

BABERGH DISTRICT COUNCIL

FROM: Director of Finance
Director of Corporate Services

REPORT NUMBER: **H115**

TO: OVERVIEW AND SCRUTINY
(STEWARDSHIP)

DATE OF MEETING: 30 September 2008

CODE OF CORPORATE GOVERNANCE

1. **PURPOSE OF REPORT**

1.1 The purpose of this report is to present a proposed new Code of Corporate Governance, prepared in accordance with the Corporate Governance Framework produced in 2007 by CIPFA/SOLACE.

2. **RECOMMENDATION TO STRATEGY COMMITTEE**

2.1 That the Code of Corporate Governance, attached as Appendix A, be approved and adopted.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no direct financial implications as a result of this report.

4. **RISK MANAGEMENT**

4.1 This report is most closely linked with the Council's Significant Business Risk No. 7 - Financial, Performance and Risk Management. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
By not revising the Code of Corporate Governance in accordance with the 2007 CIPFA/SOLACE guidance, it may lead to a weakening of the Council's Corporate Governance arrangements.	High	Critical	By revising and approving the Code the Council can be seen to clearly demonstrate its commitment to being well managed.

5. **KEY INFORMATION**

Background

- 5.1 In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced a framework for good governance, which was based around the Cadbury and Nolan Reports. Babergh subsequently issued its own Code of Corporate Governance based on the CIPFA/SOLACE model.
- 5.2 CIPFA/SOLACE issued a revised framework in July 2007 and in their guidance note they suggest that since the first framework was published, local government has been subject to continued reform intended to improve local accountability and engagement. They further suggest that over the next few years, local government will need a strong governance framework to be able to cope with a range of pressures, including the need to deliver extensive change and meet rising expectations on quality and responsiveness of services.
- 5.3 In order to achieve good governance the Council should be able to demonstrate that it is complying with the core and supporting principles contained in the Framework and should therefore develop and maintain a Code of Corporate Governance appropriate to its circumstances. Whilst the Framework is discretionary it is considered that the Council should modify its Code to reflect best practice.
- 5.4 The Council will carry out a review of its governance arrangements each year. The review will assess compliance with the Code and current and emerging best practice to determine whether the Council's governance arrangements are adequate and operating effectively; to identify any areas of concern and actions planned to ensure effective governance in the future. The outcome of the review will be the Annual Governance Statement.

6. **APPENDICES**

(A) Code of Corporate Governance

7. **BACKGROUND PAPERS REFERRED TO:**

None

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Babergh District Council
Code of Corporate Governance

1. Introduction

The Council is required to develop and maintain an up to date Code of Corporate Governance and to prepare an Annual Governance Statement in order to report publicly on its compliance with the code.

This document sets out how Babergh District Council intends to apply the principles of corporate governance in the way it operates and conducts its business. It has been developed in accordance with the principles outlined in the framework and guidance notes for 'Delivering Good Governance in Local Government' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in 2007.

It supersedes the Council's previous Local Code of Corporate Governance, published in 2005 and builds on the Council's existing commitment to good governance, developing it in line with the latest best practice.

2. What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people and that it acts in a timely, inclusive, open, honest and accountable manner.

As such it encompasses the culture, values, systems and processes by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.

Good governance enables a council to define and pursue its vision more effectively. It leads to improvements in management, performance, stewardship of public money and public engagement and outcomes for individuals and the community. It ensures that appropriate mechanisms for control are in place and that risks and opportunities are managed effectively.

3. Core principles of good governance

The core governance principles of the Council are:

- 1) Focusing on the purpose of the council 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 council 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; and

- 6) Engaging with local people and other stakeholders to ensure robust public accountability.

4. Applying the principles of good governance.

Each of the six core principles of good governance has a number of supporting principles, which, in turn, translate into a range of specific requirements that apply across the various aspects of the Council's business. The tables below show how each of these principles should be applied.

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

Supporting principle	The Council should:
Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users.	<ul style="list-style-type: none"> • Develop and promote the Council's purpose and vision. • Review on a regular basis the Council's vision for the local area and its implications for the Council's governance arrangements. • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners. • Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.	<ul style="list-style-type: none"> • 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. • Put in place effective arrangements to identify and deal with failure in service delivery.
Ensuring that the Council makes best use of resources and that taxpayers and service users receive excellent value for money.	<ul style="list-style-type: none"> • 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. • 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.

Supporting principle	The Council should:
<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"> • Set out a clear statement of the respective roles and responsibilities of Chairman and Members of Strategy Committee, other Chairmen of Committees and other Members and the Council's approach towards putting this into practice. • Set out a clear statement of the respective roles and responsibilities of other Council Members and of senior officers.
<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>	<ul style="list-style-type: none"> • 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. • Make the Chief Executive or equivalent responsible and accountable to the Council for all aspects of operational management. • Develop protocols to ensure that the Chairman of Strategy Committee and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained. • 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. • Make a senior Officer (usually the Monitoring Officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.
<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"> • Develop protocols to ensure effective communication between Members and officers in their respective roles. • 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 (if applicable). • Ensure that effective mechanisms exist to monitor service delivery • Ensure that the organisations 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. • 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.

	<ul style="list-style-type: none">• When working in partnership:<ul style="list-style-type: none">- 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.
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Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting principle	The Council should:
<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"> • Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect. • Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the authority, its partners and the community are defined and communicated through Codes of Conduct and Protocols. • 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.
<p>Ensuring that organisational values are put into practice and are effective.</p>	<ul style="list-style-type: none"> • 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. • 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. • Develop and maintain an effective Standards Committee. • 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. • 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.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and management risk

Supporting principle	The Council should:
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> • 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. • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • 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. • Develop and maintain appropriate arrangements for the effective and suitably independent discharge of the functions of an Audit Committee. • Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	<ul style="list-style-type: none"> • 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. • Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.
Ensuring that an effective risk management system is in place.	<ul style="list-style-type: none"> • 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. • Ensure that effective arrangements for whistle blowing are in place to which officers, staff and all those contracting with or appointed by the Council have access.
Using their legal powers to the full benefit of the citizens and communities in their area.	<ul style="list-style-type: none"> • Actively recognise the limits of lawful activity placed on them by, for example, the ultra-vires doctrine, but also strive to utilise their powers to the full benefit of their communities. • Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on Councils by public law. • 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 good administrative law – rationality, legality and natural justice – into their procedures and decision making processes

Principle 5: Developing the capacity and capability of Members and officers to be effective

Supporting principle	The Council should:
<p>Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p>	<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis. • 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.
<p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p>	<ul style="list-style-type: none"> • Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively. • 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. • Ensure that effective arrangements are in place for reviewing the performance of Strategy Committee and of individual Members and agreeing an action plan which might, for example, aim to address any training or development needs.
<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"> • Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. • Ensure that career structures are in place for Members and officers to encourage participation and development

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

Supporting principle	The Council should:
<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"> • Make clear to themselves, all staff and the community to whom they are accountable and for what. • Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required. • Produce an annual report on the activity of the scrutiny function
<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>	<ul style="list-style-type: none"> • Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively. • Hold meetings in public unless there are good reasons for confidentiality. • Ensure that arrangements are in place to enable the Council 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 • 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 • On an annual basis publish 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. • 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.
<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"> • Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

5. Annual review and reporting

The Council will carry out a review of its governance arrangements each year. The review will use the above principles as a guide and will assess compliance with the code and current and emerging good practice. The purpose of the review will be to assess whether governance arrangements are adequate and operating effectively, to identify any areas of concern and actions planned to ensure effective governance in the future.

The outcome of the review will be presented as the Annual Governance Statement prepared on behalf of the Chairman of Strategy Committee and Chief Executive. It will be presented to Overview and Scrutiny (Stewardship) Committee for consideration and review and will contain an action plan to address any areas for improvement.

The preparation and publication of an Annual Governance Statement will meet the statutory requirement of the Accounts and Audit Regulations to conduct a review, at least once a year, of its systems of internal control and to prepare a statement in accordance with proper practices.

6. Conclusion

Babergh District Council is committed to the principles of corporate governance and will ensure that adequate arrangements are made to its continued implementation, monitoring and review.