

**KENNET DISTRICT COUNCIL**

**RESOURCES EXECUTIVE COMMITTEE**  
**to be held on Tuesday 18<sup>th</sup> September 2007**

Report by Janet Ditte, Chief Accountant & Auditor

**Code of Corporate Governance &**  
**Annual Governance Statement**

**1. Purpose of Report**

The purpose of this report is to present Members with a revised local Code of Corporate Governance, which complies with the latest best practice guidance available and to seek approval for the code. In addition the report will outline the requirements for a new Annual Governance Statement.

**2. Financial and Staffing Implications**

There are no direct financial or staffing implications.

**3. Legal Implications**

There are no legal implications of the report.

**4. Risk Implications**

There are no direct risk implications of the report.

**5. Background**

In 2001 CIPFA/SOLACE produced its document "Corporate Governance in Local Government; A Keystone for Community Governance" that provided a single framework for good governance for local government. The framework recommended that local authorities review their existing arrangements against a number of key principles and report annually on their effectiveness in practice.

CIPFA/SOLACE published a draft revision of the above document, last year, and the Council reviewed its current arrangements against this document and the Resources Executive Committee agreed a revised Local Code of Conduct at its meeting in November 2006. The final version of this document "Delivering Good Governance in Local Government" was published in July of this year, and the Council's Code of Governance has been reviewed in light of this best practice document.

## **6. Revised Corporate Governance Framework for Local Government**

The document presents a framework of six core principles, with supporting principles and urges local authorities to:

- Review their existing governance arrangements against this framework;
- Develop and maintain an up-to-date local code of governance
- Prepare an annual governance statement to publicly report the extent to which they comply with their own code and setting out improvement plans, where appropriate.

The revised framework identifies four roles of a local authority's business that underpin the governance principles. The dimensions are:

ROLE 1: to engage in effective partnerships and provide leadership for and with the community;

ROLE 2: to ensure the delivery of high quality local services whether directly or in partnership or by commissioning;

ROLE 3: to perform a stewardship role that protects the interests of local people and makes the best use of resources;

ROLE 4: to develop local democracy and citizenship

The six core principles are drawn from these roles and underpin and define the meaning of good governance, as follows:

- (i) Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour;
- (iv) Taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
- (v) Developing the capacity and capability of members to be effective and ensuring that officers – including statutory officers – also have the capability and capacity to deliver effectively;
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

To achieve good governance, each local authority should be able to demonstrate that they are complying with the core and supporting principles contained in the framework and should therefore develop and maintain a local code of governance comprising the requirements of best practice outlined within the framework.

## **7. Code of Corporate Governance**

A revised Code of Corporate Governance has been prepared based on the best practice requirements of the CIPFA/SOLACE framework and is attached for information (Appendix A). Adoption of this code will ensure that the Council complies with the requirement to develop and maintain an up to date local code of governance.

## **8. Annual Governance Statement & Annual Review**

The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, requires local authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”. The governance framework published in July 2007, defines the proper practice that is now to be followed to meet the requirements of the Accounts and Audit Regulations. In practice this means, that the Council will be required to produce an Annual Governance Statement that will subsume the Council’s existing Statement of Internal Control, which has been published with the Statement of Accounts.

The governance statement should include the following information:

- An acknowledgement of responsibility for ensuring there is a sound system of governance;
- An indication of the level of assurance that the systems and processes that comprise the authority’s governance can provide;
- A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan

The Annual Governance Statement will be prepared following a detailed review of the effectiveness of the Council’s governance arrangements. This review will consider each of the items in the “The Council Will...” column of the Code of Corporate Governance attached as Appendix A. The results of this review and the Annual Governance Statement will be presented to Members in March 2008.

## **9. Recommendations**

It is **RECOMMENDED THAT:**

1. Members approve the Code of Corporate Governance presented with this report.



# **Code of Corporate Governance**

## **1. Introduction**

- 1.1 Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 1.3 The Council operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and management processes.
- 1.4 The Council recognises the six core principles of good governance as<sup>1</sup>:
  - (i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area;
  - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - (iii) Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  - (iv) Taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
  - (v) Developing the capacity and capability of members to be effective and ensuring that officers – including statutory officers – also have the capability and capacity to deliver effectively;
  - (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.
- 1.5 These principles are reflected across the four key roles of the Council's business:
  - 1: To engage in effective partnerships and provide leadership for and with the community.
  - 2: To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
  - 3: To perform a stewardship role that protects the interests of local people and makes best use of resources.
  - 4: To develop local democracy and citizenship

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<sup>1</sup> From CIPFA/SOLACE publication "Delivering Good Governance in Local Government; Framework" published 2007

## **2. Applying the Principles of Good Governance**

- 2.1 In order to achieve good governance, the Council will seek to apply each of the six core principals, along with their supporting principles, in the following way, representing recommended best practice:

**Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	<ul style="list-style-type: none"> <li>• Develop and promote the authority's purpose and vision;</li> <li>• Review on a regular basis the authority's vision for the local area and its implications for the authority's 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 in a timely basis to communicate the authority's activities and achievement and its financial position and performance;</li> </ul>
Ensure that users receive a high quality of service whether directly or in partnership, or by commissionign	<ul style="list-style-type: none"> <li>• Decide how the quality and 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>
Ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> <li>• Decide how value for money us to be measured and make sure that the authority or partnership has the information needed to measure it. Measure the environmental impact of policies, plans and decisions.</li> </ul>

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

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
<p>Ensure effective leadership throughout the authority and be 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 Council's executive committees and the members individually and the authority's approach towards putting this into practice;</li> <li>• set out a clear statement of the respective roles and responsibilities of the Council's other committees and members and senior officers;</li> <li>•</li> </ul>
<p>Ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<ul style="list-style-type: none"> <li>• Determine a scheme of delegation and reserve powers within the constitution, including formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation and ensure that it is monitored and updated</li> <li>• make a chief executive (or equivalent) responsible and accountable to the authority for all aspects of operational management</li> <li>• develop protocols to ensure that the leader and chief executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained</li> <li>• make a senior officer responsible to the authority 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>• make a senior officer (the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.</li> </ul>
<p>Ensure relationships between the authority, 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 communication between members and officers in the 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</li> </ul>

	<p>remuneration panel</p> <ul style="list-style-type: none"> <li>• ensure that effective mechanisms exist to monitor service delivery</li> <li>• ensure that the its 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>• when working in partnership: <ul style="list-style-type: none"> <li>○ ensure that there is clarity about the legal status of the partnership</li> <li>○ ensure that representatives or organisations make clear to all other partners the extent of their authority to bind their organisations to partner decision</li> <li>○ ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority</li> </ul> </li> </ul>
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**Promoting the values of the authority and demonstrating the values of good governance through behaviour.**

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
Ensure authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> <li>• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> <li>• put in place arrangements to ensure that members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate</li> <li>• Ensure that standards of conduct and personal behaviour expected of members and staff, or work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> </ul>
Ensure the organisational values are put into practice and are effective	<ul style="list-style-type: none"> <li>• develop and maintain shared values including leadership values both for the Council and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within</li> </ul>

	<p>and associated with the Council</p> <ul style="list-style-type: none"> <li>• put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice</li> <li>• develop and maintain an effective standards committee</li> <li>• use the Council'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> <li>• in pursuing partnerships, agree a set of values against which decision making and actions can be judged.</li> </ul>
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**Taking informed and transparent decisions that are subject to effective scrutiny and managing risk.**

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
Be rigorous and transparent about how decisions are taken and listening and acting on the outcome and constructive scrutiny	<ul style="list-style-type: none"> <li>• develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority'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 so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;</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 these functions</li> <li>• ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>
Have good-quality information, advice and support to ensure that services are delivered and are what the community wants/needs	<ul style="list-style-type: none"> <li>• ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</li> </ul>

	<ul style="list-style-type: none"> <li>ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications</li> </ul>
Ensure that effective risk management systems are in place	<ul style="list-style-type: none"> <li>ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job</li> <li>put in place arrangements for whistle blowing to which staff and all those contracting with the authority have access</li> </ul>
Use their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> <li>actively recognise the limits of lawful activity placed on them by the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities</li> <li>recognise the limits of lawful action and observe the specific requirements of legislation and the general responsibilities placed on authorities by public law</li> <li>observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of administrative law – rationality, legality and natural justice into their procedures and decision making</li> </ul>

**Developing the capacity and capability of members to be effective and ensuring that officers – including statutory officers – also have the capability and capacity to deliver effectively.**

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<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 authority</li> </ul>
Develop the capability of people with governance responsibilities and evaluate their	<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> </ul>

performance as individuals and as a group	<ul style="list-style-type: none"> <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> <li>• put in place arrangements for reviewing the performance of the executive committees as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs</li> </ul>
Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources balancing continuity and renewal	<ul style="list-style-type: none"> <li>• put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;</li> <li>• consider career structures for members and officers to encourage participation and development</li> </ul>

**Engaging with local people and other stakeholders to ensure robust local public accountability.**

<b><i>Supporting Principles</i></b>	<b><i>The Council will:</i></b>
Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<ul style="list-style-type: none"> <li>• make clear to themselves, all staff and the community, to whom they are accountable and for what</li> <li>• consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required</li> <li>• produce an annual report on scrutiny function activity</li> </ul>
Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<ul style="list-style-type: none"> <li>• ensure clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively</li> <li>• hold meetings in public unless there are good reasons for confidentiality</li> <li>• ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;</li> </ul>

	<ul style="list-style-type: none"> <li>• establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consultees</li> <li>• on an annual basis, publish a performance plan giving information on the authority'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> <li>• ensure that the authority 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>Make best use of human resources by taking an active and planned approach to meet the responsibility of 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>

### **3. Annual Review and Reporting**

3.1 The Council will keep this code and its governance arrangements under review. In particular it will:

- Regularly review its governance arrangements to ensure compliance with the best practice principles outlined in this code. The Council will need to:
  - Review the extent to which its arrangements comply with the requirements of good governance set out in this code;
  - Identify systems, processes and documentation as evidence of compliance;
  - Identify individuals and committees responsible for monitoring and reviewing systems, procedures and documentation;
  - Identify any areas for improvement, consider how they are to be addressed and assign a responsible officer.
- Regularly review this Code of Corporate Governance to ensure its ongoing application and effectiveness;

- 3.2 The Council will ensure that the code is made available to all members and officers and is published on the Council's website.
- 3.3 Officers will be required to prepare annually a governance statement in order to report publicly on the extent to which the Council complies with the code, including how they have monitored the effectiveness of their governance arrangements.