FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date   **28 November 2016**

Report of: **Head of Finance and Audit**

Subject: **LOCAL CODE OF CORPORATE GOVERNANCE**

SUMMARY

Councils are expected to prepare and publish a Local Code of Corporate Governance as part of their Governance Framework. Fareham Borough Council adopted its last code in November 2012.

Further guidance has been issued by CIPFA and SOLACE which champions a revised set of principles to be adopted in Council Local Codes which will apply to the Annual Governance Statements prepared for the financial year 2016/17 onwards.

RECOMMENDATION

It is recommended that the new version of the Local Code of Corporate Governance, as attached as Appendix A, be approved.

INTRODUCTION

1. Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Since 2003 the Council has adopted a Local Code of Corporate Governance based on the framework produced by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The current Local Code reflects the revised framework published in December 2012 which centres around the following 6 core principles:

> **FIRST CORE PRINCIPLE:** Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
>
> **SECOND CORE PRINCIPLE:** Members and officers working together to achieve a common purpose with clearly defined functions and roles.
>
> **THIRD CORE PRINCIPLE:** Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
>
> **FOURTH CORE PRINCIPLE:** Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**.**
>
> **FIFTH CORE PRINCIPLE:** Developing the capacity and capability of members and officers to be effective.
>
> **SIXTH CORE PRINCIPLE:** Engaging with local people and other stakeholders to ensure robust public accountability.

2. In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

3. As a result in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. The new framework centres on the following 7 principles.

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 optimize 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.

The International Framework notes that principles A and B permeate implementation of principles C to G.

4.   Each Local Authority should have a code that reflects these principles and be committed to improving governance on a continuing basis through a process of evaluation and review. This report therefore proposes a revised code for adopting which follows these principles.

NEW LOCAL CODE OF CORPORATE GOVERNANCE

5.   A revised code has been drafted and is attached as Appendix A. This code follows the recommended text in the CIPFA/SOLACE framework with the following suggested minor changes made to reflect the Fareham Borough Council culture and structures:

- **Openness** - Principle B (sub principle 1) – the requirement to <u>document</u> the council's commitment to openness has not been included, although the requirement to demonstrate and communicate it, has been.

- **Performance Indicators** - Principle C (sub principle 1) / Principle D (sub principle 2) – References to performance indicators has been replaced with references to 'measures' as advocated in systems thinking.

- **Data Accuracy** - Principle D (sub principle 4) – the requirement to <u>regularly audit </u>the accuracy of data used in decision making and performance monitoring has not been included, although the requirement to review the quality and accuracy, has been.

- **Annual Reports** - Principle G (sub principle 2) – the requirement to report <u>at least annually</u> on performance, value for money and stewardship of resources to stakeholders, has not been included, although the general requirement to report has been.

- **Third Part Assurance** - Principle G (sub principle 3) – the requirement to <u>evidence</u> in the Annual Governance Statement assurance on risks associated with delivering services through third parties has not been included, although the general requirement to gain assurance is.

USE OF THE LOCAL CODE

6.   The Council's Governance framework will be updated to reflect the new code adopted and the Annual Governance Statement for 2016/17 will report on the extent to which the Council's complies with the elements of the new code.

RISK ASSESSMENT

7.   The production of a Local Code of Governance is a statutory, audit and good practice requirement. Not to produce such a document would lead to questions over the council's governance.

Appendices: Appendix A – Proposed revised Local Code of Corporate Governance

Background Papers: None

Reference Papers:

CIPFA / SOLACE - Delivering Good Governance in Local Government Framework April 2016 Edition

Report to Audit and Governance Committee 26 November 2012 – Update to the Local Code of Corporate Governance

Enquiries: For further information on this report please contact Elaine Hammell. (Ext 4344)