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| Report to | Standards Committee |
| Date | 27 February 2012 |
| By | Director of Corporate Services |
| Title of Report | Draft Local Code of Corporate Governance |
| Purpose of Report | To present a draft Local Code of Corporate Governance to the Standards Committee for its consideration |

Recommendation: That the Standards Committee recommends to the Authority that

- (1) the draft Local Code of Corporate Governance be approved; and**
- (2) delegated authority be given to the Director of Corporate Services in consultation with the Chair of the Audit Committee to make any necessary amendments to the Local Code of Corporate Governance ensuring that any significant amendments are reported to the Audit Committee**

1. Introduction

- 1.1 In its annual governance statement for 2010-11, the Authority committed to developing a Local Code of Corporate Governance.
- 1.2 A draft Local Code of Corporate Governance was produced and considered by the Audit Committee at its meeting on 18 January 2012. After some discussion regarding the purpose of the Code, the Audit Committee resolved to recommend the draft Local Code of Corporate Governance to the Authority at its meeting on 13 March 2012.
- 1.3 The draft Local Code of Corporate Governance is now presented to this Committee for its consideration.

2. Background

- 2.1 As the Committee will be aware, the Localism Act 2011 will impose a duty upon the Authority to promote and maintain high standards of conduct by Members and co-opted Members of the Authority (it is anticipated that the statutory provision for this duty will come into force in July this year). The role of the Standards Committee, in promoting and maintaining high standards of conduct by Members of the Authority, includes monitoring and discussing Governance issues.
- 2.2 A particular consideration for the Committee will be whether, by ensuring that the source documents and good practice identified in the draft Local Code of Corporate Governance are in place/being carried out, the Authority will be in a position to evidence compliance with the new duty to promote and maintain high standards of conduct by Members and co-opted Members of the Authority.

3 Corporate Governance

- 3.1 Corporate Governance has been defined¹ as being:

“how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government

¹ ‘Delivering Good Governance in Local Government Framework’ published jointly by CIPFA/SOLACE.

bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”

- 3.2 Awareness of corporate governance was first raised in 1992 as a result of the publication of *The Report of the Committee on the Financial Aspects of Corporate Governance* by the Cadbury Committee which set out a broad framework for financial reporting and accountability for public limited companies and their auditors. Cadbury defined corporate governance as the “system by which organisations are directed and controlled”.
- 3.3 Since then the meaning of Corporate Governance has been developed and extended into the public sector through the work of the Committee on Standards in Public Life initially known as the Nolan Committee (which identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles) and, later, the Neill Committee.
- 3.4 The various guidance on aspects of corporate governance issued by government and professional accountancy bodies have now been drawn together as a single framework by CIPFA² and SOLACE³. Their jointly issued guidance entitled ‘Delivering Good Governance in Local Government Framework’ sets out six core principles of corporate governance, together with various supporting principles in respect of each core principle. This guidance applies to National Park Authorities although, as the remit of the NPA is narrower with fewer service delivery functions, the balance between the core principles differs.
- 3.5 The six core principles that should underpin the governance of each local government body are as follows:
 - (a) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area,
 - (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles,
 - (c) Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour,
 - (d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk,
 - (e) Developing the capacity and capability of Members and officers to be effective; and
 - (f) Engaging with local people and other stakeholders to ensure robust public accountability

4 The Purpose of a Local Code of Corporate Governance

- 4.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
- 4.2 In essence, a local code of corporate governance explains how the local government body ensures compliance with statutory requirements and best practice guidance on corporate governance. The development of a local code, consistent with the principles and requirements of the CIPFA/SOLACE Framework document, helps to ensure that proper governance arrangements are in place.
- 4.3 The SDNPA is responsible for ensuring that the financial management of the Authority is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Authority’s functions which includes arrangements for the

² The Chartered Institute of Public Finance and Accountancy.

³ The Society of Local Authority Chief Executives and Senior Managers.

management of risk. Regulations provide that a review must be conducted at least once a year of the effectiveness of the Authority's system of internal control. The review findings must be reported to the Authority following which an Annual Governance Statement must be approved. The Annual Governance Statement considers how the Authority has monitored the effectiveness of its governance arrangements in the year, as well as any planned changes in the coming period. A local code of corporate governance is a useful tool in assisting the Authority in monitoring the effectiveness of its governance arrangements and would form the basis of preparing the Annual Governance Statement.

4.4 Another objective of a local code is to increase credibility, accountability and public confidence in the SDNPA.

4.5 It is not mandatory for the SDNPA to adopt a local code of corporate governance but it is encouraged by CIPFA/SOLACE.

5. The Draft Local Code of Corporate Governance

5.1 The draft Local Code of Corporate Governance, set out in **Appendix 1**, has been drafted in line with CIPFA/SOLACE's Framework. The draft Local Code incorporates the six core principles, together with the applicable supporting principles, and identifies the source documents, good practice and other means of demonstrating the SDNPA's compliance with the principles of good governance.

5.2 The supporting principles have, to some degree, been tailored to produce a better fit for a National Park Authority.

5.3 Some of the source documents, good practice and other means of demonstrating the SDNPA's compliance with the supporting principles referred to in the Local Code of Corporate Governance are currently still being developed and are not yet in place/being carried out. The Local Code identifies where this applies in respect of a particular document/practice and, where possible, an anticipated completion date is included.

5.4 With regard to provision for monitoring and review, it is recommended that delegated authority be given to the Director of Corporate Services in consultation with the Chair of the Audit Committee to make any necessary amendments to the Local Code of Corporate Governance, most likely as a result of the annual review of governance arrangements that will be carried out. It is recommended that any significant amendments should be reported to the Audit Committee.

6. Conclusion

6.1 The report outlines the concept of corporate governance and the purpose of a local code of corporate governance. A draft Local Code of Corporate Governance, as endorsed by the Audit Committee, is attached for consideration by the Committee. The Committee is requested to recommend that the Authority approve the attached draft Local Code of Corporate Governance and that delegated authority be given to the Director of Corporate Services, in consultation with the Chair of the Audit Committee, to make any necessary amendments to the Local Code of Corporate Governance ensuring that any significant amendments are reported to the Audit Committee.

7 Resources

7.1 There are no additional resource implications arising directly from this report.

8 Risk Management

8.1 The draft Local Code of Corporate Governance identifies the various elements of the risk management system that the Authority has in place.

9 Human Rights, Equalities, Health and Safety

9.1 None.

10 External Consultees

10.1 None.

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Appendices 1 – Draft Local Code of Corporate Governance

SDNPA Consultees Members of the Audit Committee, Chief Finance Officer, and Monitoring Officer

Background Papers Section 100D – Local Government Act 1972 –