

PART 1 - PUBLIC

Decision Maker: Standards Committee
Audit Sub-Committee

Date: 19th January 2011
6th December 2010

Decision Type: Non-Urgent Non-Executive Non-Key

Title: CODE OF CORPORATE GOVERNANCE

Contact Officer: Mark Gibson, Assistant Director Resources (Audit and Technical)
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Chief Officer: Paul Dale, Director of Resources and Deputy Chief Executive

Ward: N/A

1. Reason for report
 2. The revised Code of Corporate Governance has been drafted by officers and is issued for consultation with the Standards Committee and the Audit Sub-Committee. The Code of Corporate governance sets a broad ethical framework for the council. The council is subject to scrutiny and intervention from a range of external bodies including the Local Government Ombudsman and the Courts.
 3. The revised Code incorporates the additional governance requirements resulting from CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. It also provides a framework for ensuring that the Annual Governance Statement reflects compliance with the CFO Statement.
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4. RECOMMENDATION(S)

- 3.1. That the Committee considers the revised code for adoption by the Council.

Corporate Policy

1. Policy Status: Existing policy. The Standards Committee is responsible for Member conduct and ethical governance in Bromley.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: No cost
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £434,444 (controllable budget)
 5. Source of funding: Existing 2010/11 revenue budget
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Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory requirement. The Standards Committee and standards system are requirements of the Local Government Act 2000, as amended by subsequent legislation, most recently by the Local Government & Public Involvement in Health Act 2007.
 2. Call-in: Call-in is not applicable. This report does not involve an executive decision.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The Code of Corporate Governance has the potential to impact on any person who has contact with a Member of Bromley Council and the overall perception of the Council.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1. Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.
- 3.2. Bromley Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil the four key roles of a local authority:
 1. To engage in effective partnerships and provide leadership for and with the community.
 2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
 3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.
 4. To develop citizenship and local democracy.
- 3.3. The existing Code of Corporate Governance, approved by Full Council in April 2009, is in accordance with the *Delivering Good Governance in Local Government: Framework* issued in 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

The Framework sets out six core principles for good governance:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Members and Officers working together to achieve a common purpose with clearly defined function and roles
 3. Promoting values for 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
- 3.4. In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services. The Statement sets out five principles that define the core activities and behaviours that belong to the role of CFO and the governance requirements needed to support them.

The CFO in a public service organisation:

- is a key member of the leadership team, helping it develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively

To deliver these responsibilities the CFO:

- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced

- 3.5. CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management. CIPFA also recommends that organisations should report publicly where their arrangements do not conform with the compliance framework, explaining the reasons for this, and how they deliver the same impact as those in the Statement.
- 3.6. CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government (2010)* applies the principles and roles set out in the public services Statement to local government. The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. In Bromley this is the Director of Resources.
- 3.7. The recommendations of the Statement are expected to be consolidated into the CIPFA / SOLACE *Delivering Good Governance in Local Government: Framework* over the next year. In the interim CIPFA has issued an Application Note setting out how the additional governance requirements should be reflected in an authority's Code of Corporate Governance. We have amended the current Code of Corporate Governance accordingly by highlighting these additional governance requirements.
- 3.8. The Code now consists of four parts:
1. An introduction which has been amended to include reference to the new requirements
 2. The Code itself
 3. A glossary
 4. An appendix showing the key policies and processes that underpin the Council's compliance with the Code (Appendix A)
- 3.9. In addition the Application Note recommends a voluntary 'comply or explain' approach in the Annual Governance Statement. In undertaking this year's AGS review we were able to confirm that Bromley's financial management arrangements conform with the governance requirements of the Statement. In brief the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to other members.

In addition no other significant governance issues were identified during the review.

- 3.10. In their *2009/10 Report to those charged with governance*, presented to General Purposes and Licensing Committee on 27 September 2010, the external auditors PwC reported that 'Following the government announcement that Comprehensive Area Assessment (CAA) is to be abolished, all work on Use of Resources for CAA ceased at the end of May. Therefore, we have not completed this work as planned, however, we are able to confirm that the findings from the work completed before the announcement showed continued strong performance in the areas where the Council was previously assessed as performing well.' In addition they

commented that 'A number of areas of good practice were identified, including the impact that the Council's Standards Committee has on the wider governance arrangements ...'

In the previous 2009 Use of Resources assessment Bromley scored a 3 - 'performing well' for the theme 'Governing the Business - does the organisation promote and demonstrate the principles and values of good governance?'

3.11. Recently Internal Audit undertook a *Review of Corporate Governance Audit for 2010/11*. As part of this audit they selected 2 of the 6 core principles to review the evidence supporting their compliance:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks

The review of evidence supporting these principles was satisfactory. Overall, the conclusion of this audit was that full assurance can be placed on the effectiveness of the overall controls.

4. LEGAL IMPLICATIONS

4.1 There are no specific legal requirements for preparing a Code of Corporate Governance. However, the Accounts and Audit (Amendment) (England) Regulations 2006 S.I. 564 require Members to conduct a review of the internal controls within the organisation and the Code forms part of the evidence to support this review. The Code of Corporate governance sets a broad ethical framework for the council. The council is subject to scrutiny and intervention from a range of external bodies including the Local Government Ombudsman and the Courts.

Non-Applicable Sections:	Policy/Financial/Personnel
Background Documents: (Access Contact Officer)	CIPFA / SOLACE publications: Delivering Good Governance in Local Government: Framework Statement on the Role of the Chief Financial Officer in Local Government (2010) Application Note to Delivering Good Governance in Local Government: a Framework