
CORPORATE GOVERNANCE

**Responsible Cabinet Member(s) - Councillor Don Bristow,
Resource Management Portfolio
Responsible Director(s) – Paul Wildsmith, Director of Corporate Services; Lorraine
O'Donnell, Head of Policy**

Purpose of Report

1. To seek approval for amendments to the Local Code of Corporate Governance, as recommended by Resources Scrutiny on 21st January 2005.

Summary

2. On 10th December 2002, a report was presented to Cabinet outlining the principles of Corporate Governance. The purpose of the report was three-fold:
 - a) to update Cabinet on the application of Corporate Governance within Local Government;
 - b) to present a draft Local Code of Corporate Governance;
 - c) to propose an ongoing process by which the Local Code may be updated and monitored.
3. At that meeting, Cabinet agreed that monitoring should be reported six monthly to Resources Scrutiny Committee to consider the following:
 - a) Whether any aspects of the Local Code need to be specifically reviewed (as part of the Scrutiny process);
 - b) To ensure that members are satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation.
4. The latest monitoring report was presented to the January 2005 Resources Scrutiny Committee.

Background information

5. The term Corporate Governance refers to the system by which the Council directs and controls its functions and relates to the community it serves. The basic principles of good corporate governance require the Council to:
 - a) carry out its functions in a way that is completely open and inclusive of all sectors of the community;
 - b) demonstrate the utmost integrity in all its dealings; and
 - c) be fully accountable to the public it serves.
6. The Council supports these principles fully and its Local Code of Corporate Governance is a public statement of commitment to them. The Code is split into five sections, each of

which covers a particular dimension of the Council's responsibilities in terms of Corporate Governance. These sections are:

- a) Community Focus;
- b) Service Delivery;
- c) Management Structure and Processes;
- d) Risk Management and Internal Control;
- e) Standards of Conduct.

Information and Analysis

7. In order to show good practice in relation to Corporate Governance, the authority must assess itself against the five 'dimensions' listed above. To do this, the main documents and functions that support Corporate Governance have been identified. These documents and their contribution to each dimension have been detailed and published on the Council's Intranet: [Local Code Implementation Progress](#). The documents themselves are process driven and are continually updated as the Local Code of Corporate Governance is in itself not a one-off piece of work, but a fluid document. To this effect, since the Local Code was first approved by Cabinet, four new documents have been added with the approval of Resources Scrutiny Committee, i.e.:

- a) Treasury Management;
- b) Social Inclusion;
- c) Equalities;
- d) Information Governance.

8. The Council's external auditors, PricewaterhouseCoopers (PwC) have recognised the Local Code as a key management tool for strengthening and improving the Council's corporate governance arrangements and again this year awarded the Council the maximum score of 4 for Corporate Governance arrangements under the Auditor Scored Judgements through the Comprehensive Performance Assessment.

9. PwC compared the Local Code against the CIPFA/SOLACE guidance as part of their work upon the financial aspects of corporate governance for the 2003/04 audit of accounts. They reported that Darlington's Local Code met the requirements of the guidance but recommended two minor amendments to the narrative of the Local Code to expressly reflect the CIPFA/SOLACE guidance. The two amendments recommended were that:

- a) under 'Service Delivery Arrangements' (Dimension 2) the requirement to set standards should be referred to; and
- b) under 'Structures and Processes' (Dimension 3) the requirement to put in place clearly documented and understood management processes for policy development should be stated.

Outcome of consultation

10. No formal consultation was undertaken in production of this report.

Legal Implications

11. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

12. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

13. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Decision Deadline

14. For the purpose of the 'call-in' procedure this does not represent an urgent matter

Recommendation

15. It is recommended that:
 - a) Cabinet approve the amendments to the Local Code of Corporate Governance, with regard to:
 - i) The inclusion of the four new documents highlighted in paragraph 7, and;
 - ii) The two minor amendments as outlined in paragraph 9.

Reasons

16. The recommendation is supported by the following reasons:
 - a) To ensure that members are satisfied that the management processes defined in the Local Code are actually being adhered to throughout the organisation, and;
 - b) To assist the council in maintaining its current CPA rating for the Auditor Scored Judgements.

Paul Wildsmith
Director of Corporate Services

Lorraine O'Donnell
Head of Policy

Background Papers

Cabinet Report – ‘Corporate Governance’ December 2002

Resources Scrutiny Committee – ‘Corporate Governance Update Report’; December 2003, July 2004 and January 2005

Andy Robinson: Extension 2014