

AUDIT COMMITTEE 27<sup>th</sup> March 2013

## LOCAL CODE OF CORPORATE GOVERNANCE

### 1. Purpose of the Report

- 1.1 This report presents the Local Code of Corporate Governance for the Audit Committee's annual consideration as part of the Authority's corporate governance framework and Annual Governance Review (AGR) process.

### 2. Recommendations

#### 2.1 It is recommended that the Audit Committee :

- i. **undertake the annual review of the Local Code of Corporate Governance to ensure it remains valid and representative of recommended good practice and the Authority's aims and commitments**

### 3. Background

- 3.1 The Audit Committee will be familiar with the Annual Governance Framework Review process, and the fact that this conforms extensively with recommended best practice. One aspect of the guidance emanating from CIPFA and SOLACE was the concept of authorities demonstrating their governance principles and commitment to achieve them via an overarching local code of governance.
- 3.2 The local code features as the statement of the Authority's corporate governance principles and commitments.
- 3.3 The local code follows the recommended format and largely reflects the suggested wording given that all local authorities have the same governance responsibilities and should therefore share the same principles and commitments.
- 3.4 There is currently no requirement for authorities to have a local code and it is therefore discretionary if an authority has one and what status it is given.

### 4. The Local Code of Corporate Governance

- 4.1 The local code is attached as Appendix 1 to this covering report.
- 4.2 The local code document is prefaced with an explanation of its purpose, background to corporate governance in local authorities, the recommended framework and our annual review and reporting process.

- 4.3 The local code includes six key principles, each exemplified by how the Authority will seek to deliver them. The six key principles are :
- We will focus on the purpose of the Authority and on outcomes for the community and create and implement a vision for the local area
  - We will ensure elected members and officers work together to achieve a common purpose with clearly defined functions and roles
  - We will promote values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour
  - We will take informed and transparent decisions which are subject to effective scrutiny and consideration of risk
  - We will develop the capacity and capability of elected members and officers to be effective
  - We will engage with local people and other stakeholders to ensure robust public accountability
- 4.4 The local code is reviewed annually as part of the Annual Governance Review (AGR) process and evidence provided and assurance given that the Authority is honouring its commitments to the best of its ability and as part of the review process recognise and address any weaknesses or areas for improvement that are identified.
- 4.5 Any actions arising from the annual review will be incorporated into the Annual Governance Statement (AGS) action plan and monitored through the Audit Committee.
- 4.6 The underlying purpose of the local code is to demonstrate the Authority's commitment to high standards of corporate governance and through the AGR process give the assurance that arrangements are effective.
- 4.7 Much of the local code is supported by the evidence and assurances obtained through the existing AGR process against the internal control and governance framework. A further depiction of the local code and where the evidence to support it will come from is attached as Appendix 2. This document is for the Audit Committee's use and does not form part of the local code itself.

## **5. Appendices**

Appendix 1 – Local Code of Corporate Governance

Appendix 2 – Local Code of Corporate Governance – Supporting Evidence

**6. Background Information**

CIPFA / SOLACE guidance

Accounts and Audit Regulations 2010

Annual Governance Statement Framework and supporting guidance

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**Date : 15<sup>th</sup> March 2013**



## LOCAL CODE OF CORPORATE GOVERNANCE 2013

### THE PURPOSE OF THIS CODE

This Code fulfils three purposes. Firstly it sets out what corporate governance is in a local authority context. Secondly, it describes the framework and detailed requirements recommended for local authorities to follow and thirdly, it provides a statement of the principles of good corporate governance and the Authority's commitment to adopt and follow best practice and how it intends to do and demonstrate this.

### WHAT IS CORPORATE GOVERNANCE?

Corporate governance is about how a local authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

Governance comprises the systems and processes, cultures and values, by which a local authority is directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities.

The term 'corporate governance' came into common use in the UK in a private sector company context in 1992 following the publication of the Cadbury Report. For the public sector, work on corporate governance evolved from this report through the investigations and findings of various committees looking into corporate governance (Hampel, Turnbull) and Standards in Public Life (Nolan, Neill and Wicks et al.).

*CIPFA* (the Chartered Institute of Public Finance and Accountancy) and *SOLACE* (the Society of Local Authority Chief Executives and Senior Managers) in conjunction with the Audit Commission and Local Government Association, have developed guidance and a framework that are recommended to local authorities to guide them in adopting and demonstrating good corporate governance arrangements.

### LEGISLATIVE BACKGROUND

Whilst there is no specific duty for a local authority to prepare a local code of governance changes in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2010 have placed a statutory requirement for authorities to prepare an Annual Governance Statement' (AGS) in accordance with "proper practices".

Proper practice is set by the CIPFA / SOLACE framework – Delivering Good Governance in Local Government (2007), within which examples are given of how an authority may (should) go about demonstrating the effectiveness of its governance arrangements. One such example is for an authority to have its own local code. For all intents and purposes, there is a requirement or expectation, at the very least, that a local code exists within the governance framework of the authority.

**LOCAL CODE OF CORPORATE GOVERNANCE 2013****A LOCAL AUTHORITY FRAMEWORK FOR CORPORATE GOVERNANCE**

To underpin the CIPFA / SOLACE framework three principles have been defined to provide a clear focus for authorities in adopting good governance arrangements. These are :

- ⇒ **Openness and Inclusivity** – **Openness** is required to ensure stakeholders have confidence in the decision-making and management processes of the authority and in the approach of the individuals within them. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an **inclusive** approach, which seeks to ensure that all stakeholders and potential stakeholders have the opportunity to engage effectively with the decision-making process and actions of the authority. It requires an outward focus and a commitment to partnership working and for innovative approaches to consultation and to service provision.
  
- ⇒ **Integrity** – **Integrity** comprises both straightforward dealing and completeness. It is based on **honesty, selflessness** and **objectivity**, and high standards of propriety and probity in the stewardship of public funds and management of the authority's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the elected members and staff within the authority. It is reflected in the authority's decision making procedures, in its service delivery and in the quality of its financial and performance reporting
  
- ⇒ **Accountability** – **Accountability** is the process whereby the authority, its elected members and officers are responsible for their decisions and actions and submit themselves to the appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure

These are in turn overarched by the concept of **leadership**. Leadership is exercised:

- through the Authority providing a vision for its community, leading by example in its decision-making and other processes and actions.
- having Members and Officers who conduct themselves in accordance with high standards of conduct.

## LOCAL CODE OF CORPORATE GOVERNANCE 2013

### THE LOCAL CODE OF GOVERNANCE

The Authority's Local Code follows the recommended framework setting out the *Core Principles* of good governance and the *Commitments* the Authority gives to deliver those principles.

### ANNUAL REVIEW AND REPORTING

The Authority realises the importance of good corporate governance in maintaining and enhancing public confidence. It has established a comprehensive process to annually review all aspects of the governance and internal control framework of the Authority. This process is applied to prepare the statutory Annual Governance Statement (AGS).

The AGS is signed by the Council Leader and Chief Executive, having been considered by the Authority's Audit Committee and approved alongside the statutory accounts by full Council. This statement summarises the Authority's governance framework, the process of annual review and highlights where risk or control issues have been identified and the action necessary to improve or correct the issue. Within this process the Local Code of Governance will be reviewed and updated as necessary.

This Local Code has been revised following the issue of guidance from CIPFA / SOLACE. The Code has been considered by the Authority's Audit Committee and Cabinet, and approved by the Council. An annual process of challenge and consultation will be undertaken to ensure all senior managers and elected members understand the Code, its provisions and how practically it relates to the on-going delivery of services.

## LOCAL CODE OF CORPORATE GOVERNANCE 2013

## THE LOCAL CODE OF GOVERNANCE

Below are the Core Principles and Commitments the Authority is aiming to apply and deliver.

<b>Core Principles and Commitments</b>
<p><b>We will focus on the purpose of the Authority and on outcomes for the community and create and implement a vision for the local area</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"> <li>• Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users, and</li> <li>• Translating the vision into objectives for the authority and its partnerships</li> <li>• Reviewing the Authority's vision and its implications for the authority's governance arrangements</li> <li>• 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 and value for money. Whether delivered directly, or in partnership, or by commissioning.</li> </ul>
<p><b>We will ensure elected members and officers work together to achieve a common purpose with clearly defined functions and roles</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"> <li>• 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 in respect of the authority and partnership arrangements.</li> </ul>
<p><b>We will promote values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"> <li>• Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.</li> </ul>
<p><b>We will take informed and transparent decisions which are subject to effective scrutiny and consideration of risk</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"> <li>• Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.</li> <li>• Reviewing the effectiveness of the Authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.</li> <li>• Ensuring effective counter fraud and anti corruption arrangements are developed and maintained.</li> <li>• Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</li> </ul>



**LOCAL CODE OF CORPORATE GOVERNANCE 2013**

<b>Core Principles and Commitments</b>
<p><b>We will develop the capacity and capability of elected members and officers to be effective</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"><li>• Identifying the development needs of the members and senior officers in relation to their strategic roles, supported by appropriate training.</li></ul>
<p><b>We will engage with local people and other stakeholders to ensure robust public accountability</b></p> <p><b>We will do this by :-</b></p> <ul style="list-style-type: none"><li>• Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</li><li>• Enhancing Incorporating good governance arrangements in respect of partnerships and other joint working.</li></ul>



## LOCAL CODE OF CORPORATE GOVERNANCE EVIDENCE FRAMEWORK

Core Principles and Commitments	Evidence
<p><b>We will focus on the purpose of the Authority and on outcomes for the community and create and implement a vision for the local area</b></p> <p><b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users, and</li> <li>Translating the vision into objectives for the authority and its partnerships</li> </ul>	Corporate Plan Community Strategy Partnership Governance Framework
<ul style="list-style-type: none"> <li>Reviewing the Authority's vision and its implications for the authority's governance arrangements.</li> </ul>	Local Code of Governance
<ul style="list-style-type: none"> <li>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 and value for money. Whether delivered directly, or in partnership, or by commissioning.</li> </ul>	Corporate Plan Service Delivery Plans Partnership Governance Framework Medium Term Financial Strategy Corporate Procurement Strategy & Policy Service & Financial Planning Framework Service Delivery Plans
<p><b>We will ensure elected members and officers work together to achieve a common purpose with clearly defined functions and roles</b></p> <p><b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>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 in respect of the authority and partnership arrangements.</li> </ul>	Council Constitution Cabinet Report Writing protocols Records of decision making Scrutiny Commissions terms of reference and workplan Cabinet Report Writing protocols
<p><b>We will promote values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour</b></p> <p><b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.</li> </ul>	Elected member and officer codes of conduct Registers of Interest Authority and Contract Standing Orders and Financial Regulations Corporate Anti-fraud, Corruption & Banking Policy Audit Committees
<p><b>We will take informed and transparent decisions which are subject to effective scrutiny and consideration of risk</b></p> <p><b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating</li> </ul>	Risk Management policy, Strategy and Procedural Framework Financial Regulations

## LOCAL CODE OF CORPORATE GOVERNANCE EVIDENCE FRAMEWORK

Core Principles and Commitments	Evidence
clear accountability.	
<ul style="list-style-type: none"> <li>Reviewing the effectiveness of the Authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.</li> </ul>	Elected Member and Officer protocol Elected Member and officer codes of conduct Partnership Governance Framework & Guidance Complaints Policy Data Quality policy Decision making process Cabinet Report Writing guidelines Scrutiny Commissions terms of reference Outputs of consultation and engagement activity Audit Committee
<ul style="list-style-type: none"> <li>Ensuring effective counter fraud and anti corruption arrangements are developed and maintained.</li> </ul>	Standing Orders Codes of Conduct Financial Regulations Anti Fraud & Corruption Policy Whistleblowing Policy Audit Committee
<ul style="list-style-type: none"> <li>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</li> </ul>	Monitoring Officer provisions Councils Constitution Scheme of Delegation Decision making process Councillors' 'Call for Action' Scrutiny arrangements Financial Regulations
<p><b>We will develop the capacity and capability of elected members and officers to be effective</b>  <b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>Identifying the development needs of the members and senior officers in relation to their strategic roles, supported by appropriate training.</li> </ul>	Member Development Scheme Member job descriptions Officer Personal Development Plan / Review process Workforce Planning strategy Performance Management system Senior Officer Appraisals Job Descriptions and specifications
<p><b>We will engage with local people and other stakeholders to ensure robust public accountability</b>  <b>We will do this by :-</b></p>	
<ul style="list-style-type: none"> <li>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</li> </ul>	Constitution Council Website Community Surveys Extensive media/press engagement

**LOCAL CODE OF CORPORATE GOVERNANCE  
EVIDENCE FRAMEWORK**

Core Principles and Commitments	Evidence
	Scrutiny Commissions terms of reference / annual report Partnership governance guidance Outputs of Consultation and Engagement Activity e.g. Think Local One Barnsley (LSP) Corporate Plan
<ul style="list-style-type: none"> <li>• Enhancing the accountability for the service delivery and effectiveness of other public service providers.</li> </ul>	Corporate Plan Partnership Governance Framework Corporate Procurement Strategy Service & Financial Planning / Budget setting process
<ul style="list-style-type: none"> <li>• Incorporating good governance arrangements in respect of partnerships and other joint working.</li> </ul>	Partnership Governance Framework

