

Audit & Governance Committee
Meeting to be held on 13 April 2015

Report of the Director of Governance, Finance and Public Services

Electoral Division affected: <u>All</u>
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The Council's Code of Corporate Governance and Annual Governance Statement 2014/15

(Appendices 'A' and 'B' refer)

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Executive Summary

The County Council has previously approved and adopted a Code of Corporate Governance. The Code was adopted in January 2008 and has not been reviewed since. A commitment in the Annual Governance Statement approved by the Committee in September 2014, was to review the Code during 2014/15.

The County Council is also required to produce and approve an Annual Governance Statement for inclusion in its Annual Statement of Accounts for 2014/15.

Recommendation

The Committee is asked to:

1. Consider and comment on the draft revised Code of Corporate Governance for the County Council.
2. Recommend that once adopted the Code will be reviewed by the County Council every year.
3. Consider and comment on the initial draft Annual Governance Statement for 2014/15.

Background and Advice

Code of Corporate Governance

Good governance is about ensuring that the Council does the right things, in the right way, in a timely, open, and accountable manner. It must therefore include the systems, processes, cultures and values by which services are directed and controlled, and by which we are accountable to, and engage with our stakeholders and communities.

CIPFA and the Society of Local Authority of Chief Executives (SOLACE) have provided best practice guidance on establishing a local Code of Corporate Governance: Delivering Good Governance in Local Government Framework document. This was originally published in 2001; refreshed in 2007 and most recently updated in 2012. The Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and discharging an Authority's accountability for the proper conduct of business.

The County Council has previously approved and adopted a Code of Corporate Governance. The Council's Code of Corporate Governance was approved by the Audit and Governance Committee in January 2008. The Code hasn't been reviewed or updated since to reflect best practice, organisational changes or emerging governance issues.

The Code should be consistent with the principles of the CIPFA/SOLACE Framework which defines the following six core principles, each supported by sub-principles that should underpin the governance framework of a local authority:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

The Code should also articulate the expected standards, principles and values by which Lancashire County Council Officers and Members will operate. There should be clear links between the principles of the Code, and the governance framework of strategies, policies and procedures which underpin the Code. The Annual

Governance Statement approved by the Committee in September 2014 included a commitment to review the Code during 2014/15.

The Committee has responsibility for monitoring compliance with the Council's Code and reviewing the Code.

The initial review of the Code has been undertaken from the position of the Council operating a new transformational model. It has also considered the continuing relevance of the principles and sub principles of the Code, and provides an opportunity to ensure that the evidence sources used to demonstrate compliance with the Code are as wide ranging and comprehensive as possible.

The format of the published current Code does not include sources of evidence, but the suggested format of the revised Code is updated to include this. This provides clarity for Members, Officers and stakeholders about how the organisation uses the principles of the Code in practice. A draft Code is set out at Appendix A for the Committee's consideration.

An updated Code will be presented to the June 2015 Audit and Governance Committee for approval. The suggested approval process would be for Audit and Governance Committee to receive, review and recommend the revised Code to the Cabinet and Full Council for approval. The Code would then be widely communicated to members, officers and stakeholders.

Annual Governance Statement (AGS) 2014/15

The CIPFA/Solace Framework urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own Code of Governance on an Annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year and on any planned changes in the coming period.

It is also a statutory requirement to conduct a review of the effectiveness of the Council's systems of internal control each year and prepare an Annual Governance Statement to be published alongside the Annual Statement of Accounts. The AGS should demonstrate and evaluate how the Council has complied with its Code. It should also highlight any significant governance issues which have arisen, where the Council has not been able to achieve the performance standards set out in the Code, supported by an action plan for improving and enhancing governance in these specific areas.

A draft AGS is presented at Appendix 'B' for the Committee's consideration. The AGS will have to be approved at the June Committee meeting to be included within the Council's Annual Statement of Accounts for 2014/15. The final AGS will be signed by the Chief Executive and Leader of the Council and published on the Council's website.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An Authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a local Code of Corporate Governance and publish an AGS means the Council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

Legal Implications

The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement (AGS). The best practice guidance is recognised as the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2007). The AGS is used by the Council to report publically on the extent to which the Council has complied with its adopted Code, which is a requirement of the Accounts and Audit Regulations (England) 2015.

Financial Implications

Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. However, there are costs associated with embedding and continuing good governance practices, and as the Council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A