



Executive
23 June 2010

**Report from the Director of Finance
and Corporate Resources and
Borough Solicitor**

Wards Affected:
ALL

Code of Corporate Governance

1 Summary

- 1.1 This report seeks approval from the Executive for the adoption of a new Code of Corporate Governance.

2 Recommendations

- 2.1 The Executive agree to the adoption the Code of Corporate Governance.

3 Detail

- 3.1 The council's existing "Local Code of Corporate Governance" was approved by the Executive in December 2003¹ and adopted into the constitution at the full council meeting of 17th May 2004². At that time the code was not a statutory requirement although had been strongly recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as good practice. This recommendation was set out in a document released in autumn 2001 entitled "Corporate Governance in Local Government, A Keystone for Community Governance - Framework".³
- 3.2 This publication set out a framework of principles, including the adoption of a local code, which were seen as being fundamental to good governance in local government and subsequently became key benchmarks within the Comprehensive Performance Assessment (CPA) and latterly the Comprehensive Area Assessment (CAA), principally within the Use of Resources (UoR) judgement.
- 3.3 The driver behind the initial framework arose, mainly, from governance failures within the private sector and a desire, from the government, to ensure good governance was embedded across local authorities in a systematic and evidenced way. The three fundamental principles of openness, integrity and accountability were relatively simple

concepts and not particularly new to local government. The framework was somewhat complicated by five separate dimensions of council business into which these principles should be embedded.

- 3.4 In response, the council adopted a local code and documented its corporate governance framework in a more systematic way than it had previously done. The documented framework reflected the requirements of the CIPFA/SOLACE publication and identified any gaps or weaknesses with an action plan for improvement. The document became known as the corporate governance action plan and has been reviewed, annually, and been reported as part of the Statement on Internal Control (SIC) and latterly the Annual Governance Statement (AGS), both included within the published annual accounts
- 3.5 Since the original local code was adopted there have been a number of key developments. These require a revised code to be adopted. The changes are detailed below.
- 3.6 The Accounts and Audit Regulations 2003⁴ placed a new responsibility on the Council, making it explicit for the first time, that it is responsible for ensuring that financial management is adequate and effective and that there is a sound system of internal control which is regularly reviewed. This originally meant that a statement on internal control had to be added to the financial statements, certifying that the Council has an effective system in place. In 2006⁵ these regulations were amended to give statutory backing to an Annual Governance Statement, replacing the SIC. This, together with a circular from the DCLG⁶ meant that any CIPFA guidance issued as “proper practice” also has statutory backing. The proper practice was identified as the 2001 document referred to above and a 2003 publication about the SIC⁷. It is, therefore, a statutory requirement to have a code of corporate governance.
- 3.7 In 2007 CIPFA and SOLACE published a new governance framework, “Delivering Good Governance in Local Government Framework⁹”. CIPFA has confirmed that this now represents proper practice and formally replaced the earlier documents. This new framework replaced the SIC with an Annual Governance Statement (AGS) from the 2007/08 reporting year.
- 3.8 The new framework is more complex. Rather than three basic principles, there are now six as detailed below:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective

- Engaging with local people and other stakeholders to ensure robust accountability
- 3.9 Each of the six principles has a set of up to 12 requirements which should be “reflected” within the code of corporate governance. The guidance document suggests the documents which the council could rely upon to evidence compliance. Previously, the detailed framework was not included within the council’s original local code. A reference to it was included. The full framework and action plan is now included within the published AGS and it would overcomplicate the new code of corporate governance were it to be included therein. It is, therefore, recommended that the council’s code of corporate governance, as adopted within the constitution, reflect a simplified framework with key headings.
- 3.10 A suggested code of corporate governance is attached at appendix 1.

4 Financial Implications

- 4.1 None

5 Legal Implications

- 5.1 Regulation 4(2) of the Accounts and Audit Regulations 2003⁴ (as amended 2006⁵) requires the Council to review its system of internal control and Regulation 4(3) requires the preparation of a statement on that review in accordance with “proper practice”.
- 5.2 On 18th August 2006 the Department for Communities and Local Government issued further guidance to clarify what they deemed as “proper practice”. Section 7 of circular 03/2006⁶ stated that “proper practice” in relation to internal control relates to guidance contained in the following documentation:
- Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA in 2004
 - Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA/SOLACE in 2001 (recently updated)
- 5.3 Circular 03/2006 clears the way for the annual governance statement (originally intended as part of the 2001 framework) to be assigned proper practice status and, therefore, have statutory backing.
- 5.4 CIPFA has also confirmed that such status was assigned to the annual governance statement from 1st April 2007. This means that it formally replaced its proper practice association with the Statement on Internal Control with effect from the 2007/8 reporting year. CIPFA’s earlier proper practice document of April 2004 has now been replaced by the “Delivering Good Governance in Local Government Framework” 2007⁹. governance framework.

6 Diversity Implications

6.1 None

7 Background Papers

1. Report from the Director of Finance to the Executive 8th December 2003. *Corporate Governance Framework*. Retrieved from: [http://democracy.brent.gov.uk/celestdocuments.aspx?MID=588&DF=08%2f12%2f2003&A=1&R=0&F=embed\\$Corporate%20Governance%20Framework.htm](http://democracy.brent.gov.uk/celestdocuments.aspx?MID=588&DF=08%2f12%2f2003&A=1&R=0&F=embed$Corporate%20Governance%20Framework.htm).
2. Report from the Borough Solicitor to a special meeting of Full Council 17th May 2004. *Proposed Revisions to Brent's Constitution*. Retrieved from: <http://democracy.brent.gov.uk/Data/Council/20040517/Agenda/Constitution%20report.pdf>
3. CIPFA/SOLACE (2001). *Corporate Governance in Local Government: A keystone for Community Governance – Framework and guidance note*.
4. Accounts and Audit Regulations 2003
5. Accounts and Audit (Amendment) (England) Regulations 2006
6. Department of Communities and Local Government (2006). *Guidance on the Accounts and Audit regulations 2003*
7. CIPFA (2004). *Statement on Internal Control in Local Government: meeting the requirements of the Accounts and Audit Regulations 2003*
8. Report from the Director of Finance and Corporate Resources to the Audit Committee 18th December 2007. *New CIPFA / SOLACE Corporate Governance Arrangements*
9. CIPFA/SOLACE (2007). *Delivering Good Governance in Local Government – Framework*.

8 Contact Officer Details

Simon Lane, Head of Audit and Investigations, Room 1, Town Hall Annexe.
Telephone - 020 8937 1260.

DUNCAN McLEOD
Director of Finance and Corporate Resources

FIONA LEDDEN
Borough Solicitor

Appendix 1

CODE OF CORPORATE GOVERNANCE

1 Introduction

1.1 This code sets out the Council's approach to Corporate Governance, defined as the way the council is controlled and accounts to, engages with and leads the community of Brent.

1.2 There are six core principles which underpin good governance. These are:

Focus:	Staying focussed on the purpose of the council and outcomes for the community
Purpose:	Members and Officers working together, effectively, toward a common purpose
Probity:	Upholding high standards of conduct and behaviour
Transparency:	Taking informed decisions which are subject to effective scrutiny
Capacity:	Ensuring members and officers have the capacity and capability to be effective
Accountability:	Engaging with the community and reporting accurately and openly

2 How the Council will conduct its business

2.1 The Council provides many different services and undertakes many different functions. Across all service areas the council will conduct itself in accordance with the core principles of good governance. The council will set out its plans in a corporate strategy, which will be set within the context of a strategy for the whole community developed in partnership with the key public sector bodies in Brent.

2.2 In providing a diverse range of services and functions, members and officers will work together towards a common purpose of delivering the corporate strategy whilst respecting each others different roles. Three key officer roles will be maintained to account to the council for all aspects of operational management, finance and law.

2.3 The council will establish and maintain the highest standards of integrity, conduct and behaviour and set these out within various codes. Where officers or members fall short of those standards, appropriate action will be taken.

- 2.4 The council's business will be conducted in an open and transparent manner. Committee reports, minutes, discussion and decision will be made publicly available where permissible. Decisions will be subject to scrutiny and challenge and appropriate legal and financial advice will be taken.
- 2.5 Our Members and Officers will have the necessary skills and knowledge to deliver effective and high performing services. Where necessary we will procure external expertise
- 2.6 All sections of the community will be encouraged to participate in the work of the council through formal consultation, feedback and clear reporting.

3 Annual Review of Compliance

- 3.1 Each year the council will review its compliance with this code and report the results in its Annual Governance Statement which will be published with the annual accounts. This review will focus on a Corporate Governance Framework, which sets out how the council complies with the six key principles, where evidence of compliance is located and what actions are needed to improve the arrangements.