

<b>Body:</b>	AUDIT AND GOVERNANCE COMMITTEE
<b>Date:</b>	20 SEPTEMBER 2017
<b>Subject:</b>	Draft Code of Corporate Governance
<b>Report Of:</b>	Head of Audit and Counter Fraud
<b>Ward(s)</b>	All
<b>Purpose</b>	To seek approval to the updated Code of Corporate Governance.
<b>Recommendation(s):</b>	That Council be recommended to approve the updated draft Code of Corporate Governance attached as Appendix A.
<b>Contact:</b>	David Heath, Head of Audit and Counter Fraud, Telephone: 01273 484157 or internally on extension 5157. E-mail address david.heath@lewes.gov.uk

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## **1.0 Reasons for Recommendations**

- 1.1 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. To standardise the approach of including the Code of Corporate Governance within the constitutions of both Lewes District Council and Eastbourne Borough Council.

## **2.0 Background**

- 2.1 Eastbourne Borough 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.
- 2.2 The Council has had a Code of Corporate Governance (Code) in place since June 2004. This Code was developed taking account of the then 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.
- 2.3 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 with the previous 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 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 previous framework; and
- The wording of the key principles has been revised however there is a lot of commonality between the sub principles.

2.4 The draft Code at Appendix A has therefore adopted a more simplified approach. To help ensure it is more understandable a glossary of terms has been included at the end of the Code in relation to the principles and sub principles of the framework.

2.5 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 Governance Committee with the mechanism to monitor the effective the Council's Code.

2.6 At the Lewes District Council Audit and Standards Committee meeting of 19 June 2017 the AGS was approved and this explained the relationship between the AGS and the Councils' Code. The report also set out 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.

2.7 The work mentioned above has now been completed having been undertaken by the Head of Audit and Counter Fraud and the Assistant Director – Corporate Governance with the draft Code being produced at Appendix A. The Code, subject to minor differences, 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 within it. At Lewes District Council it has been separate from the Constitution. It is now considered timely for Lewes District Council to include the Code into its Constitution.

### 3.0 The Updated Framework

3.1 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.

3.2 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

3.3 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 Annual Governance Statement is produced.

3.4. The content of this code is subject to modifications as a result of updates and to ensure that it remains relevant and fit for purpose. In the event that such modifications are required, responsibility for this will be undertaken by the Council's Monitoring Officer and Audit Manager in liaison with the Chair of the Audit and Governance Committee.

#### **4.0 Consultation**

4.1 Corporate Management Team

#### **5.0 Resource Implications**

5.1 There are no additional financial implications from this report.

5.2 Staffing – None directly as a result of this report.

#### **6.0 Other Implications**

6.1 Risk Management Implications - 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.

#### **7.0 Summary of Options**

7.1 None

**8.0 Recommendation**

- 8.1 To recommend full Council to approve the updated draft Code of Corporate Governance attached as Appendix A.

**David Heath**  
**Head of Audit and Counter Fraud**

**Background Papers:**

None