
REPORT TO:	STANDARDS COMMITTEE	AGENDA ITEM: 4
DATE OF MEETING:	28TH JULY 2005	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	ANDREA McCASKIE HEAD OF LEGAL & DEMOCRATIC SERVICES (EXT. 5831)	DOC:U:\JAYNE\Commtee\COMMREPICodeCorpGovern.doc
SUBJECT:	LOCAL CODE OF CORPORATE GOVERNANCE	REF: AGM/JB
WARD(S) AFFECTED:	ALL	

1.0 Recommendations

To recommend to Council that:-

- 1.1 it adopts the Local Code of Corporate Governance attached to the report;
- 1.2 the Standards Committee review and report to Council half yearly on progress in achieving the action points set out in the Code;
- 1.3 the Member responsible for implementing the Code and monitoring the Council's performance against the commitments set out in it be the Leader of the Council;
- 1.4 the Officer responsible for implementing the Code and monitoring the Council's performance against the commitments set out in it be the Chief Executive.

2.0 Purpose of Report

- 2.1 This report will inform Members of the advice and guidance produced by the Chartered Institute of Public Finance and Accounting ("CIPFA") and the Society of Local Authority Chief Executives and Senior Managers ("SOLACE") with regard to the adoption of a Local Code of Corporate Governance.

3.0 Detail

- 3.1 Corporate Governance as a concept began in a company context and was restricted to issues relating to financial reporting and accountability.
- 3.2 In the early to mid 1990's the principle spread to the Public Sector to address concerns relating to the lack of accountability of public bodies and media interests in sleaze in public life.
- 3.3 CIPFA and SOLACE expanded the original financial principle into more far reaching principles applicable to Local Authorities and incorporated them into a single framework of Corporate Governance, specially for use by Local Authorities. CIPFA and SOLACE recommended that a Corporate Governance framework be adopted by every Local Authority, with the aim of integrating the principles in its day to day activities.

3.4 Corporate Governance is defined in the CIPFA/SOLACE publication "Corporate Governance in Local Government – A Keystone for Community Governance" as "the system by which Local Authorities direct and control their functions and relate to their communities".

3.5 Three principles underpin Corporate Governance. These are:-

- openness and inclusivity
- integrity
- accountability

3.6 These principles are defined as follows in the Corporate Governance framework:-

Openness and inclusivity – this means ensuring stakeholders can have confidence in the decision making and management processes of the Council. It relies on genuine and meaningful consultation, access to complete, accurate and timely information, an inclusive approach with outward focus and a commitment to partnership working.

Integrity – this includes honesty, selflessness and objectivity. It relies on the maintenance of high standards of propriety and probity and is dependent on an effective control framework and the personal standards and professionalism of Members and Officers.

Accountability – this is the process that makes Members and Officers responsible for what they do. It relies on a clear understanding of their respective responsibilities and having clearly defined roles.

3.7 **Leadership** – the concept of leadership overarches all three of the above principles. It means having a vision for the community and Members and Officers leading by example.

3.8 To comply with the principles of Corporate Governance, it is important that they are reflected in every dimension of the Council's business. For the purposes of Corporate Governance, the following five dimensions have been identified. These are:-

- Community Focus
- Service Delivery
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

3.9 The CIPFA/SOLACE guidance recommends that a Local Authority's performance against these five dimensions should be reported both internally and externally as part of its published accounts and its Best Value Performance Plan.

3.10 The report needs to take the form of an assurance, approved by Council and signed by the Leader and Chief Executive, that the Council's Corporate Governance arrangements are adequate and operating effectively. If there are any gaps or improvements that have been identified, then the steps that are being taken to address these should be explained.

- 3.11 A draft Local Code is attached at Annexe 'A'. It is basically a summary of the Council's commitment to high standards of Corporate Governance.
- 3.12 In 2005, Heads of Service and Unit Managers were invited to take part in an audit, based on the CIPFA/SOLACE guidance. A report of the self-assessment carried out is attached at Annexe 'B'. This provides the evidence of how the Council has fulfilled or intends to fulfil the Council's commitment to high standards of Corporate Governance and established the Council's baseline position as regards compliance with the three principles and five dimensions of Corporate Governance referred to above.
- 3.13 A large number of the action points contained within the Code are, in fact, Corporate Plan Milestones and these are depicted as (CPM). These will be monitored through the Corporate Plan processes and the rest of the action points via Service Plans.
- 3.14 It is recommended that the Standards Committee receives half yearly reports on progress in relation to compliance with the action points and reports to Council their findings. This will help ensure that the Standards Committee has a pivotal role in promoting and maintaining high standards of conduct throughout the Authority.
- 3.15 However, in view of the fact that Corporate Governance is an all-encompassing concept, it would seem appropriate for the Leader of the Council and the Chief Executive to have overall responsibility for implementing the Code and monitoring the Council's performance against the commitments contained within it.
- 3.16 However, it must be recognised that the Code should be owned by all Members and Officers.

4.0 Financial Implications

- 4.1 None directly arising from the report.

5.0 Corporate Implications

- 5.1 The Code overarches all the Council's activities and compliance with it will necessarily take into account all the Council's Policies and Strategies in relation to these issues.

6.0 Community Implications

- 6.1 A key aim of the Authority is community leadership, which is concerned with the style and manner in which the Council operates and how we relate to local people and partners. One important aspect included in this aim is our policies and arrangements for Corporate Governance.

7.0 Conclusions

- 7.1 The fundamental principles of good Corporate Governance are openness, accountability and integrity. These principles should be reflected in:-
- relationships with the local community;
 - service delivery arrangements;
 - structures and processes; and
 - the conduct of Members and Officers

7.2 It is, therefore, essential that this Council adopts a Local Code of Corporate Governance.

8.0 Background Papers

CIPFA/SOLACE publication "Corporate Governance in Local Government – A Keystone for Community Governance"