

Report to	Audit Committee
Date	18 January 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 Audit Committee for its consideration

Recommendation: The 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.**
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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 Following internal consultation with officers, a draft Local Code of Corporate Governance has been produced and is now presented to the Committee for its consideration.

2. Background

- 2.1 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 bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”
- 2.2 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”.
- 2.3 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.
- 2.4 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

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

² The Chartered Institute of Public Finance and Accountancy.

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

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.

- 2.5 The six core principles that should underpin the governance of each local government body are as follows:
- (1) Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area,
 - (2) Members and officers working together to achieve a common purpose with clearly defined functions and roles,
 - (3) Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour,
 - (4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk,
 - (5) Developing the capacity and capability of Members and officers to be effective; and
 - (6) Engaging with local people and other stakeholders to ensure robust public accountability.

3. The Purpose of a Local Code of Corporate Governance

- 3.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
- 3.2 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 the Code, consistent with the principles and requirements of the Framework document, helps to ensure that proper governance arrangements are in place. The principle objective of the Code is to increase credibility, accountability and public confidence in public authorities. It is not mandatory for public authorities to adopt a local Code but it is encouraged.
- 3.3 Local government bodies are responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the body's functions which includes arrangements for the management of risk. Regulations provide that a review must be conducted at least once a year of the effectiveness of the body's system of internal control and the findings must be reported to the body following which an Annual Governance Statement must be approved. An annual review of compliance with the adopted local Code may form the basis of preparing the Annual Governance Statement which considers how the body monitored the effectiveness of its governance arrangements in the year, as well as on any planned changes in the coming period.

4. The Draft Local Code of Corporate Governance

- 4.1 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.
- 4.2 The supporting principles have, to some degree, been tailored to produce a better fit for a National Park Authority.
- 4.3 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.
- 4.4 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.

5. Conclusion

- 5.1 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 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.

6. Resources

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

7. Risk management

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

8. Human Rights, Equalities, Health and Safety

- 8.1 None.

9. External Consultees

- 9.1 None

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Appendix	1 - draft Local Code of Corporate Governance
SDNPA Consultees	Members of the Audit Committee, Chief Finance Officer & Monitoring Officer.

Background Documents	Section 100D – Local Government Act 1972
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