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Cabinet Member for Policy and Leadership

13 April 2017

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Cllr G Duggins

**Director Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

N/A

**Title:**

Code of Corporate Governance

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**Is this a key decision?**

No

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**Executive Summary:**

Coventry City Council has a range of measures to ensure that governance in the organisation is managed effectively. In 2016, the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated their guidance on Corporate Governance and published the new *Delivering Good Governance in Local Government Framework*. This provides a best practice framework for local authorities to help make sure that their resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision-making and that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities. It sets out the principles that underpin good governance and how local authorities can assure themselves and others that they are meeting them.

This report proposes introducing a new Code of Corporate Governance and review process for the City Council in line with the principles and best practice set out in the national framework.

**Recommendations:**

The Cabinet Member for Policy and Leadership is recommended to approve the attached Code of Corporate Governance attached at Appendix 1.

**List of Appendices included:**

Appendix 1: Code of Corporate Governance

**Other useful background papers:**

Delivering Good Governance in Local Government: Framework (2016 edition)  
Delivering Good Governance in Local Government: Guidance for English Local Authorities (2016 edition)  
(Governance Services, Room 59, Council House)

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

Audit Committee reviewed the draft policy at its meeting on 3 April 2017

**Will this report go to Council?**

No

## **Report title: Code of Corporate Governance**

### **1. Context (or background)**

1.1 Coventry City Council first introduced a Code of Corporate Governance in 2009 based on best practice at the time. The context in which local government operates has changed significantly since then including a period of significant financial challenge, the growing devolution agenda and the introduction of a wide range of legislation that has brought new roles, responsibilities and opportunities for collaboration with a wider range of partners. National guidance has been updated to reflect this, particularly strengthening the focus on sustainable social, economic and environmental outcomes, the links between governance and financial management and the importance of long term planning. The revised Code reflects the new guidance and how it can be used to strengthen corporate governance in the City Council.

### **2. Options considered and recommended proposal**

2.1 Ensuring that its governance arrangements are effective is important for any organisation but particularly so in the public sector where local authorities are large organisations delivering services and outcomes for a wide range of people with public money. In this context governance arrangements must not only be sound but must be seen to be sound.

2.2 Good governance is about making sure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision-making and that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities. The new national guidance sets out the principles that underpin good governance and the revised Code adopts these:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.3 Coventry City Council works hard to ensure that its arrangements for governance are robust and meet best practice. In reality this is achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk. The Code of Corporate Governance does not set out to list or replicate these. Instead it provides a framework against which these can be assessed to ensure that the principles of the code are being met, that there are systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance are identified and appropriate actions developed.

2.4 In addition to setting out the principles of good governance, the national framework also provides examples of systems, processes, documentation and other evidence that can help to demonstrate how local authorities are meeting these. The City Council will use this to support an annual review of how it is meeting the Code. As well as ensuring that the Council has the right policies, plans and procedures in place, it will also review the arrangements that are in place to measure their effectiveness.

2.5 Local authorities are required to conduct a review at least once every financial year of the effectiveness of their systems of internal control and to report on this review with its Statement of Accounts. The Code of Corporate Governance and its annual review will inform this process. The review of the Code will follow the cycle set out below:

September – December	Review of Code of Corporate Governance to include: <ul style="list-style-type: none"> <li>• what is in place to demonstrate that the principles in the Code are being met</li> <li>• what is in place to measure the effectiveness of systems and processes</li> <li>• any gaps in policies, performance or assurance and identification of any actions</li> </ul>
Beginning of April	Guidance for producing directorate Statements of Internal Control prepared, incorporating any issues identified in the review of the Code
During April	Directorates produce Statements of Internal Control as part of Annual Governance Statement
May/June	Audit and Procurement Committee sign off statement of accounts and Annual Governance Statement, incorporating issues arising from review of the Code and Statements of Internal Control

2.6 The national framework provides examples of systems, processes, documentation and other evidence that help to demonstrate compliance, together with self-assessment tools and sources of further guidance. For example, for the principle *behaving with integrity*, the national framework includes for Members having a Code of Conduct, means by which Members interests can be registered, declared, recorded and reviewed and an effective Committee to oversee standards.

2.7 The annual review of the Code will use the information provided in the national framework to assess the effectiveness of governance arrangements by addressing the following questions:

**What is in place to demonstrate that the principles are being met?**

This will provide a check to make sure that the Council has the appropriate systems processes and documentation in place and that they reflect best practice. It will also identify any work that is taking place to address identified gaps.

Example: for the principle *behaving with integrity*, this would include for Members Coventry’s Member Code of Conduct, registers of interests, the processes for making and recording declarations at meetings, processes for declaring gifts and hospitality, the training and support provided to Members and oversight of these issues by the Ethics Committee.

**What arrangements are in place to measure the effectiveness of systems and processes?**

An assessment of the arrangements that the Council has in place to provide assurance that the policies and arrangements are working and effectively and that where shortfalls are identified, these are being addressed.

Example: for the principle *behaving with integrity*, this would include for Members the sign off arrangements for the Code and registers of interests, gifts and hospitality; how we ensure they are kept up to date; whether appropriate training and support is provided to Members; and that there is appropriate oversight of these issues by the Ethics Committee.

**Identify any gaps in policies, performance or assurance**

An assessment of any gaps and the action required to address them. Actions will be prioritised, worked into an action plan for the following year which would be used to inform the Annual Governance statement.

- 2.8 A full review of Corporate Governance arrangements against the Code and the national framework will take place in the autumn of 2017. However, governance arrangements are kept under regular review and actions planned that will help to strengthen governance arrangements are summarised below.

<b>Action</b>	<b>Lead Officer</b>	<b>For consideration by</b>
Revise Whistleblowing policy and promote once approved	Acting Monitoring Officer	Ethics Committee 17 March 2017, Audit and Procurement Committee 3 April 2017, Cabinet Member Policy and Leadership 13 April 2017
Review and update complaints protocol for Members as part of Code of Conduct	Acting Monitoring Officer	Ethics Committee 17 March 2017
Write and Implement a Member/ Officer Protocol setting out roles, expectations, behaviours and working relationships	Acting Monitoring Officer	Drafted for consideration by Ethics Committee and Council during 2017/18
Develop Monitoring Officer Protocol setting out role, rights and responsibilities	Acting Monitoring Officer	Ethics Committee and Council during 2017/18
Develop procedure to record and publish relevant decisions by officers	Members and Elections Team Manager	Constitutional Advisory Panel, Cabinet Member Policing and Equalities and Council during 2017/18
Review and update the Fraud and Corruption Strategy and operational counter fraud framework in light of national guidance issued by the Cabinet Office and CIPFA.	Acting Chief Internal Auditor	Outcome reported to Audit and Procurement Committee 2017/18
Review Risk Management Policy, Strategy and operational Framework	Insurance Manager	Review completed. Revised Policy, Strategy and Framework to be submitted to Strategic Management Board by June 2017

### **3. Results of consultation undertaken**

- 3.1 The Audit and Procurement Committee approve the annual governance statement and the views of the Committee was sought as part of the preparation of this Code. The Committee considered a draft of the proposed Code at its meeting on 3 April and supported the approach. They stressed the importance of ensuring that the proposed review process is robust in order that the Council can assess itself effectively against both the principles of the Code and the best practice identified in the national framework. They sought assurance about how the review cycle would operate to identify gaps and deliver improvement and how progress would be reported and monitored.

### **4. Timetable for implementing this decision**

- 4.1 Approval of the Code will support the development of the Annual Governance Statement for consideration by the Audit and Procurement Committee in June. The timetable for reviewing the effectiveness of the code as set out in paragraph 2.5 will be followed annually.

### **5. Comments from Director of Finance and Corporate Resources**

#### **5.1 Financial implications**

There are no direct financial implications arising from this decision. Ensuring that the Code is up to date and reflects best practice will support robust internal control and strong financial management.

#### **5.2 Legal implications**

There are no direct legal implications arising from this decision. The preparation and publication of an Annual Governance Statement fulfils the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts” and must be approved in advance of the Council approving the statement of accounts. Adoption of the Code and the annual review cycle will help to ensure that the completion of the Annual Governance Statement reflects best practice.

### **6. Other implications**

#### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The Code is an important part of the framework and assurance process that helps to ensure that governance arrangements for decision-making and implementation of the Council's policies, plans and procedures are effective.

## **6.2 How is risk being managed?**

Robust internal control, including ensuring effective arrangements for risk management, is a principle of the Code. Building the Code into the annual cycle for reviewing governance and internal control will help to ensure that any risks that could impact on effective corporate governance are identified and addressed

## **6.3 What is the impact on the organisation?**

The Code provides the framework for the key policies, plans, protocols and systems which support good governance across the Council. Using the Code as the basis for a programme of regular review and developing appropriate actions to meet any gaps will over time strengthen governance arrangements throughout the organisation.

## **6.4 Equalities / EIA**

One of the principles of the Code is that the rule of law is respected and it provides a further check that equalities legislation is being adhered to.

## **6.5 Implications for (or impact on) the environment**

One outcome of the recent revisions to the national guidance was to build sustainable economic, social and environmental benefits into the framework and this has been incorporated into Coventry's Code.

## **6.6 Implications for partner organisations?**

Ensuring openness and comprehensive stakeholder engagement is one of the key principles of the Code and will support effective partnership working.

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Members: Cllr George Duggins	Cabinet Member for Policy and Leadership		13/03/17	30/03/17

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## Appendices