

South Lakeland District Council
Council
Wednesday, 19 May 2021
Review of Local Code of Governance

Portfolio: Cllr Stephen Coleman – Chair of Audit Committee
Report from: Section 151 Officer
Report Author: Helen Smith – Finance Lead Specialist (Section 151 Officer)
Wards: (All Wards)
Forward Plan: Not Applicable

1.0 Expected Outcome

1.1 This report is presented to show the results of the review of the Council’s Local Code of Governance by Audit Committee to ensure the Council has effective systems of internal control to demonstrate good governance.

2.0 Recommendation

2.1 It is recommended that Council notes the review of the Local Code of Governance and approves the proposed changes set out in Appendix 1.

3.0 Background and Proposals

3.1 Local authorities should have in place an effective system of internal control (SIC). For South Lakeland District Council the key features of the SIC are described within the Local Code of Governance.

3.2 Under the Accounts and Audit Regulations 2015, the Council is required to review the effectiveness of the SIC 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.

3.3 CIPFA published a revised version of their governance framework for local authorities, ‘Delivering Good Governance in Local Government: Framework (2016)’. This constitutes proper practice and is to be applied for financial years from April 2016 onwards. This slightly re-arranged the previous framework moving from 6 principles to 7 in line with CIPFA’s broader ‘International Framework: Good Governance in the Public Sector (2014)’.

- 3.4 The Local Code approved in December 2018 and Annual Governance Statement were prepared under the new framework and included recommendations from the Council's internal auditor's review of the Local Code in 2017/18. The Code was reviewed in December 2019 and no substantive amendments were made (other than formatting amendments)
- 3.5 Internal Audit have carried out a review of the Local Code: although the internal audit report has not yet been finalised the results of the testing has been used to inform this review.
- 3.6 There have been several reviews of financial governance and general governance including the publication of CIPFA Bulletin 06: Application of the Good Governance Framework 2020/21, the introduction of the CIPFA Financial Management Code, the CIPFA review of financial reporting in the pandemic and the Grant Thornton publication of Lessons from recent Public Interest Reports 2021. These have identified new areas of good practice and highlighted the need to review any changes to arrangements as a result of Covid-19 as set out below
- 3.7 CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. With the impact of Covid-19 and the additional pressures 2020/21 has become a shadow year with full implementation from April 2021. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes.
- 3.8 Local authorities have had to adapt their governance arrangements during 2020/21 as a result of the impact of Covid-19. These changes included new ways of working and emergency arrangements, changes to 'business as usual' activities, including reduced frequency and scale, or temporary cessation, of activities and longer-term changes to priorities, programmes, strategies and plans. Audit Committee received a detailed update of changes to governance arrangements as a result of Covid-19 in September 2020. A review of the impact of these changes will be included when the AGS is prepared.
- 3.9 It is proposed the Local Code is updated to include emphasis on the inclusion of ethics in consideration of the organisation's values and to add a new requirement, C14, to ensure the Council fully complies with the requirements of the CIPFA FM Code.

4.0 Consultation

- 4.1 Officers have reviewed the existing Local Code of Governance and the CIPFA Delivering Good Governance in Local Government Framework (2016).
- 4.2 Audit Committee considered the proposed amendments to the Local Code of Governance.

5.0 Alternative Options

- 5.1 Audit Committee can alter the detail of the Local Code of Governance, however this should ensure any amendments comply with best practice and the legislative framework.

6.0 Links to Council Priorities

- 6.1 The system of internal control as described in the Local Code underpins the achievement of all Council priorities.

7.0 Implications

Financial, Resources and Procurement

7.1 This report has no direct financial implications. The Financial Procedures Rules and other elements the System of Internal Control ensure the use of the Council's financial resources represent value for money.

Human Resources

7.2 This report has no direct human resource implications. Human Resources policies and the Council's organisational development are consistent with the principles within the Local Code of Governance.

Legal

7.3 This report has no direct legal implications. The Local Code of Governance gives a framework to ensure the Council acts lawfully at all times.

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 Local Code of Governance has no direct HSEE implications.

7.6 Summary of health, social, economic and environmental impacts: N/A

Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Assessment, please explain your reasons: The Local Code of Governance has no direct Equality and Diversity Implications.

7.9 Summary of equality and diversity impacts: N/A

Risk

| Risk | Consequence | Controls required |
|---|---|---|
| Weaknesses in internal control identified in the Annual Governance Statement action plan are not addressed adequately | Non-compliance with Local Code of Governance with possible loss of public confidence about the way the Council conducts its business. | Regular monitoring schedule so that Members and senior officers can monitor progress in addressing the weaknesses identified. |
| Local Code prepared that is not in line with proper practice | Potential gaps in system of internal control | Regular review of Local Code; annual review of effectiveness based on CIPFA framework. |

Contact Officers

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Appendices Attached to this Report

| Appendix No. | Name of Appendix |
|--------------|-------------------------------|
| 1 | Local Code of Governance 2021 |

Background Documents Available

| Name of Background document | Where it is available |
|--|---|
| International Framework: Good Governance in the Public Sector IFAC/CIPFA | https://tinyurl.com/w7k7znb |

Tracking Information

| Signed off by | Date sent | Date Signed off |
|---------------------|-----------|-----------------|
| Legal Services | N/A | N/A |
| Section 151 Officer | N/A | N/A |
| Monitoring Officer | N/A | N/A |
| CMT | N/A | N/A |

| Circulated to | Date sent |
|---------------------------------|---------------|
| Lead Specialist | Report author |
| Human Resources Lead Specialist | N/A |
| Communications Team | N/A |
| Leader | N/A |
| Committee Chairman | N/A |
| Portfolio Holder | N/A |
| Ward Councillor(s) | N/A |
| Committee | 22/04/2021 |
| Executive (Cabinet) | N/A |
| Council | N/A |