

**NORTH YORKSHIRE COUNTY COUNCIL**

**STANDARDS COMMITTEE**

**1 SEPTEMBER 2008**

**LOCAL CODE OF CORPORATE GOVERNANCE**

**JOINT REPORT OF THE  
CORPORATE DIRECTOR – FINANCE AND CENTRAL SERVICES AND THE  
ASSISTANT CHIEF EXECUTIVE (LEGAL AND DEMOCRATIC SERVICES)**

**1.0 PURPOSE OF THE REPORT**

- 1.1 To invite the Committee to comment on a draft of a revised Local Code of Corporate Governance.

**2.0 BACKGROUND**

- 2.1 The County Council, on 8 October 2008, will be asked formally to adopt a draft of a revised Local Code of Corporate Governance.
- 1.2 The Audit Committee, on 26 June 2008, gave some initial consideration to the contents of a draft Code and made various suggestions. The Committee also noted that the draft Code would be further refined by officers before being resubmitted to Members as follows:-

Executive – 23 September 2008  
Audit Committee – 29 September 2008  
County Council – 8 October 2008 (for formal adoption)

- 1.3 The Audit Committee, the membership of which includes Mr James Daghish, recognised that the Standards Committee should also be given opportunity to consider the draft Code and therefore resolved to refer it to today's meeting for comment.

**3.0 CORPORATE GOVERNANCE FRAMEWORK – THE THEORY**

- 3.1 Each local authority operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes.
- 3.2 In 2001, CIPFA, in conjunction with SOLACE and with support from key organisations in local government, responded to the need to draw together the principles identified by Cadbury, Nolan and the former Department of the Environment, Transport and the Regions (DETR), into a single framework of good governance for use in local government and published *Corporate Governance in local Government – A Keystone for Community Governance Framework*.
- 3.3 Since that Framework was published, local government has been subject to continued reform intended to improve local accountability and engagement, and a revised Framework was therefore timely. Governance arrangements must not be regarded merely as bureaucracy and must adapt to changing circumstances. Good governance should mean that, whatever executive arrangements are in place, the way a local authority operates is always based on sound decision making with an effective process to support it.

- 3.4 The revised Framework (issued in 2007) builds on recent governance work in both the public and the private sector, and in particular *The Good Governance Standard for Public Services* drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management (OPM), in partnership with the Joseph Rowntree Foundation. The six core principles from the Good Governance Standard have been adapted for the local government context. The Framework also comprises best practice objectives that provide the basis for each local authority to develop and maintain a Local Code of Governance reflecting its type, size, functions and nature.

### **What do we mean by Governance?**

- 3.5 Governance is about how local authorities 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.
- 2.6 It comprises the systems and processes, and cultures and values, by which local authorities are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 2.7 Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract immense attention. They are vitally important to all tax payers and citizens, as well as the reputation of the authority itself.
- 2.8 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

### **Purpose of the Framework**

- 3.9 The Framework document is intended to be followed as best practice for developing and maintaining a **Local Code of Governance**, and for discharging accountability for the proper conduct of public business, through the publication of an **Annual Governance Statement** (which replaces the current Statement on Internal Control) that will make the adopted practice open and explicit.
- 3.10 Whatever form of executive arrangements are in place, authorities are urged to test their structures against the principles contained in the Framework by -
- (a) reviewing their existing governance arrangement against this Framework
  - (b) developing and maintaining an up-to-date Local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
  - (c) preparing a Governance Statement in order to report publicly on the extent to which they comply with their own Code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period
- 3.11 In order to review their current arrangements, authorities will need to -
- (a) consider the extent to which the authority complies with the principles and requirements of good governance set out in the Framework

- (b) identify systems, processes and documentation that provide evidence of compliance
- (c) identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- (d) identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
- (e) identify the individuals who would be responsible for undertaking the actions required and plan accordingly

3.12 The Framework document also reflects the role or business of local government bodies. Four key roles are identified -

- (a) to engage in effective partnerships and provide leadership for and with the community
- (b) to ensure the delivery of high quality local services whether directly, or in partnership, or by commissioning
- (c) to perform a stewardship role which protects the interests of local people and makes the best use of resources
- (d) to develop citizenship and local democracy

Authorities are asked to bear these roles in mind when considering the Principles on which Good Governance should be based (see **paragraph 4** below).

#### **4.0 THE PRINCIPLES OF GOOD GOVERNANCE**

4.1 The following six core principles are taken from *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for local government purposes. The principles are –

- (a) focusing on the purpose of the authority and on outcomes for the community (including citizens and service users), 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 transparent decisions which are subject to effective scrutiny and managing risk
- (e) developing the capacity and capability of Members and Officers to be effective
- (f) engaging with local people and other stakeholders to ensure robust public accountability

4.2 Within the Framework document, these core principles are then supported by secondary principles which effectively translate each core principle into a list of

activities, processes and procedures which, if existing within an authority, demonstrate good governance.

- 3.3 The existing Local Code and Governance Policy are effectively superceded by the requirements of the revised Framework. Therefore the Local Code has been redrafted to reflect the essence of the current (2006) Code but expressed in the newly defined format. The rewritten Code is attached as **Appendix A**.

**5.0 RECOMMENDATION**

- 5.1 That the Standards Committee agree any comments it would wish to make in respect of the draft of a revised Local Code of Corporate Governance.

JOHN MOORE  
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21 August 2008  
RAG/ALJ

Background Documentation:

- Delivering Good Governance in Local Government – Framework (CIPFA/SOLACE 2007).
- Delivering Good Governance in Local Government – Guidance Note (CIPFA/SOLACE 2007).
- The Good Governance Standard for Public Services (Independent Commission for Good Governance in Public Services 2004).

Appendix A – Draft Local Code of Corporate Governance