

**South Lakeland District Council**  
**Audit Committee**  
**Wednesday, 8 December 2021**  
**Review of Local Code of Governance and**  
**Governance Update**

---

**Portfolio:** Customer and Locality Services Portfolio Holder, Finance and Assets Portfolio Holder

**Report from:** Section 151 Officer

**Report Author:** Helen Smith – Finance Lead Specialist (Section 151 Officer)

**Wards:** (All Wards);

**Forward Plan:** Not applicable

**Links to Council Plan Priorities:** Good governance arrangements link to the Council's achievements of its Council Plan priorities and objectives.

---

**1.0 Expected Outcome and Measures of Success**

1.1 This report is presented to show the results of the review of the Council's Local Code of Governance and to update on the progress in implementing the Annual Governance Statement (AGS) action plan.

**2.0 Recommendation**

**2.1 It is recommended that Audit Committee:-**

- (1) Notes the review of the Local Code of Governance and associated documents; and**
- (2) Approves the proposed Partnership Guidelines at Appendix 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 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)'.

## Local Code Review

- 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 last reviewed in April 2021 and 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. No further amendments are proposed to the Local Code (**Appendix 1**).
- 3.5 There have been several recent 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. These were incorporated into the full review of the Local Code and its application as part of the preparation of the Annual Governance Statement. This review has been updated at **Appendix 5**.
- 3.6 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 became 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. The AGS for 2020/21 included the overall conclusion of an assessment of the organisation's compliance with the principles of the FM Code. A summary of the requirements and an assessment of the Council's position is included at **Appendix 4** to this report. Where there are outstanding matters or areas of improvement, these are included in the AGS action plan.
- 3.7 **Appendix 5** shows the CIPFA principles, sub-principles, example behaviours and actions that demonstrate good governance in practice and examples from the CIPFA guidance with the Local Code reference for each. This has been revised, in line with an internal audit recommendation that the mapping of the Guidance behaviours and actions that demonstrate good governance in practice be mapped only to sub-principles in the Local Code that pertain to the same principle to which the behaviour and action relate. A self-assessment has been carried out (where 1=inadequate and 4 = fully met). Where the self-assessment score is lower than 4 then an action is included in the Annual Governance Statement Action Plan. The AGS action plan is included with the AGS in the Council's published accounts and reviewed by external audit. The 2020/21 AGS action plan has been reviewed and the progress to date is reported in **Appendix 6**.
- 3.8 The latest review of at **Appendix 5** shows an increase in scores with 50% of tasks graded 2 now graded 3 or higher:

Assessment Score	April 2021	Dec 2021
2	8	4
3	41	37
4	176	184
N/A	2	2
Total	227	227

3.9 There are 4 tasks where the assessment is graded 2. They are:

Ref and	Latest Action Plan Comment
A22: ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications.	Operational risk identified in Audit Committee April 2021. Urgent need for adequate legal case management system.
B13: to ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;	The timely publication of agendas and minutes for all committees are published on the Council's website and can be inspected at the Council's offices, always adhering to legislative requirements. Officers undergo report writing training and have access to the SharePoint area which provides advice and guidance on decision making and report writing. Training as referenced above and Governance and Accountability Working Group seeks to embed this across all Council areas, recognising there needs to be further training on the timely submission of reports and correct processes to be followed.  Further training and further communication of what is required. Council wide engagement needed.
E8: consider career structures for members and officers to encourage participation and development	Ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.  Overtaken by LGR proposals / implementation
E8: consider career structures for members and officers to encourage participation and development	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.  Overtaken by LGR proposals / implementation

3.10 The 2020/21 identified the Council's partnership governance arrangements are now out-of-date, not effective and are not being followed. Officers have reviewed arrangements elsewhere for management and monitoring of partnerships and have prepared draft Partnership Guidance and checklists, attached at **Appendix 3**.

#### 4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Local Code of Governance 2021
2	Internal Control Environment 2021

Appendix No.	Name of Appendix
3	Partnerships Guidance 2021
4	Assessment of CIPFA FM Code implementation 2020/21
5	Annual Governance Statement and Local Code review 2020/21
6	AGS Action Plan update

## 5.0 Consultation

5.1 Officers have reviewed the existing Local Code of Governance and the CIPFA Delivering Good Governance in Local Government Framework (2016).

## 6.0 Alternative Options

6.1 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.

## 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 Governance is a key part of the Monitoring officer and Legal Services role and we are currently reviewing the Lawyers in Local Government Governance Toolkit. Reports will be brought to the Audit Committee and the work carried out will be discussed at the newly established Governance and Accountability Officer working Group. This group seeks to ensure that Governance is embedded across the organisation. The Local Code of Governance gives a framework to ensure the Council acts lawfully at all times.

### Health and Sustainability Impact Assessment

7.4 Have you completed a Health and Sustainability 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 has no direct HSEE implications

7.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
<b>Environment and Health</b>	Greenhouse gases emissions				X
	Air Quality				X
	Biodiversity				X
	Impacts of Climate Change				X

	Reduced or zero requirement for energy, building space, materials or travel				X
	Active Travel				X
<b>Economy and Culture</b>	Inclusive and sustainable development				X
	Jobs and levels of pay				X
	Healthier high streets				X
	Culture, creativity and heritage				X
<b>Housing and Communities</b>	Standard of housing				X
	Access to housing				X
	Crime				X
	Social connectedness				X

### Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: The update of the Local Code of Governance has no direct HSEE implications \*\*\*

7.9 Summary of Equality and Diversity impacts

<b>Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"</b>					
<b>Age</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Disability</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Gender reassignment (transgender)</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Marriage &amp; civil partnership</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Pregnancy &amp; maternity</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Race/ethnicity</b>	<b>P</b>		<b>0</b>	<b>x</b>	<b>N</b>
<b>Religion or belief</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Sex/gender</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Sexual orientation</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Armed forces families</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Rurality</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>
<b>Socio-economic disadvantage</b>	<b>P</b>		<b>0</b>	<b>X</b>	<b>N</b>

<b>Risk Management</b>	<b>Consequence</b>	<b>Controls required</b>
Weaknesses 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

Helen Smith, Finance Lead Specialist, 01539 793147, h.smith@southlakeland.gov.uk

### Background Documents Available

<b>Name of Background document</b>	<b>Where it is available</b>
International Framework: Good Governance in the Public Sector IFAC/CIPFA	<a href="https://tinyurl.com/w7k7znb">https://tinyurl.com/w7k7znb</a>

### Tracking Information

<b>Signed off by</b>	<b>Date sent</b>	<b>Date Signed off</b>
Section 151 Officer	30/11/2021	Report of S151 Officer
Monitoring Officer	30/11/2021	30/11/2021
CMT	N/A	N/A

<b>Circulated to</b>	<b>Date sent</b>
Lead Specialist	N/A
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	08/12/2021
Executive (Cabinet)	N/A
Council	N/A