



**CODE OF CORPORATE GOVERNANCE: March 2011**

***(New CIPFA requirements for Chief Financial Officer role shown in blue italic text)***

## Framework for Developing the Code of Corporate Governance

The framework for the Council's 2008 Code of Corporate Governance, was based firmly on the 2007 Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) publication 'Delivering Good Governance in Local Government – Framework' and the accompanying guidance notes.

This update at March 2011 takes the 2008 Code and builds in six principles that define the core activities and behaviour that belong to the role of the Chief Financial Officer (CFO) as set out in the CIPFA *Statement on the Role of the Chief Financial Officer in Public Service Organisations* – June 2009.

This updated Code also reflects the model provided by CIPFA in its March 2010 document Application Note to Delivering Good Governance in Local Government.

## The Principles of Governance

The 'Good Governance Standard for Public Services' sets out six core principles it says should underpin the governance arrangements of all bodies and which form the basis of the Council's 2008 and 2011 Code of Corporate Governance:

Core Principles	Reflected in the Code of Corporate Governance	Appendix
<b>Principle 1</b>	Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.	<b>1</b>
<b>Principle 2</b>	Members and officers working together to achieve a common purpose with clearly defined functions and roles.	<b>2</b>
<b>Principle 3</b>	Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	<b>3</b>
<b>Principle 4</b>	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	<b>4</b>
<b>Principle 5</b>	Developing the capacity and capability of members and officers to be effective.	<b>5</b>
<b>Principle 6</b>	Engaging with local people and other stakeholders to ensure robust public accountability.	<b>6</b>

Supporting each of the six principles is a series of supporting principles, each of which in turn translates into a range of specific requirements of the Code.

The details of this are attached as Appendix 1 – 6, 'Applying the Principles of Good Governance'.

## Annual Review and Reporting

The Section 151 Officer, Monitoring Officer and Internal Audit Manager, who meet four times per year to consider any probity issues, will carry out a compliance review of the Code on an annual basis.

This will take the form of the Code Appendices 1 - 6 extended to include a column that evidences compliance through reference to source documents, good practice or other means.

The subsequent report with an action plan for significant governance issues will be presented to the **Audit Committee** whose Terms of Reference include '*to monitor the effective development and operation of risk management and corporate governance in the Council*'; and, the **Standards Committee** who are charged to '*promote and maintain effective processes for governance issues, including the receipt of an annual review of the Council's Code of Corporate Governance and approval of any action plan arising from the review*'.

## **Annual Governance Statement**

The results of the annual review described above must be reflected in the Council's Annual Governance Statement (AGS) with the annual published accounts.

The AGS includes a brief description of the Governance Framework and the review of its effectiveness:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and its implications for the authority's governance arrangements
- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- *ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)*
- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle blowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

*Source: CIPFA/SOLACE Application Note to Delivering Good Governance in Local Government: a Framework: March 2010*

The AGS and a summary of supporting evidence will be presented to the Audit Committee for consideration as was done for the SIC, with a recommendation to Council (if they are satisfied that the process supports the statement) to approve the AGS.

The approved AGS will be signed by the Leader, as the most senior member and the Chief Executive as Head of Paid Service.

## Applying the Principles of Good Governance – Principle 1

**Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**

Supporting Principles	The Code Requires the Council to:
<p>Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for service users.</p>	<ul style="list-style-type: none"> <li>• Develop and promote the Council's purpose and vision;</li> <li>• Review on a regular basis the Council's vision for the local area and its impact on its governance arrangements;</li> <li>• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners;</li> <li>• Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.</li> </ul>
<p>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.</p>	<ul style="list-style-type: none"> <li>• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available;</li> <li>• Put in place effective arrangements to identify and deal with failure in service delivery.</li> </ul>
<p>Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively.</li> <li>• <i>Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the Council meets its policy and service objectives and provides effective stewardship of public money and value for money in its use;</i></li> </ul>

### Applying the Principles of Good Governance – Principle 1 (Continued)

**Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**

Supporting Principles	The Code Requires the Council to:
<p>Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money. (Continued)</p>	<ul style="list-style-type: none"> <li>• <i>Ensure that the Council maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action where necessary;</i></li> <li>• <i>Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.</i></li> </ul>

## Applying the Principles of Good Governance – Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Supporting Principles	The Code Requires the Council to:
<p>Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</p>	<ul style="list-style-type: none"> <li>• Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Council's approach towards putting this into practice;</li> <li>• Set out a clear statement of the respective roles and responsibilities of other Council members, members generally and senior officers</li> <li>• <i>Ensure that the CFO reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explaining the reasons publicly, together with how these deliver the same impact.</i></li> </ul>
<p>Ensuring that a constructive working relationship exists between Council members and officers and that the responsibilities of members and officers are carried out to a high standard.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required;</li> <li>• Make a chief executive or equivalent responsible and accountable to the Council for all aspects of operational management;</li> <li>• <i>Ensure that the Council's governance arrangements allow the CFO direct access to the CEO and to other leadership team members;</i></li> <li>• Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained;</li> </ul>

## Applying the Principles of Good Governance – Principle 2 (Continued)

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Supporting Principles	The Code Requires the Council to:
<p>Ensuring that a constructive working relationship exists between Council members and officers and that the responsibilities of members and officers are carried out to a high standard. (Continued)</p>	<ul style="list-style-type: none"> <li>• Make a senior officer (the S.151 officer) responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;</li> <li>• <i>Appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the role of CFO in Local Government and ensuring that they are properly understood throughout the Council;</i></li> <li>• <i>Ensure the CFO leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and has a line of professional accountability throughout the organisation;</i></li> <li>• <i>Ensure that budget calculations are robust and reserves adequate, in line with CIPFA guidance;</i></li> <li>• <i>Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the Council is acting in an enabling role;</i></li> <li>• Make a senior officer (the monitoring officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> </ul>

## Applying the Principles of Good Governance – Principle 2 (Continued)

Members and officers working together to achieve a common purpose with clearly defined functions and roles:

Supporting Principles	The Code Requires the Council to:
<p>Ensuring relationships between the Council its partners and the public are clear so that each knows what to expect of the other.</p>	<ul style="list-style-type: none"> <li>• Develop protocols to ensure effective communications between members and officers in their respective roles;</li> <li>• Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel;</li> <li>• Ensure that effective mechanisms exist to monitor service delivery;</li> <li>• Ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;</li> <li>• <i>Establish a medium term business and financial planning process to deliver strategic objectives including:</i> <ul style="list-style-type: none"> <li>• <i>a medium term financial strategy to ensure sustainable finances</i></li> <li>• <i>a robust annual budget process that ensures financial balance</i></li> <li>• <i>a monitoring process that enables this to be delivered;</i></li> </ul> </li> <li>• <i>Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used;</i></li> <li>• When working in partnership: <ul style="list-style-type: none"> <li>• ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council;</li> <li>• ensure that there is clarity about the legal status of the partnership;</li> <li>• ensure that representatives of organisations both understand and make clear to all other partners the extent of their Council to bind their organisation to partner decisions.</li> </ul> </li> </ul>

### Applying the Principles of Good Governance – Principle 3

Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

Supporting Principles	The Code Requires the Council to:
<p>Ensuring Council members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<ul style="list-style-type: none"> <li>• Ensure that the Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect;</li> <li>• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols;</li> <li>• Put in place arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</li> </ul>
<p>Ensuring that organisational values are put into practice and are effective.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners;</li> <li>• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice;</li> <li>• <i>Ensure that systems and processes for financial administration, financial control and protection of the Council’s resources and assets are designed in conformity with appropriate ethical standards and monitoring their continuing effectiveness in practice;</i></li> <li>• Develop and maintain an effective standards committee;</li> <li>• Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council</li> </ul>

<b>Applying the Principles of Good Governance – Principle 3 (Continued)</b>
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<b>Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:</b>
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Supporting Principles	The Code Requires the Council to:
<p>Ensuring that organisational values are put into practice and are effective (Continued).</p>	<ul style="list-style-type: none"> <li>• In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</li> </ul>

## Applying the Principles of Good Governance – Principle 4

### Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

Supporting Principles	The Code Requires the Council to:
<p>Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible;</li> <li>• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;</li> <li>• Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice;</li> <li>• <i>Ensure an effective internal audit function is resourced and maintained;</i></li> <li>• Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee;</li> <li>• <i>Ensure that the Council's governance arrangements allow the CFO direct access to the audit committee and external audit;</i></li> <li>• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</li> </ul>
<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Ensure that those making decisions whether for the Council or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;</li> <li>• <i>Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the Council;</i></li> </ul>

## Applying the Principles of Good Governance – Principle 4 (Continued)

### Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

Supporting Principles	The Code Requires the Council to:
<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</li> <li>• <i>Ensure the Council's governance arrangements allow the CFO to bring influence to bear on all material decisions;</i></li> <li>• <i>Ensure that advice is provided on the level of reserves and balances in line with good practice (LAAP) guidance.</i></li> </ul>
<p>Ensuring that an effective risk management system is in place.</p>	<ul style="list-style-type: none"> <li>• Ensure that risk management is embedded into the culture of the Council, with members and managers at all levels recognising that risk management is part of their jobs;</li> <li>• <i>Ensure the Council's arrangements for financial and internal control and for managing risk are addressed in annual governance reports;</i></li> <li>• <i>Ensure the Council puts in place effective internal financial controls covering codified guidance, budgetary systems; supervision; management review and monitoring; physical safeguards; segregation of duties; accounting procedures; information systems and authorisation and approval processes;</i></li> <li>• Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Council have access.</li> </ul>
<p>Using their legal powers to the full benefit of the citizens and communities in their area.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Actively recognise the limits of lawful activity placed on the Council by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of the Council's communities;</li> </ul>

**Applying the Principles of Good Governance – Principle 4 (Continued)**
**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

Supporting Principles	The Code Requires the Council to:
<p>Using their legal powers to the full benefit of the citizens and communities in their area. (Continued)</p>	<ul style="list-style-type: none"> <li>• Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law;</li> <li>• Observe all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into the Council’s procedures and decision-making processes.</li> </ul>

## Applying the Principles of Good Governance – Principle 5

### Developing the capacity and capability of members and officers to be effective.

Supporting Principles	The Code Requires the Council to:
<p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform</p>	<ul style="list-style-type: none"> <li>• Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;</li> <li>• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</li> <li>• <i>Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role;</i></li> <li>• <i>Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised;</i></li> <li>• <i>Provide the finance function with the resources; expertise and systems necessary to perform its role effectively.</i></li> </ul>
<p>Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively;</li> <li>• <i>Embed financial competencies in person specifications and appraisals;</i></li> <li>• <i>Ensure that councillors roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities;</i></li> <li>• Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;</li> </ul>

**Applying the Principles of Good Governance – Principle 5 (Continued)**
**Developing the capacity and capability of members and officers to be effective.**

Supporting Principles	The Code Requires the Council to:
<p>Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan to address any training or development needs.</li> </ul>
<p>Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.</p>	<ul style="list-style-type: none"> <li>• Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;</li> <li>• Ensure that career structures are in place for members and officers to encourage participation and development.</li> </ul>

## Applying the Principles of Good Governance – Principle 6

### Engaging with local people and other stakeholders to ensure robust public accountability:

Supporting Principles	The Code Requires the Council to:
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>	<ul style="list-style-type: none"> <li>• Make clear to ourselves, all staff and the community to whom the Council is accountable and for what;</li> <li>• Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required;</li> <li>• Produce an annual report on the activity of the scrutiny function.</li> </ul>
<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning.</p> <p><i>Continued overleaf</i></p>	<ul style="list-style-type: none"> <li>• Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively;</li> <li>• Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;</li> <li>• Establish a clear policy on the types of issues the Council will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result;</li> <li>• On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period;</li> </ul>

**Applying the Principles of Good Governance – Principle 6 (Continued)**
**Engaging with local people and other stakeholders to ensure robust public accountability:**

Supporting Principles	The Code Requires the Council to:
<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning. (Continued)</p>	<ul style="list-style-type: none"> <li>• Ensure that the Council as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</li> </ul>
<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>	<ul style="list-style-type: none"> <li>• Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</li> </ul>