

**TO:** STANDARDS COMMITTEE  
**DATE:** 6th November 2007  
**SUBJECT:** New Corporate Governance Local Code and Framework  
**BY:** HEAD OF AUDIT  
**Classification:** Unrestricted

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**Summary:** This report sets out new governance requirements prescribed by the Chartered Institute of Public Finance Accountants (CIPFA) and Society of Local Authority Chief Executives (SOLACE), a draft Local Code of Governance for Swale and programme of work to support the annual governance statement.

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**Implications:**

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Human Resources Implications

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Finance Implications

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Legal Implications

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Crime & Disorder Implications (Section 17)

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Sustainability Implications

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Risk Implications:

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**Decision Required:**

1. *That the following assumptions and elements of the draft revised code are approved:*
  - a. *The principles and supporting principles based on the revised CIPFA/SOLACE guidance are accepted as the basis for this Council's Corporate Governance arrangements.*
  - b. *The ten general principles of conduct based on the Nolan principles and three additional principles are accepted as the basis for this Council's ethical Corporate Governance arrangements.*
  - c. *An Annual Governance Assurance Statement signed by the Leader and Chief Executive is prepared for inclusion in the Annual Report and Best Value Performance Plan (BVPP) and the Statement of Accounts.*
  - d. *The Director of Corporate Services reports annually on the extent to which the authority complies with the principles and elements of good governance set out in the Corporate Governance Local Code.*
2. *The Audit Committee consider this draft version of the Corporate Governance Local Code, incorporating any changes following benchmarking and further Internal Audit review at its meeting in December 2007.*

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1. The Chartered Institute of Public Finance Accountants (CIPFA) and the Society of Local Government Chief Executives (SOLACE) have recently published guidelines on a new governance framework. This will require the adoption of the Council's new Local Code of Corporate Governance and adjustment to the annual governance review process, which already supports the production of the Annual Statement of Internal Control. The framework is

an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. Most crucially, however, is the doctrine that good governance relates to the whole organisation.

2. The governance framework set out by CIPFA/SOLACE itself remains a discretionary code and is offered to councils as good practice. It outlines six core principles of good governance focusing on the systems and processes for the direction and control of the council and its activities through which it accounts to, engages with and leads the community. The degree to which the Council follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/8. The Council will be expected to publish the new annual governance statement for 2007/8 with their accounts in place of the Statement of Internal Control.

3. The arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity to consider the robustness of governance arrangements. In doing so, we need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to our stakeholders what those arrangements are. As part of the use of resources assessments the Audit Commission will consider the arrangements in place to enable the preparation of the annual governance statement, including the degree to which the council recognises the corporate ownership of its governance arrangements.

4. After reviewing the guidance in detail officers have compiled a draft revised code of governance and a proposed framework and programme of work to produce the 2007/8 annual governance statement (annex 1). Given the importance of corporate wide engagement in governance matters it is recommended that the attached draft code is initially published as a draft for consultation and is benchmarked against emerging codes from other authorities prior to consideration by the next Audit Committee in December 2007 and subsequent adoption by the Executive.

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October 2007