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Ward (s) affected	All	Key Decision	No
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Subject	Code of Corporate Governance
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RECOMMENDATIONS

The Audit Committee is asked to:

- Consider the contents of this report and confirm they are satisfied with the updated Code of Corporate Governance
- Make appropriate observations or recommendations to the Executive

EXECUTIVE SUMMARY

This report:

- Updates the Council's Code of Corporate Governance
- Suggests a framework to enable scoring of compliance levels to be used in the annual governance review in line with the assurance levels applied in the Risk Management Assurance Framework
- Sets out actions between now and June next year when the 2014 Annual Governance Statement is published
- Gives an update on progress made against the areas of focus as identified in the 2013 Annual Governance Statement.

CORPORATE PRIORITIES

Strong governance arrangements mean that resources are directed in accordance with agreed policy and according to priorities set out in the Corporate Plan; that there is sound and inclusive

decision making; and that there is clear accountability for the use of those resources, in order to achieve desired outcomes for service users and communities.

The Committee has the authority to determine the Recommendations

1. Background

1.1 Political leaders and chief executives have a leadership responsibility and are accountable for ensuring good governance in their authority. Good governance enables the council to pursue its vision effectively as well as underpinning that vision with control and management of risk.

1.2 The *Delivering Good Governance in Local Government* framework, published by the Chartered Institute of Public Finance (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE) in 2007, sets the standard for local authority governance in the UK. CIPFA's guidance note that accompanies the framework was updated in 2012 to reflect recent changes to local government arising from the economic downturn and key legislation, such as the Localism Act. New ways of working such as partnership boards provide challenges for managing risk, ensuring transparency and demonstrating accountability. This revised guidance has been used for helping to update the council's Code of Corporate Governance.

1.3 Internal and external audit reports for 2012/13 have confirmed that the council has sound governance arrangements in place overall. The internal auditors, RSM Tenon, gave the council a green light and stated that 'governance arrangements were found to be sound through our internal audit work across the year'. The report by the external auditors, Grant Thornton, concluded that 'the Annual Governance Statement was prepared to a good standard, in compliance with best practice from CIPFA'.

1.4 Ensuring that the council's governance arrangements are fit for purpose is an ongoing process and a summary of recent governance activity is given in Appendix A. The update of the Code of Corporate Governance is in line with ensuring continuing effectiveness.

2. Structure of the Updated Code

2.1 The updated Code of Corporate Governance is attached in Appendix B. It has been updated in light of the official guidance published late last year and also in line with best practice. It continues to be structured around the six core principles contained within the *Delivering Good Governance in Local Government* framework. Now included underneath each of the principles are the requirements set out in the guidance that need to be reflected in a local code.

3. Reporting Compliance with the Code

3.1 The council is required to prepare an Annual Governance Statement. The statement is a public report on the extent to which the council has complied with its own code of governance over the past year. The CIPFA guidance states that authorities need to assess how far their processes and documentation meet suggested criteria, which are now contained in the updated Code of Corporate Governance; otherwise the exercise can become a box-ticking process rather than a qualitative exercise.

3.2 One way to make the exercise more challenging is to score the council's arrangements from non-compliance to full compliance (this is suggested in the guidance). It is proposed that the scale used be based on the assurance levels used by the Council in the Risk Management Assurance Framework. Levels of compliance to be applied are:

Compliance Level	Details
Level 1: Non compliance	Non-compliant / no evidence of compliance found
Level 2: Limited compliance	Partially compliant e.g. some aspects missing or not found
Level 3: Adequate compliance	Compliant but with scope for some improvement
Level 4: Substantial compliance	Fully compliant and in line with best practice

3.3 A new compliance grid has been developed to reflect changes in the updated Code of Corporate Governance. See Appendix C for an illustration of how the grid will look for Core Principle 1.

4. Next Steps

4.1 Between now and June 2014 when the 2014 Annual Governance Statement will be produced it is proposed that the following actions are undertaken:

- (i) Evaluate existing procedures and documentation against the criteria set out in the CIPFA guidance (and now detailed in the updated Code) in order to assess compliance levels and record these on the newly developed compliance grid
- (ii) Highlight any gaps in existing arrangements; identify and put in place measures to rectify these gaps and make any other changes which may be necessary
- (iii) Develop a list of key documents and processes required as evidence of good governance arrangements; and identify officer posts responsible for keeping each of these up to date and in line with best practice.

CORPORATE IMPLICATIONS

Financial Implications

There are no financial implications arising as a direct consequence of this report.

S151 Officer commentary – I confirm that all financial implications have been taken into account.

Legal Implications

There are no legal implications arising as a direct consequence of this report.

Monitoring Officer commentary – I confirm that all legal implications have been taken into account.

Risk Implications

The council is responsible for the governance of risk and good governance requires that risk management is embedded into the culture of the organisation. Ensuring that an effective risk management system is in place is one of the supporting principles enshrined in the updated Code of Corporate Governance.

Equalities Implications

There are no equalities implications arising as a direct consequence of this report.

Employment Issues

There are no employment implications arising as a direct consequence of this report.

Sustainability Issues

There are no sustainability implications arising as a direct consequence of this report.

Consultation

There are no consultation issues in this report.

BACKGROUND PAPERS

Delivering Good Governance in Local Government: Framework [Chartered Institute of Public Finance (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE), 2007]

Delivering Good Governance in Local Government: Guidance Note for English Authorities [CIPFA/SOLACE, 2012]

Summary of recent governance activity

The Annual Governance Statement 2013 identified five areas for specific focus during 2013/14 arising from the review of the Council's internal control and corporate governance arrangements. Progress on these areas is given below:

- a) *Review the assurance framework for the Strategic Risk Register* – a strategic review of risk across the organization has resulted in the identification of five key strategic risks in delivering the Corporate Plan (further information can be found in the Risk Management Annual Report elsewhere on the agenda).
- b) *Review the Code of Corporate Governance* – the updated Code is an appendix to this report and has been developed in line with revised guidance published by CIPFA (2012).
- c) *Review and test business continuity plans* – all services have completed a Business Impact Analysis (BIA) and have a Business Continuity Plan in place. As a result of the Business Impact Analysis a full list of critical functions and prioritisation of all the councils functions has been developed and this has been critiqued by SMT. Work is progressing to confirm the corporate business continuity planning arrangements.
- d) *Review, maintain and monitor the Corporate Health and Safety Framework* – a Health and Safety action plan has been put in place; and an external contractor has been commissioned to review current arrangements and make recommendations to SMT and an action plan.
- e) *Review human resources policies* – there is a significant project underway to review 47 long standing local conditions. These will be replaced with a more manageable suite of HR policies, aiding accessibility and engagement whilst increasing flexibility across the organisation. This project will continue through the whole of 2014/15.

MOLE VALLEY DISTRICT COUNCIL
CODE OF CORPORATE GOVERNANCE

(Draft update - October 2013)

Introduction

Corporate governance comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

Mole Valley District Council operates a governance framework which reflects legislative requirements, sound governance principles and management processes. This enables the Council to effectively implement its vision in accordance with its values and to engage effectively with its residents and service users and ensure good outcomes for them.

Our Code of Corporate Governance is based on the principles contained in the *Delivering Good Governance* framework (2007) and guidance (2012) published by CIPFA/SOLACE.

We review our governance arrangements annually by establishing the extent to which we are complying with the code. This is then reported in our Annual Governance Statement which is a public report. The statement sets out how the Council meets a range of detailed governance standards along with any changes planned for the future.

The Annual Governance Statement has to be signed by the Chief Executive and the Leader of the Council and be included with the Statement of Accounts, as required by the CIPFA / SOLACE framework, the Statement of Recommended Practice (SORP) 2007 and the Accounts and Audit Regulations (2011).

Our Six Core Governance Principles

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

Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council will:

- a) Develop and promote the authority's purpose and vision
- b) Review on a regular basis the authority's vision for the local area and its implications on the authority's governance arrangements
- c) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties
- d) Communicate the authority's:
 - activities and achievements
 - financial position and performance to the community on a regular basis
- e) Decide how quality for service users is to be measured and make sure that the information needed to review service quality effectively and regularly, is available
- f) Put in place effective arrangements to identify and deal with failure in service delivery
- g) Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.
- h) Measure the environmental impact of policies plans and decisions

Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council will:

- a) Set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive's Members individually and the authority's approach towards putting this into practice
- b) Set out a clear statement of the respective roles and responsibilities of other authority Members, Members generally and senior officers
- c) Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for the collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required
- d) Make a Chief Executive or equivalent responsible to the authority for all aspects of operational management

- e) Develop protocols to ensure that the Leader and Chief Executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- f) Make a senior officer (the s151 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
- g) Make a senior officer (usually 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
- h) Develop protocols to ensure effective communication between Members and employees in their respective roles
- i) Set out the terms and conditions of Members and employees and an effective process for managing the process, including an effective remuneration panel for recommending levels of Members' Allowances
- j) Ensure that effective mechanisms exist to monitor service delivery
- k) 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
- l) When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.
- m) When working in partnership:
 - ensure that there is clarity about the legal status of the partnership
 - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions

<p>Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>

The Council will:

- a) Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
- b) Ensure that standards of conduct and personal behaviour expected of Members and employees, of work between Members and employees and between the authority its partners and the community are defined and communicated through codes of conduct and protocols

- c) Put in place arrangements to ensure that Members and employees of the authority 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
- d) Develop and maintain shared values including leadership values for both the organisation and employees reflecting public expectations and communicate these with members, staff, the community and partners
- e) Put in place arrangements to ensure that systems and process are designed in conformity with appropriate ethical standards, and to monitor their continuing effectiveness in practice
- f) Develop and maintain an effective Standards Committee
- g) 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 authority
- h) 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

<p>Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>
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The Council will:

- a) 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
- b) Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- c) 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
- d) Develop and maintain an effective audit committee (or equivalent) or make other appropriate arrangements for the discharge of the functions of such a committee
- e) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints
- f) Ensure that those making the decisions whether for the authority 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

- g) 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
- h) 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 jobs
- i) Ensure that arrangements are in place for whistle blowing to which employees and all those contracting with the council have access
- j) actively recognise the limits of lawful authority placed on them, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities
- k) 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
- l) Observe all specific legislative requirements placed on them, as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their processes and decision making processes

<p>Principle 5: Developing the capacity and capability of members and officers to be effective</p>

The Council will:

- a) Provide induction programmes tailored to individual needs and opportunities for Members and employees to update their knowledge on a regular basis
- b) Ensure that 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
- c) Assess the skills required by members and employees and make a commitment to develop those skills to enable roles to be carried out effectively
- d) 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
- e) Ensure that effective arrangements are in place for reviewing the performance of the Executive as a whole and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs
- f) 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 authority
- g) Ensure that career structures are in place for Members and employees to encourage participation and development

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability
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The Council will:

- a) Make clear to themselves, all employees and the community, to whom they are accountable and for what
- b) Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required
- c) Produce an annual report on the activity of the scrutiny function
- d) 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
- e) Hold meetings in public unless there are good reasons for confidentiality
- f) 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
- g) Establish a clear policy on the types of issues they 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
- h) 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
- i) 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 where it is proper and appropriate to do so
- j) Develop and maintain clear policy on how staff and their representatives are consulted and involved in decision making

EXAMPLE ONLY

**MOLE VALLEY DISTRICT COUNCIL
CODE OF CORPORATE GOVERNANCE – COMPLIANCE CHECKLIST**

Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Requirement	Documentation/ processes in place	Compliance level (1-4)	Identified gaps in arrangements	Actions to be undertaken (and by when	Action owner
(a) Develop and promote the authority's purpose and vision					
(b) Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements					
(c) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties					

Requirement	Documentation/ processes in place	Compliance level (1-4)	Identified gaps in arrangements	Actions to be undertaken (and by when	Action owner
(d) Publish an annual report on a timely basis to communicate the authority's: <ul style="list-style-type: none"> • activities and achievements • financial position and performance 					
(e) Decide how quality for service- users is to be measured and make sure that the information needed to review service quality effectively and regularly is available					
(f) Put in place effective arrangements to identify and deal with failure in service delivery					
(g) Decide how value for money is to be measured and make sure the authority or partnership has the information needed to review value for money and performance effectively					
(h) Measure the environmental impact of policies plans and decisions					