

# CHESHIRE EAST COUNCIL

## Cabinet

---

**Date of Meeting:** 17<sup>th</sup> January 2017  
**Report of:** Director of Legal Services  
**Subject/Title:** Revising the Council's Code of Corporate Governance  
**Portfolio Holder:** Councillor Peter Groves

---

### 1. Report Summary

1.1. The purpose of this report is to update Cabinet on the revision of the Council's Code of Corporate Governance to ensure compliance with updated best practice guidance from the Chartered Institute of Public Finance Accountants and Society of Local Authority Chief Executives (CIPFA/SOLACE).

### 2. Recommendation

2.1. It is recommended that subject to the revisions shown as track changes in Appendix A, Cabinet notes the recommendation and associated comments of the Audit and Governance Committee (8<sup>th</sup> December 2016) and:

- Adopts the revised Code of Corporate Governance (Appendix A, as amended) to ensure that the Council adheres to best practice in its governance arrangements.
- Notes that the Annual Governance Statement (AGS) will be used to report publically on the extent to which the Council has complied with its adopted Code.
- Notes that the Code will be reviewed and updated as necessary in the light of operational experience.

### 3. Other Options Considered

3.1. Failure to revise the Council's Code of Corporate Governance in light of the updated guidance would mean the Council was not compliant with best practice in its governance arrangements.

### 4. Reasons for Recommendation

4.1. To ensure that the Council has proper and effective governance arrangements in place.

### 5. Background/Chronology

5.1. 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.

- 5.2. CIPFA and SOLACE have provided best practice guidance on establishing a local Code of Corporate Governance. This was originally published in 2001, refreshed in 2007 and 2012 and has most recently been updated earlier in 2016; the *Delivering Good Governance in Local Government* framework.
- 5.3. 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 AGS. The best practice guidance is recognised as the CIPFA Framework.
- 5.4. The Council's Code of Corporate Governance was first approved by the Governance and Constitution Committee in November 2009. The Code has subsequently been reviewed and updated to reflect best practice and organisational changes, firstly in November 2013 and a revised format was agreed to in January 2015. Cheshire East Council's existing Code has been consistent with the principles of the former CIPFA/SOLACE Framework.
- 5.5. A draft revised Code has been taken to the Audit and Governance Committee for comment and endorsement on 8<sup>th</sup> December 2016, and the Committee recommend adoption of the Code to Cabinet.
- 5.6. The Council's Code of Corporate Governance articulates the expected standards, principles and values by which Cheshire East 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.
- 5.7. Each local authority has responsibility for setting out its commitment to the principles of good governance included in the framework, determining its own governance structure, or local code underpinned by those principles, and for ensuring it operates effectively in practice.
- 5.8. The recommendation is to update the Council's Code of Corporate Governance to fully adopt the new principles described in the revised CIPFA/SOLACE guidance to ensure that the Council adheres to best practice in its governance arrangements. The revised Code of Corporate Governance is shown in detail in Appendix A.
- 5.9. The updated Code will be used to facilitate the necessary review of the Council's Corporate Governance arrangements for the purposes of producing the next Annual Governance Statement in 2016/17. 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.

- 5.10. In the new framework, the existing six core principles have been updated to seven principles drawn from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014). The table below maps the original principles to the new ones, and shows whilst there are differences, the core values are shared.

Old Principles		New Principles	
1	Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas:	C	Defining outcomes in terms of sustainable economic, social and environmental benefits
2	Members and officers working together to achieve a common purpose with clearly defined functions and roles	E	Developing the entity's capacity including the capacity of its leadership and the individuals within it
3	Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	F	Managing risks and performance through robust internal control and strong public financial management
5	Developing the capacity and capability of members and officers to be effective	E	Developing the entity's capacity including the capacity of its leadership and the individuals within it
5	Engaging with local people and other stakeholders to ensure robust public accountability	B	Ensuring openness and comprehensive stakeholder engagement
		D	Determining the interventions necessary to optimise the achievement of the intended outcomes
		G	Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.11. Principles A and B are described in the Framework as “permeating” the implementation of Principles C-G. It is also noted that “good governance is dynamic, and that the entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.”
- 5.12. The Code will be reviewed, and tailored as necessary in the light of operational experience and in response to any issues highlighted in self-assessing against the Code, which is a fundamental part of the AGS assurance gathering process
- 5.13. The review will examine 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. Failure to capture all relevant evidence may undermine the quality of the AGS process, and

increase the risk of significant governance issues emerging outside of the AGS process.

- 5.14. The revisions shown as track changes in Appendix A clarify the respective roles of Members and officers using language derived from the Council's existing Member/Officer Relations Protocol.

## **6. Wards Affected and Local Ward Members**

- 6.1. All Wards

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

- 7.1.1. Revising the Code of Corporate Governance in line with the updated best practice guidance supports the Council's ambitions to be a well-managed, open and accountable authority.

### **7.2. Legal Implications**

- 7.2.1. 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 AGS. The best practice guidance is recognised as the CIPFA Framework *Delivering Good Governance in Local Government*, which has recently been updated and was issued earlier in 2016.
- 7.2.2. 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.

### **7.3. Financial Implications**

- 7.3.1. 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.

### **7.4. Equality Implications**

- 7.4.1. None

### **7.5. Rural Community Implications**

- 7.5.1. None.

### **7.6. Human Resources Implications**

- 7.6.1. None.

## **7.7. Public Health Implications**

7.7.1. None.

## **7.8. Implications for Children and Young People**

7.8.1. None

## **7.9. Other Implications (Please Specify)**

7.9.1. None.

## **8. Risk Management**

8.1. 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. 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.

## **9. Access to Information/Bibliography**

9.1. The Council's Audit and Governance Committee have considered the proposed Code of Corporate Governance at the 8<sup>th</sup> December 2016 meeting.

## **10. Contact Information**

Contact details for this report are as follows:

**Name:** Bill Norman  
**Designation:** Director of Legal Services  
**Tel. No.:** 01270 685850  
**Email:** bill.norman@cheshireast.gov.uk