

Agenda Item No: 9

Report No: 137/17

Report Title: Lewes District Council – Draft Code of Corporate Governance

Report To: Audit and Standards Committee

Date: 25 September 2017

Ward(s) Affected: All

Report By: Head of Audit and Counter Fraud

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Purpose of Report:

To seek approval for the updated Lewes District Council Code of Corporate Governance.

Officers Recommendation(s):

- 1** To approve the updated draft Code of Corporate Governance attached as Appendix A.
 - 2** To recommend to Full Council that the Code of Corporate Governance is included within the constitutions for both Lewes District Council and Eastbourne Borough Council.
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Reasons for Recommendations

- 1** To ensure the Council follows the best practice set out in the Delivering Good Governance in Local Government Framework, which was published in April 2016.
- 2** To standardise the approach of including the Code of Corporate Governance within the constitutions of both Lewes District Council and Eastbourne Borough Council.

Information

3 Background

- 3.1** Lewes District Council recognises the importance of effective corporate governance so that local communities can place trust in the way that the Council carries out its duties. Corporate governance for councils in simple terms is ensuring they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

- 3.2** The Council has had a Code of Corporate Governance (Code) in place since June 2004 when it was approved by the then Audit Committee. This Code was developed taking account of the national guidance - Delivering Good Governance in Local Government Framework by CIPFA (Chartered Institute of Public Finance) / SOLACE (Society of Local Authority Chief Executives). The framework was updated in 2007 and the Committee was informed of the changes.
- 3.3** In April 2016 a revised framework was published by CIPFA/SOLACE to take account of changes in legislation and the local government environment since the previous code. The key changes in the revised framework are as follows:
- It is less prescriptive which means councils can adopt more innovative approaches in preparing their codes and their annual governance statements;
 - It focuses on the sustainability of councils, and the links between governance and public financial management in times of austerity;
 - It has seven key principles whereas the previous framework had six. Principle D (see below) is the one with the least correlation with the previous framework; and
 - The wording of the key principles has been revised. However, there is a good deal of commonality between the sub principles.
- 3.4** The draft Code at Appendix A has therefore adopted a more simplified approach. A glossary of terms has been included at the end of the Code to explain some of the terms used in the principles and sub principles of the framework.
- 3.5** Local authorities are required to prepare an Annual Governance Statement (AGS) in order to report publicly on the extent to which they comply with their own Code. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year. The AGS therefore provides the Audit and Standards Committee with the mechanism to monitor the effectiveness of the Code.
- 3.6** The Audit and Standards Committee meeting of 19 June 2017 approved the current AGS. The report explained the relationship between the AGS and the Code, and advised that a review of the Council's Code and that of Eastbourne Borough Council was underway to take account of the revised principles of the framework.
- 3.7** The above work is now completed having been undertaken by the Head of Audit and Counter Fraud and the Assistant Director – Corporate Governance. The revised draft Code is at Appendix A. Subject to minor differences, the Code is almost the same for both Lewes District Council and Eastbourne Borough Council. The practice at Eastbourne Borough Council has been to incorporate the Code of Corporate Governance within the Council's Constitution as it summarises many of the elements of the Constitution. At Lewes District Council, the Code has been separate from the Constitution. It is now considered timely for Lewes District Council to include the Code in its Constitution.

- 3.8** The draft Code was subject to consultation with the Corporate Management Team.

4 The Updated Framework

- 4.1** Reflecting the legislative and environmental changes affecting local government the framework sets out seven core principles, underpinned by a range of sub principles, designed to achieve the intended outcomes while acting in the public interest at all times. The core principles are as follows:

- **Core Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- **Core Principle B:** Ensuring openness and strong stakeholder engagement.
- **Core Principle C:** Defining outcomes in terms of sustainable economic, social and environmental benefits.
- **Core Principle D:** Determining the interventions necessary to optimize the achievement of outcomes.
- **Core Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **Core Principle F:** Managing risks and performance through robust internal control and strong financial management.
- **Core Principle G:** Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

- 4.2** The core principles and a summarised version of the sub principles are set out in further detail within the draft Code attached at Appendix A. The guidance advises that it is up to each local authority to:

- Set out its commitment to the principles of good governance included in the Framework, and
- Determine its own governance structure.

- 4.3** This report recommends that compliance against these criteria will be achieved through the adoption and application of the updated Local Code of Corporate Governance in the current year, and that it will be reviewed annually when the AGS is produced.

- 4.4** The content of the Code will be subject to review and possible modification to reflect any updates, and to ensure that it remains relevant and fit for purpose. In the event that such modifications are required, they will be made in liaison with the Chair of the Audit and Standards Committee.

5 Financial Appraisal

- 5.1** There are no additional financial implications from this report.

6 Risk Management Implications

- 6.1** Failure to maintain proper corporate governance arrangements can reduce the likelihood of the Council meeting its aims and objectives and attract criticism from the Council's stakeholders and the Council's external auditor. Maintenance of a local Code of Corporate Governance which concords with best practice and is regularly reviewed will ensure that the corporate governance arrangements remain effective.

7 Sustainability Implications

- 7.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is a progress report.

8 Legal Implications

- 8.1** There are no legal implications arising from the report.

9 Equality Screening

- 9.1** I have given due regard to equalities issues and, as this is an internal monitoring report, screening for equalities is not required.

10 Background Papers

- 10.1** None.

11 Appendices

- 11.1** Appendix A: Draft Local Code of Corporate Governance