value for money.
- (II) Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - ensuring effective leadership throughout the authority by 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 elected members and officers and that the responsibilities of members and officers are carried out to a high standard
  - ensuring relationships between the authority and the public are clear so that each know what to expect of the other.
- (III) Promoting the values of the authority and demonstrating the values of good governance through behaviour
  - ensuring council members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance
  - ensuring that organisational values are put into practice and are effective.
- (IV) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - exercising leadership by 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
- making sure that an effective risk management system is in place
- recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.

(V) Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively

- making sure that members and officers have the skills, knowledge and experience 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 resources in balancing continuity and renewal.

(VI) Engaging with local people and other stakeholders to ensure robust local 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
- making best use of resources by taking an active and planned approach to meet responsibility to staff.

3.7 The framework then develops detailed checklists to help authorities to assess and document the extent to which they meet the core principles. The final part of the framework addresses annual Governance Statements. The Accounts and Audit Regulations 2003 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 on internal control, prepared in accordance with proper practices ....". The framework proposes an annual governance statement that would subsume this requirement to publish a statement on internal control.

#### **4. Implications for Brighton & Hove City Council**

4.1 The proposed framework provides additional focus on the need for effective governance arrangements within the city council, with mechanisms for the communication and regular review of these arrangements. The framework provides an opportunity for the city council to consider how the various elements of corporate governance fit together and increase the profile and understanding of what good governance means within the organisation.

4.2 Actions that should be considered as a response to this framework, should include;

- (i) Review the city council's Local Code of Corporate Governance, and the communication of this document throughout the organisation;
- (ii) Reviewing the city council's current governance arrangements, including those concerned with internal control, performance management, risk management and ethical governance to ensure compliance with the framework.
- (iii) Reviewing and updating the processes currently used to produce a Statement on Internal Control to ensure that an Annual Governance Statement can be produced and properly evidenced;
- (iv) Put in place processes, including training for officers and members, to ensure that key messages arising from the framework document and the review of processes are communicated throughout the organisation.

<b>Meeting/Date</b>	Audit Panel – 9 <sup>th</sup> October 2006
<b>Report of</b>	Director of Finance & Property
<b>Subject</b>	New Code of Governance Consultation Paper
<b>Wards affected</b>	All

**Financial implications**

There are no specific financial implications.

**Legal implications**

There are no legal/Human Rights Act implications arising directly from this report.

**Corporate/Citywide implications**

There are no implications arising directly from this report.

**Risk assessment**

Risk Management is included within the new code.

**Sustainability implications**

There are no direct environmental implications arising from this report.

**Equalities implications**

The equalities implications are not specifically addressed in the draft framework. However, they are implicit in the principles, which underpin it, for instance in the promotion of the council's values in the transparency of decision-making and the engagement with local people to ensure accountability.

**Implications for the prevention of crime and disorder**

There are no implications for the prevention of crime and disorder arising from this report.

**Background papers**

- Corporate Governance in Local Government: a keystone for Community Governance 2001
- Good Governance in Public Services 2005

**Contact Officer**

Ian Withers, Head of Audit & Assurance, Finance & Property Directorate  
Tel: 291323