

18<sup>TH</sup> APRIL 2008

REPORT OF THE DIRECTOR OF RESOURCES

**Portfolio: STRATEGIC LEADERSHIP**

**Subject: REVIEW OF THE COUNCIL'S CORPORATE GOVERNANCE ARRANGEMENTS**

**1. SUMMARY**

- 1.1 Corporate Governance is the term used to describe the system by which local authorities direct and control their functions and relate to their communities.
- 1.2 The Council agreed its first Local Code of Corporate Governance in December 2002, which took into account guidance issued at that time by the Chartered Institute of Public Finance And Accountancy (CIPFA) and the Society for Local Authority chief Executives (SOLACE).
- 1.3 CIPFA and SOLACE have recently reviewed their guidance and issued '*Delivering Good Governance in Local Government: A Guidance Note for English Authorities*'.
- 1.4 The attached updated version of the Local Code of Corporate Governance has been developed, taking the revised guidance into account.

**2. RECOMMENDED**

- 2.1 That the Council approves the revised Local Code of Corporate Governance.

**3. BACKGROUND**

- 3.1 In 2001 CIPFA and SOLACE published 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework' to draw together the governance principles identified in the report of the *Committee on the Financial Aspects of Corporate Governance (The Cadbury Report)* in 1992, the '*Nolan Committee on Standards in Public Life*' in 1995 and in '*Model Codes*' developed by the Office of the Deputy Prime Minister.
- 3.2 The Framework recommended that local authorities review their existing Governance arrangements against a number of key principles and report annually on their effectiveness in practice. Through the development of this Framework, all local authorities were encouraged to meet the standards of the best.
- 3.3 The Council subsequently agreed its own Local Code of Corporate Governance in 2002, which has been reviewed on an annual basis, to ensure that full compliance with the Code was being achieved.

- 3.4 In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wanted all public sector organisations to adopt in the document '*Good Governance Standards for Public Services*'. This document built in the Nolan Principles for the conduct of individuals in public life, which were:-
- A clear definition of the body's purpose and desired outcomes.
  - Well defined functions and responsibilities.
  - An appropriate corporate culture.
  - Transparent decision making.
  - A strong Governance team.
  - Real accountability to stakeholders.
- 3.5 CIPFA and SOLACE have now subsequently reviewed their original guidance and for the purpose of developing '*Delivering Good Governance in Local Government*', the six core principles from the '*Good Governance Standard for Public Services*', have been adapted for the local authority context. The principle of leadership has been expanded to emphasise the role of authorities 'leading' their communities and therefore this concept 'overarches' the other principles. Greater emphasis has also been placed on Scrutiny and Overview to accommodate the new arrangements for local authorities. The principles have also been developed to take greater account of the political regime in which local authorities operate.

#### **4. COMPLIANCE WITH THE NEW CODE**

- 4.1 Normally, with the introduction of a new Code, an action plan would be developed to identify any issues that need to be considered to ensure full compliance with the Code.
- 4.2 However, in view of the impending re-organisation of local government within County Durham, there may be insufficient time and capacity because of the pressures on officer time in dealing with the current work-stream requirements for officers to develop new protocols etc., for a limited period of implementation before 1<sup>st</sup> April 2009.
- 4.3 It is therefore recommended that officers' attention be drawn to the new Code which is being introduced and that due recognition is made to the principles contained within it, during the preparatory work for the new Unitary Council which will take place in the forthcoming months.

#### **5. RESOURCE IMPLICATIONS**

- 5.1 There are no financial issues arising directly from this report.

#### **6. CONSULTATIONS**

- 6.1 A Working Group of Officers representing all Departments has assisted in the development of this new Local Code.

## **7. LINKS TO CORPORATE OBJECTIVES/VALUES**

7.1 Reviewing the Council's Corporate Governance arrangements ensures that the following corporate values are being addressed:

- Being open, accessible, equitable, fair and responsive.

## **8. RISK MANAGEMENT**

8.1 The Council must ensure that the Local Code adequately reflects the recommended six core principles of Corporate Governance, one of which is:

- To take informed and transparent decisions which are subject to effective scrutiny and managing risk.

8.2 If the Council is not able to demonstrate that it has taken into account any revisions with regard to recommended best practice, it could have a detrimental impact on any assessment that the Audit Commission may make of the Council's Governance arrangements.

8.3 With the introduction of the initial Code in 2002, the Council did agree an Action Plan, which would ensure full compliance, over time. Subsequently those actions were undertaken and the Council was able to demonstrate full compliance to the Audit Commission.

8.4 Unfortunately, as mentioned in paragraph 4, there may be inadequate time and capacity to fully comply with the revised Code, prior to the Council being abolished on the 1<sup>st</sup> April 2009 but it is expected that the Audit Commission will recognise those matters in any report that it issues with regard to the Council's current arrangements. Also the fact that the authority was fully compliant with the old Code does continue to provide for a strong framework for Corporate Governance.

8.5 If there are not adequate Governance arrangements in place when the Council is engaged with partners for the delivery of services, there is also a risk that the Council may be required to deal with any financial liabilities resulting from any failure in the partnership arrangements.

## **9. HEALTH AND SAFETY**

9.1 No additional implications have been identified.

## **10. EQUALITY AND DIVERSITY**

10.1 No additional implications have been identified.

## **11. LEGAL AND CONSTITUTIONAL**

11.1 No new implications have been identified.

## 12. OTHER MATERIAL CONSIDERATIONS

12.1 No other material considerations have been identified.

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Ward(s):

Key Decision Validation:

Background Papers: - Local Code of Corporate Governance – Report to Special Council 20.12.02  
- Delivering Good Governance in Local Government – Guidance Note for English Authorities – Issued by CIPFA and SOLACE  
- Appendix 1 – Local Code of Corporate Governance – April 2008

### Examination by Statutory Officers:

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Management Team has approved the report.	<input checked="" type="checkbox"/>	<input type="checkbox"/>