

CHESHIRE EAST

GOVERNANCE AND CONSTITUTION COMMITTEE

Date of meeting:	8 September 2008
Report of:	Governance Group
Title:	Code of Corporate Governance

1.0 Purpose of Report

- 1.1. The purpose of this report is to outline the requirements for a local code of corporate governance which the new authority will need to develop and to propose the actions required to implement a local code.

2.0 Decision Required

- 2.1 To endorse the approach set out in this report.
- 2.2 To call for a report back on progress in due course with a view to signing off the local code before 31 March 2009.

3.0 Financial Implications for Transition Costs

- 3.1 None directly. This work will be carried out through internal resources within the Cheshire authorities.

4.0 Financial Implications 2009/10 and beyond

- 4.1 None directly. This work will be carried out through internal resources.

5.0 Legal Implications

- 5.1. The legal implications are set out in the body of this report.

6.0 Risk Assessment

- 6.1 Any risks to the authority are managed and minimised by producing a comprehensive code of corporate governance and reviewing compliance with it each year.

7.0 Background

- 7.1. The Code of Corporate Governance is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

- 7.2. In 2007 CIPFA/SOLACE produced a Framework “Delivering Good Governance in Local Government” (the Framework) and guidance which it is intended local authorities follow as best practice for developing and maintaining a local code of corporate governance. Accountability for the proper conduct of public business will be achieved through the publication of an annual governance statement that will make the adopted practice open and explicit.
- 7.3. The annual governance statement (AGS) is the formal statement that records and publishes an authority’s governance arrangements. It sets out how the authority has complied with its code, including how it has monitored the effectiveness of its governance arrangements. Preparation and publication of the AGS in accordance with the Framework is required to comply with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (England)(Amendment) Regulations 2006. Note; with effect from 2007/08 the production of the AGS has replaced the requirement for a specific statement of internal control.
- 7.4. Producing and disseminating a local Code of Corporate Governance simplifies the production of the AGS because all the expected core principles in the Framework should be present in the local code. Therefore, evidencing compliance with the local code will also provide significant evidence to support the AGS. The degree to which the authority follows the principles in the Framework should be declared in its AGS.
- 7.5. The authority is required to include the AGS document in the approval process of the statement of accounts – the statutory deadline for which is the end of June in each financial year.

8.0 Link to Comprehensive Performance Assessment (CPA)

- 8.1. The system of internal control is one of the key lines of enquiry for the use of resources assessment under CPA and is to be retained under Comprehensive Area Assessment (CAA). If the new authority desires to achieve a high rating under CAA, it is vital that a local code of corporate governance is in place to form the basis of the system of internal control.

9.0 What is good governance?

- 9.1. Good governance is based on 6 core principles each with supporting principles which translate into a range of specific requirements that should be reflected in the local code of governance.

- 9.2. For example,

Core principle - developing the capacity and capability of members and officers to be effective;

Supporting principle - ensure members and officers have the skills, knowledge, experience and resources they need to perform their roles;

Requirements within local code – provision of induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;

Evidence – training and development plan, induction programme, update courses and information.

10.0 Introducing a local code of corporate governance

10.1. To implement a local code the following process is recommended;

- a. Use the self-assessment schedule produced within the Framework, to identify the requirements which make up the code, together with the processes and documentation that provide evidence of compliance;
- b. Identify the individuals or project teams which are responsible for the various elements within the code and obtain a position statement from them;
- c. Identify issues that have not been addressed adequately and considering how they should be addressed;
- d. Identifying the individuals who should be responsible for undertaking actions required and plan accordingly.

10.2. It is recommended that areas of best practice be identified not just across the Cheshire authorities but nationally and reflected in the code wherever possible. Officers are actively pursuing opportunities to meet with the Audit Commission and work with them to gain their views on best practice.

11.0 Overview of Day One, Year One and Term One Issues

11.1 A local code of corporate governance needs to be in place by 1 April 2009. The AGS which includes the system of internal control should be included with the statement of accounts, which must be published by 30 June 2010.

12.0 Reasons for Recommendation

12.1 To ensure the new authority meets its legal requirements to put in place and annually review compliance with it's local code of corporate governance.

For further information:

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Background Documents:

*CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”
CIPFA Finance Advisory Network Rough Guide for Practitioners – The Annual
Governance Statement*

*Documents are available for inspection at:
Cheshire East Shadow Council Support Office
Congleton Borough Council
Westfields
Middlewich Road
Sandbach*