

South Lakeland District Council

Council

Tuesday, 18 December 2018

Governance Update

Portfolio:	Cllr Stephen Coleman – Chairman of Audit Committee
Report from:	Shelagh McGregor - Assistant Director Resources (S.151 Officer)
Report Author:	Helen Smith – Financial Services Manager
Wards:	(All Wards)
Forward Plan:	Not applicable

1.0 Expected Outcome

- 1.1 This report is presented to consider the results of the review of the Council's Local Code of Governance and Constitution carried out by Audit Committee.

2.0 Recommendation

2.1 It is recommended that Council:-

- (1) notes the review of the Local Code of Governance and approves the proposed changes set out in Appendix 1; and
- (2) notes the review of the Constitution and approves the proposed changes set out in Appendix 2 and 3.

3.0 Background and Proposals

- 3.1 Local authorities should have in place an effective system of internal control (SIC). For South Lakeland District the key features of this system are described within the Local Code of Governance. Under the Accounts and Audit Regulations 2015 the Council is required to review the effectiveness of internal controls annually and to report this through an Annual Governance Statement (AGS). This is done alongside the Statement of Accounts and must be prepared in accordance with proper practices.
- 3.2 Audit Committee considered proposed amendments to the Local Code of Governance on 5 December 2018 to ensure the Code meets best practice. The proposed revised Local Code of Governance is set out at Appendix 1. The majority of amendments are to include behaviours and actions under all principles to which they apply. As a result some behaviours and actions are duplicated. One additional measure has been added:
- D14: consider social value when preparing service plans, considering procurement and commissioning and monitoring performance.
- Other amendments reflect changes to standards and guidance.
- 3.3 The same meeting of Audit Committee considered proposed changes to the Council's Financial Procedure Rules and Contract Procedure Rules which are part of

the Council's Constitution. The proposed rules are set out at Appendix 2 and Appendix 3. The main changes are to:

- a) To extend the current virement rules for revenue budgets to capital programme and reserves;
- b) To clarify terminology and update references to other documents;
- c) To propose more delegation around the use of reserves. Under the current arrangements approval to use reserves is needed from Council as part of the final accounts process but there is not a Council meeting between the finalisation of the reserve movements and the approval of the accounts by Audit Committee;
- d) To clarify that the Monitoring Officer can agree it is not expedient to comply with certain contract requirements, such as signing under seal or the use of Council policies. This reflects the growing use of framework agreements where the terms and conditions to be used have already been agreed and will give the Council appropriate protection;
- e) To remove references to paper tenders: all tender documents are now submitted electronically.

3.4 The changes proposed will apply from the date of Council approval for the remainder of the current financial year and subsequent years.

3.5 Further amendment of the Constitution will be required to reflect changes to the Leadership structure and other changes to job titles. These changes will be included in the Monitoring Officer's review of the Constitution which is due to the March meeting of Council.

4.0 Consultation

4.1 The Monitoring Officer, Solicitor to the Council and Procurement and Contracts Manager were consulted over the proposed changes to the Contract Procedure Rules. All Operational Managers were requested to submit proposals for changes to make processes more efficient. Audit Committee considered the proposals on 5 December 2018.

5.0 Alternative Options

5.1 It is good practice to regularly review the Constitution. The recommended changes give a balance between operational efficiency and strong internal controls.

6.0 Links to Council Priorities

6.1 Being efficient and transparent in our dealings with the public.

7.0 Implications

Financial, Resources and Procurement

7.1 This report has no direct financial implications. The proposals clarify the existing rules and will increase efficiency through reduced need to produce reports for minor decisions.

Human Resources

7.2 There are no direct Human Resources implications of this report.

Legal

7.3 There are no direct legal implications of this report.

Health, Social, Economic and Environmental

7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

- 7.5 If you have not completed an Impact Assessment, please explain your reasons: The update of the Local Code of Governance and Constitution have no direct HSEE implications.

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.8 If you have not completed an Impact Assessment, please explain your reasons: The update of the finance and contract procedure rules have no direct equality and diversity impacts.

Risk

Risk	Consequence	Controls required
Failure to review the Constitution	Potential failings in the internal controls contained within the Constitution.	A thorough review and assessment based on external guidance.
Failure to have effective delegation to officers in place	Potential delays in decision making.	

Contact Officers

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Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Proposed Local Code of Governance
2	Recommended Financial Procedure Rules
3	Recommended Contract Procedure Rules

Background Documents Available

Name of Background document	Where it is available
Council Constitution	

Tracking Information

Signed off by	Date sent
Legal Services	22/11/18
Section 151 Officer	22/11/18
Monitoring Officer	22/11/18
SMT	22/11/18

Circulated to	Date sent
Assistant Director	22/11/18
Human Resources Manager	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	5/12/18

Circulated to	Date sent
Executive (Cabinet)	N/A
Council	28/12/18