

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE - 5 OCTOBER 2000

CONSULTATION ON A PROPOSED FRAMEWORK FOR CORPORATE GOVERNANCE IN LOCAL GOVERNMENT

Report by the Chief Executive

1. PURPOSE OF REPORT

- 1.1 To advise the Committee of the submission of a consultative document on Corporate Governance and of a request for comments thereon.

2. BACKGROUND

- 2.1 A Joint Working Party on Corporate Governance for Local Government sponsored by CIPFA and SOLACE has been working on the development of a framework for corporate governance over the past 2 years. The Working Party also includes representation from CoSLA and Local Authority Practitioners in Scotland.
- 2.2 The consultation document has been widely circulated to Local Authority Associations, professional and other interested bodies. Subject to comments received, it is the Working Party's intention to prepare a final framework document which will establish definitions, principles and coverage of corporate governance. The intention is that Local Authorities will then use the framework to develop their own local codes of governance appropriate to their own circumstances and Action Plans for their regular review and development. CIPFA requests comments on the document by 16 October 2000.
- 2.3 Following this period of consultation and with the support of the sponsoring organisations, Local Authorities will be urged to devise a Code of Local Governance appropriate to their circumstances and based on the framework. It is envisaged that Local Authorities should have such a Code in place by December 2001.

3. CORPORATE GOVERNANCE IN LOCAL GOVERNMENT

- 3.1 The consultative document defines corporate governance as "***corporate governance is the system by which Local Authorities direct and control their functions and relate to their communities***".
- 3.2 Within the consultative document, Local Authorities are recognised as having a key role in governing and leading their communities. The document maintains that effective Local Government relies on the credibility of and public confidence in, Elected Councillors and Officials. Good corporate

governance provides an essential underpinning for credibility and confidence in public services.

- 3.3** The principles of good corporate governance, embedded in the culture of individual Local Authorities and applied within the defined framework of management processes, should be transparent to all stakeholders by making explicit their high standards of self governance, Local Authorities can give a lead to potential partners, from the public, private or voluntary sectors and to their citizens. In this way, corporate governance is a key stone for community governance.
- 3.4** The document recognises that corporate governance arrangements in Local Authorities are generally sound although they have been developed in an ad-hoc manner over many years. The consultative document maintains that all Authorities should be encouraged to meet the standards of the best and governance arrangements should not only be sound but be seen to be sound.
- 3.5** The purpose of the document is to:
- define the principles that should underpin the governance of each Local Authority;
 - provide a framework on the basis of which each Local Authority should shape a Code of Corporate Governance. Such a Code will enable Authorities to strengthen their own confidence and credibility and minimise risk and realise opportunities in a period of rapid change; and
 - assist Authorities review the effectiveness of their own corporate governance arrangements by reference to best practice, using self-assessment in a period of significant change.
- 3.6** The document is not intended to be a prescription for a single model of governance. It is intended to act as a stimulus to each Local Authority to act to:
- review its existing corporate governance arrangements against this framework;
 - prepare and adopt an up-to-date local Code of Corporate Governance including arrangements for ensuring its implementation; and
 - make a statement in its annual report regarding how the Authority is complying with the framework including how the effectiveness of corporate governance has been monitored in the year and plans for its modification in the coming period.
- 3.7** Local Government has been the subject of much change over the years. New means of procurement and forms of service delivery will be encouraged through the Best Value initiative. Local Authorities are having to find new sources of funding to supplement internal resources, through partnership arrangements and including Public Private Partnership and are increasingly participating in partnerships with a wide variety of public, private and voluntary

bodies. The Agenda for change is continuing with the Government's "modernisation" proposals for Local Authorities which includes reforming the political and managerial structures including the separation of the Executive and Scrutiny function at political level, and a new ethical framework. At the same time, Authorities are looking to renew local democracy and increase public confidence in Local Government, partly through strengthening their governance and scrutiny arrangements and partly through the way they present their service to the community and the public generally.

3.8 The Government's modernisation Agenda has the following components all of which impact on arrangements for corporate governance:-

- democratic renewal;
- community leadership;
- engagement of the local community, consultation and partnership working;
- outward-looking, accountable and responsive services;
- continuous improvement (including value for money and best value); and
- high-standards of conduct and probity.

3.9 Accordingly, there needs to be a coherent approach to the Government's proposals as Local Authorities review the various systems and processes they have in place for managing their relationships with key stakeholders. Taken together, these systems comprise corporate governance and by adopting best practice in terms of corporate governance, a Local Authority can significantly enhance its process of modernisation, community leadership and engagement in continuous performance and improvement.

4. CORPORATE GOVERNANCE: GUIDANCE NOTES FOR SCOTTISH AUTHORITIES

4.1 The attached Guidance Notes include examples of good practice for Local Authorities in developing a Code of Corporate Governance in their own Local Authority.

4.2 In the majority of cases, East Ayrshire Council already operates the same or similar processes identified within the Guidance Notes.

4.3 The Council has also adopted the seven principles of public life as identified by the Nolan Committee, namely, selflessness, objectivity, integrity, honesty, accountability, openness and leadership as the standards for the conduct of business in East Ayrshire Council. The Council also fully endorses the National Code of Local Government Conduct.

5. FINANCIAL/LEGAL/POLICY IMPLICATIONS - Nil at this stage.

6. RECOMMENDATIONS

- 6.1** That the Council note the consultation document on proposed Framework for Corporate Governance in Local Government (copy of which has been placed in the Members Information Point);
- 6.2** That the Chief Executive advise CIPFA of the Council's support for the model framework document;
- 6.3** That whilst noting that the Council operates many or similar types of systems identified within the enclosed Guidance Notes, that on receipt of the final framework document for Corporate Governance in Local Government, the Chief Executive, together with appropriate Officers, prepare a report on the development of East Ayrshire Council's own Local Code of Governance as required;
- 6.4** To note that the Council would continue to develop its own systems and processes supporting corporate governance and that Officers make reference to the draft framework for Corporate Governance in Local Government in this respect;
- 6.5** Otherwise, to note the report.

David Montgomery
Chief Executive

28 September 2000

BW/SR

LIST OF BACKGROUND PAPERS

- 1.** Letter dated 14 August 2000 from CoSLA.
- 2.** Consultation Document: Corporate Governance in Local Government - A Keystone for Community Governance.

Any person wishing to inspect the background papers relative to this report should contact Bill Walkinshaw, Administrative Manager, on telephone number (01563) 576135. Any person wishing further information on this report should contact David Montgomery, Chief Executive, on telephone number (01563) 576002.