

Report To:	AUDIT COMMITTEE	Date:	3 DECEMBER 2018
Heading:	ANNUAL REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE		
Portfolio Holder:	NOT APPLICABLE		
Ward/s:	NOT APPLICABLE		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To review and amend as necessary the Local Code of Corporate Governance and to receive an update in relation to the actions outlined in the 2017-2018 Annual Governance Statement.

Recommendation(s)

Committee is recommended to:

- 1. Note that the Local Code of Corporate Governance has been reviewed;**
- 2. Approve the suggested changes to the Code as set out in the report and Appendix 1;**
- 3. Note progress made in relation to the actions outlined in the 2017-2018 Annual Governance Statement and make any comments or observations;**
- 4. Note the proposed process for the preparation of the 2018-2019 Annual Governance Statement.**

Reasons for Recommendation(s)

It is best practice for the Local Code of Governance to be reviewed annually to inform the Governance Framework for the following year.

Alternative Options Considered

(with reasons why not adopted)

Committee may consider suggesting alternative changes to the revised Code, otherwise as the report is for comment and noting, there are no other options to consider.

Detailed Information

Review of the Local Code of Corporate Governance

Corporate governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes.

The Council has a framework of policies and procedures in place which collectively make up its governance arrangements.

The Audit Committee approved its Local Code of Corporate Governance in November 2017 which sets out the Council's arrangements and is based on the guidance "*Delivering Good Governance in Local Government*" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The CIPFA/SOLACE guidance identifies seven core principles and various sub principles. The seven principles are:

- 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 Council'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 Local Code of Corporate Governance informs the Annual Governance Statement.

The Local Code of Governance is subject to annual review to inform the governance framework for the following year. The revised Code is attached as Appendix 1 with changes shown in italics. The suggested changes to the Code are not significant, they simply ensure the most up to date processes and policies are set out.

Update in Respect of the Actions Set Out in the 2017-2018 Annual Governance Statement

The Annual Governance Statement

The Annual Governance Statement is prepared in order to publically report on the extent to which the Council has complied with its Local Code of Governance.

The Annual Governance Statement looks at how the effectiveness of the Council's governance arrangements have been monitored and evaluated during the year and looks at any planned changes.

Improvement Actions

As part of the Council's drive to continuously improve its existing governance framework to meet changing conditions, the following actions were identified in the 2017-2018 Annual Governance Statement to take place during 2018/2019:

Improvement Action	Lead Officer	Target Date	Progress
Development of Member's Induction Programme	Director of Legal & Governance	September 2018 – March 2019	Ongoing - Development of the programme has commenced. Consultation with Members will be undertaken shortly on a draft programme.
Community Engagement Strategy Review	Director of Place & Communities	December 2018	Since approval of the Community Engagement Cabinet Report in November 2017, all recommendations have been implemented and will continue to be managed and monitored.
GDPR – Continue to progress the implementation plan and review post implementation	Service Manager – Legal Services	May 2018 then review during 2019	Ongoing - GDPR implementation by May 2018 was well progressed in order to ensure compliance. Developments and changes continue as guidance from the ICO is produced.
Corporate Risk Strategy Review – to include risk appetite	Service Manager Corporate Support and Transformation	July 2018	Complete - approved at Cabinet June 2018
Embed the Benefits Realisation Strategy	Service Manager Corporate	ongoing	This is still ongoing as part of embedding the

	Support and Transformation		project framework.
Digital and Service Transformation Programme	Director of Revenues & Business Transformation	ongoing	A business case and project plan to underpin the Programme is scheduled to be considered by Cabinet, early in 2019. This will include governance and decision arrangements to ensure effective project and programme management.
Refresh the Data Quality Strategy	Service Manager Corporate Support and Transformation	December 2018	Will be completed by due date.
Modern Slavery Act – Policy and Statement	Director of Legal and Governance (Monitoring Officer)	July 2018	Complete - approved at Cabinet on 9 July 2018
Review of compliance with Financial Regulations governing the raising of purchase orders (plus introducing 'no purchase order no payment' initiative).	Corporate Finance Manager & Section 151 Officer	ongoing	Update to financial regulations to be presented before end March 2019. Introduction of 'no purchase order no payment' to be activated following system upgrade and training.

Significant Governance Issues

While the effectiveness review and other developments during 2017-2018 demonstrated that the Council's corporate governance arrangements and the internal control framework were fit for purpose and effective, as part of continuing efforts to improve governance arrangements the following significant governance issues were identified for improvement during 2018-2019

Key Improvement Area	Lead Officer	Target Date	Progress
<p>FINANCIAL SUSTAINABILITY</p> <p>The year 2019/20 is the final year of the four-year financial settlement provided by the Government. Together with the Fair Funding Review and the move to 75% retained business rates this provides further uncertainty in respect of the Council's finances after 2020.</p> <p>Although the MTFS was refreshed in February 2018 the changing landscape of local government finance and the potential for changes to the Corporate Plan will require more frequent updates of the MTFS and the saving strategy.</p>	<p>Corporate Finance Manager & Section 151 Officer</p>	<p>Ongoing</p>	<p>The MTFS is currently under review and some savings options have been developed for Member consideration.</p> <p>Concurrently the Council is developing a Transformation Plan which will both improve service delivery and provide efficiencies into the future to assist in closing the funding gap. These expected efficiencies are currently being modelled and will be reflected in the next iteration of the MTFS update to Cabinet / Council in early 2019.</p> <p>The MTFS update report will also be informed by greater certainty around New Homes Bonus payments which will be received in the Provisional Local Government Settlement in December 2018.</p> <p>The updated MTFS will still</p>

			<p>contain assumptions around the impact of the Fair Funding Review and Business Rates Baseline reset (this is the same for all Councils) but these assumed funding levels will be informed by information provided by LG Futures.</p>
<p>INVESTMENT IN COMMERCIAL PROPERTIES</p> <p>2017/18 saw the introduction of a new regulatory environment with CIPFA's new Prudential and Treasury Management Codes. These changes will start to impact significantly in 2019/20 and the Council will be putting in place a Capital Strategy which brings together policies around Capital, Debt and Investment.</p> <p>Through the Capital Programme the Council has purchased commercial investment properties totalling £15 million and has increased its borrowing requirement. It will remain essential to effectively manage the investment portfolio in light of the ever changing economic climate whilst also having a clear understanding of how such risks and rewards impact on the Council's financial position.</p> <p>The production of the new Capital Strategy will provide the opportunity to fully explore a wide range of investment options based upon the Council's risk appetite whilst also ensuring proper due diligence and long term planning to reflect current and planned treasury positions.</p>	<p>Corporate Finance Manager & Section 151 Officer</p>	<p>December 2018</p>	<p>The Council is in the process of refreshing its Capital Strategy and Treasury Management Strategy and these will be presented to Cabinet early in 2019. The final version of the proposed strategies will take into account Prudential Code updates and any new guidance which is imminently expected from CIPFA in relation to borrowing for acquisition of Investment Properties.</p> <p>Arrangements are in place to monitor the performance of the existing Investment Property portfolio via the Council's</p>

			Commercial Investment Working Group.
<p>DATA MATCHING AND NATIONAL FRAUD INITIATIVE</p> <p>Introducing a clear corporate approach to data matching and NFI work including identifying a corporate lead officer.</p>	<p>Service Manager – Revenues and Benefits</p>	<p>December 2018</p>	<p>All NFI datasets were extracted and submitted to ADC's Key Contact (Service Manager – Revenues and Benefits) in October.</p> <p>These were fully checked and validated before being uploaded to the NFI by the due date.</p> <p>The Electoral Registration dataset is to be uploaded in December.</p> <p>Results of the NFI data matching are due in February 2019.</p> <p>A trial is being undertaken in respect of a fraud prevention solution via the NFI framework supported by Cabinet Office. This will inform the development of wider corporate anti-fraud solutions.</p>
<p>PROCUREMENT</p> <p>Review and implement procurement strategy, align systems and processes with the new service provider and ensure full compliance</p>	<p>Service Manager – Commercial Development</p>	<p>During 2018/2019</p>	<p>66% complete</p> <p>New Contract Procedure Rules in place (approved at the</p>

with contract management and transparency requirements.			<p>Council AGM on 24 May 2018).</p> <p>New contract register process implemented.</p> <p>Procurement Strategy will be reviewed and implemented in Q4 18/19</p>
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Proposed Process for the Preparation of the Annual Governance Statement 2018-2019

- The initial review of the effectiveness of the Council's governance framework will be conducted by the Council's Director of Legal and Governance (Monitoring Officer) supported by the Service Manager Corporate Support and Transformation.
- The findings reported by External Audit and other external review bodies and the work of Internal Audit and other internal assurance providers will be considered as part of the review.
- To inform the process, the Corporate Leadership Team will carry out a Corporate Assurance Assessment and each Director will provide a Statement of Assurance. The Corporate Finance Manager & Section 151 Officer is also consulted and will provide a Statement of Assurance.
- The Constitution review, performance reporting and risk management arrangements will also be taken into account.
- The results of all this review work will be set out in a draft Governance Statement prepared by the Director of Legal and Governance (Monitoring Officer) supported by the Service Manager Corporate Support and Transformation. This draft will be prepared during March 2019.
- The Corporate Leadership Team will review the draft Statement and consider whether the improvements proposed represent an appropriate and proportionate response to any significant governance issues identified.
- The draft Governance Statement, modified to reflect the views of the Corporate Leadership Team, will be considered by a Member Working Group made up of the Council's Audit Committee.
- The Director of Legal and Governance (Monitoring Officer) will finalise the Annual Governance Statement by the end of May 2019 in readiness for the close of accounts.
- The Audit Committee at its meeting in July 2019 will formally approve the Annual Governance Statement.

Implications

Corporate Plan:

Transparent and Accountable

We will be open and transparent in our decision making. We will be trustworthy and honest in how we deal with our residents and be accountable to them for our actions. We will promote positive and respectful behaviour, treating people fairly and respectfully.

The Council has committed to ensuring effective community leadership, through good governance, transparency, accountability and appropriate behaviours.

Legal:

The Council's Local Code of Corporate Governance is based on the CIPFA/SOLACE guidance as set out in the report.

The Council is required by law to undertake an annual review of the effectiveness of its systems of control and produce an annual governance statement – Regulation 6 of the Accounts and Audit Regulations 2015.

Finance:

There are no budgetary implications associated with the review of the Local Code of Corporate Governance.

Budget Area	Implication
General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Failure to review the Local Code of Corporate Governance would mean the governance framework is not complied with and would impact on the annual governance statement process.	The review ensures compliance with the governance framework and assists with the annual governance review.

Human Resources:

There are no Human Resource issues associated with the recommendations contained in the report.

Equalities:

There are no equalities issues associated with the recommendations contained in the report.

Other Implications:

None.

Background Papers

None.

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