

Cheltenham Borough Council
Audit Committee – 22 March 2017
Revised Code of Corporate Governance

Accountable member	Councillor Steve Jordan - Leader of the Council
Accountable officer	Mark Sheldon - Director of Resources
Ward(s) affected	None
Significant Decision	Yes
Executive summary	<p>The report seeks the committee's approval of the Council's revised Code of Corporate Governance.</p> <p>The Council's current Code of Corporate Governance was last reviewed in March 2016. CIPFA issued a new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government in April 2016 and the same was made available in June 2016. The Council's Code of Corporate Governance has been reviewed to reflect this new guidance.</p>
Recommendations	<p>That the Audit Committee:</p> <p>Approves the revised Code of Corporate Governance at Appendix 2</p>

Financial implications	<p>No direct financial implications arise from this report</p> <p><i>Contact officer: Paul Jones Section 151 officer Email: Tel: Paul Jones@cheltenham.gov.uk</i></p> <p><i>Tel: 01242 775154</i></p>
Legal implications	<p>No direct legal implications arise from this report</p> <p>Contact officer: Peter Lewis</p> <p><i>Tel: 01684 272012</i></p>
HR implications (including learning and organisational development)	<p>No direct HR implications arise from this report</p> <p>Contact officer: Georgie Pugh, HR Business Partner</p> <p>Email: Georgie.Pugh@cheltenham.gov.uk</p> <p><i>Tel: 01242 775215</i></p>

Key risks	<p>The Council is open to challenge should it not have effective corporate governance arrangements in place.</p> <p>The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance, the production of which protects the Council's reputation and demonstrates the Council's commitment to the development and maintenance of the core principals of good governance.</p> <p>If the Council does not have an effective governance framework then there is an increased risk of error, fraud and corruption. A risk template is attached at appendix 1.</p>
Corporate and community plan Implications	<i>Effective corporate governance supports the Councils Corporate Strategy, MTFS and partnership working arrangements.</i>
Environmental and climate change implications	None

1.1 The current Code of Corporate Governance was approved by the Audit Committee at its meeting June 2016. That Code was consistent with the principles of the CIPFA / Solace Framework "Delivering Good Governance in Local Government (2007).

1.2 CIPFA / Solace published a new framework in 2016 which is applicable to local authorities from 2016/17 onwards, and therefore it has been necessary to produce a new Code of Corporate Governance, that reflects the new framework. Whilst the core principles in the framework have evolved, the concept of good governance remains broadly the same.

1.3 The concept of the new framework is to make it more transparent and to help each local authority take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way ensuring that:-

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

1.4 The framework defines governance as follows: -

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

1.5 The framework also states that:

1.6 "To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their objectives while acting in the public interest at all times.

1.7 Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders."

1.8 The framework identifies that it is up to each local authority to:

- Set out its commitment to the principles of good governance included in the framework

- Determine its own governance structure, or local code, underpinned by the principles
- Ensure that it operates effectively in practice

1.9 The framework defines the principles that should underpin the governance of a local authority, and provides a structure to help with the authority's approach to governance.

1.10 There are seven core principles in the framework: -

- 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 optimise 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 financial management
- G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.11 Core principles A and B provide the overarching requirements for acting in the public interest. These 2 principles extend and lead to principles C to G which focus on the implementation of governance and the achievement of outcomes.

1.12 For each core principle the framework identifies a series of sub-principles, and for each sub-principle a schedule of behaviours and actions that demonstrate good governance in action.

1.13 Good governance is dynamic, and the Council is committed to improving governance on a continuing basis through processes of evaluation and review. The Council tests its governance structures and partnerships against the principles contained in the framework by: -

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publically on compliance with its own code annually, and on how the effectiveness of governance arrangements has been monitored throughout the year and on planned changes

1.14 The existing Local Code of Corporate Governance provides an extensive listing of the arrangements in place that demonstrate how the Council complies with that framework. Cipfa/Solace no longer require such a detailed approach and the opportunity has been taken to streamline the Code. It is worth highlighting that the underlying activities have not changed and the Council has previously been able to demonstrate that it has an effective governance framework in place, so to a large extent this is primarily a presentational change to meet the requirements of the new code.

1.15 The Section 151 officer is responsible for ensuring the management of risks and for providing an

effective Risk Management Policy which is approved by Audit Committee on an annual basis.

- 1.16** The framework includes the requirement for annual review and reporting on the Council's governance arrangements. The Annual Governance Statement for 2016/17, scheduled to be reported to the June 2017 meeting of the Committee will reflect any changes from the previous format necessary to comply with the new requirements.
- 1.17** The Code of Corporate Governance was reviewed by the Corporate Governance Group on the 14 February 2017. The Code has been revised to reflect the comments from the Corporate Governance Group and it is attached as appendix 2 to this report.

Reviewing the Code of Corporate Governance

- 1.18** CIPFA and Solace urge local authorities to ensure their Code of Corporate Governance remain up to date. Since the last refresh of the Code the local government landscape has shifted considerably leading to many new governance issues. The Audit Committee will continue to review and approve the Code of Corporate Governance on an annual basis.

2. Reasons for recommendations

- 2.1** To ensure that the Council's Code of Corporate Governance is compliant with the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government.

3. Alternative options considered

- 3.1** No other options were considered.

4. Consultation and feedback

- 4.1** The Code of Corporate Governance review has been undertaken in consultation with Cabinet Member, The Governance Board, One Legal, GOSS HR, Finance and Internal Audit. Performance management –monitoring and review
- 4.2** The Corporate Governance will review and update the Code as required and report back to Audit Committee on an annual basis.

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Appendices	1. Risk Assessment 2. Draft Code of Corporate Governance 2016-17
Background information	Code of Corporate Governance 2015/16 available via the internet

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the code of Corporate Governance is not updated and implemented then there is a risk that we will not meet policy and legislative requirements.	Director of Corporate Resources and Projects	23/03/2016	3	1	3	Reduce	Directors to ensure that any key internal Policies are maintained and used in line with the constitution, Financial Rules and Legislation.	01/04/2016	Corporate Governance, Risk and Compliance officer	No
	If the council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.	Director of Corporate Resources and Projects	23/03/2016	3	1	3	Reduce	Review and revise Code of Corporate Governance	01/04/2016	Corporate Governance, Risk and Compliance officer	No
	If the council	Director of	23/03/2016	3	1	3	Reduce	Revise	01/04/2016	Corporate	No

	does not have an effective Governance framework then there is an increased risk of error, fraud and corruption.	Corporate Resources and Projects						assurance check lists to measure changes introduced through amendments to the constitution and report within the 2012/13 annual governance statement		Governance, Risk and Compliance officer	
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Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close