Agenda Item No:	4	
Report To:	**Audit Committee**	
Date:	**18/03/2014**	
Report Title:	**Local Code of Corporate Governance (2014)**	

Portfolio Holder: Portfolio Holder for Resource Management and Control, Neil Shorter

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Summary: The Delivering Good Governance in Local Government framework produced by CIPFA and SOLACE and published in 2007 set the standard for local authority governance and this Council produced its own Local Code of Corporate Governance in 2008.

The publication in late 2012 of an updated Delivering Good Governance framework, mirrored by an acknowledgment within the 2012/13 Annual Governance Statement, makes it timely to refresh our own local code.

This report summarises the changes in governance since the Council last agreed a Local Code, and the impact of this on the Council's local code. The report also seeks agreement to an updated Local Code of Corporate Governance for 2014 in accordance with the CIPFA/SOLACE Delivering Good Governance document published in late 2012.

Key Decision: NO

Affected Wards: ALL

Recommendations: **The Audit Committee is asked to –**

1. **Note the changes in governance, both externally and internally, since the 2008 Local Code was agreed**
2. **To agree a new Local Code of Corporate Governance for 2014**

Policy Overview: The Delivering Good Governance in Local Government framework produced by CIPFA and SOLACE and published in 2007 set the standard for local authority governance and this Council produced its own Local Code of Corporate Governance in 2008. The publication in late 2012 of an updated Delivering Good Governance framework makes it timely to refresh our own local code.

Financial N/A

Implications:

Risk Assessment N/A although good governance includes the provision for consideration of risk management issues

Equalities Impact Assessment N/A although good governance includes the provision for consideration of equalities issues

Background Papers: Ashford Borough Council Local Code of Corporate Governance (2008)

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Report Title: Local Code of Corporate Governance (2014)

Purpose of the Report

1. This report summarises the changes in the governance landscape since the Council last agreed a Local Code, and the impact of this on the Council's Local Code. The report also seeks agreement to an updated Local Code of Corporate Governance for 2014 in accordance with the CIPFA/SOLACE Delivering Good Governance document published in late 2012.

Issue to be Decided

2. For Audit Committee to agree the new Local Code of Corporate Governance included in Appendix 1.

Background

3. In 2007 CIPFA/SOLACE published the Delivering Good Governance in Local Government document which set out a framework for good corporate governance in local government. This framework urged local authorities to review and report on the effectiveness of their governance arrangements, underpinned by a concept of an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. Accordingly, the Council reflected the framework in a local code which was agreed in 2008 and was based around CIPFA's six principles of local authority governance –

    i. Focusing 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
    iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
    v. Developing the capacity and capability of Members and Officers to be effective
    vi. Engaging with local people and other stakeholders to ensure robust public accountability

4. In late 2012 CIPFA/COLACE released further guidance (and an addendum) offering best practice for developing and maintaining a locally adopted code of governance. This report seeks to fulfil this requirement by considering those developments which have impacted upon local authority governance since

2008, the impact of this on the Council's local code, and to agree a new local code for 2014 (Appendix 1).

Governance Developments since 2008

Transparency

5. The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government (DCLG) published *The Code of Recommended Practice for Local Authorities on Data Transparency* in September 2011. The Code is concerned with enshrining the principles of transparency by asking councils to follow three key principles when publishing data they hold:

    -   responding to public demand
    -   releasing data in open formats available for re-use
    -   releasing data in a timely way.

6. A key part of making spending and data transparent is to get good quality information in the public domain in a standardised format while maintaining the security of that data.

Localism Act 2011

7. The Localism Act includes a number of provisions intended to give local government new freedoms and flexibility. Those of greatest relevance to governance are :

    -   The 'general power of competence' gives local authorities the legal capacity to do anything an individual can that is not specifically prohibited. This new general power will give local authorities greater freedom to work in partnership and develop more innovative ways of providing services.
    -   The government has abolished the standards board regime but has introduced a new duty to promote and maintain high standards of conduct. Local authorities are required to draw up their own codes of conduct.
    -   The government is encouraging greater use of the directly elected mayor model of governance*.*
    -   The Act permits local authorities and their citizens to change their form of governance and to move away from an executive form of governance to a committee structure if they wish.

The Role of the Chief Financial Officer and Head of Internal Audit

8. In 2010, CIPFA issued both the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* and *Head of Internal Audit*. The statements support CIPFA's work to strengthen governance, risk and financial management across the public services. Each sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance requirements needed to support them. The governance requirements should be reflected in an authority's local code of governance. These statements can be found at www.cipfa.org/Policy-and-Guidance/Reports/The-Role-of-the-Chief-Financial-Officer-in-Local-Government and www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/Role_of_the_HIA_NOVEMBERv5.pdf.

Changes to local authority governance structures

9. Commissioning and partnerships with other local authorities and sectors are increasingly used as vehicles for delivering public services by local government. Local authorities often work with and through a range of organisations to deliver services. Partnerships and the cross-cutting issues with which they often deal create some special challenges for clear accountability and good governance. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. Demonstrating clear lines of accountability for stakeholders and customers may be difficult and needs to be carefully thought through by those involved, but is essential for good governance. The introduction of the government's 'big society' concept, which is encouraging public sector organisations and individuals to demonstrate new and innovative ways of delivering public services, brings further challenges in this area.

10. Shared services between organisations, including shared management teams and chief executives, can bring about substantial benefits, including cost savings for the parties involved. At the same time, there are distinct issues surrounding what happens if something goes wrong.

Service Delivery though trading (and other) companies

11. One of the key developments in local authority governance has been the increased use of arms-length or trading companies within the range of service delivery models. Ashford Borough Council has been at the front of this, agreeing to the formation of two new trading companies during 2013; one to market the skills within the Building Control Team to sell building consultancy services beyond the building control services currently provided and a property company that seeks to purchase and develop both residential and commercial properties.

12. The governance arrangement for such companies is not vastly different from those of the Council. It remains important, however, to ensure the application of the same effective governance frameworks, reviews and maintenance seen in the Council's own governance frameworks to these new entities.

Impact on the Council's Governance

13. Whilst much of the evidence included in the 2008 Local Code was met, remains relevant and is reflected in the updated 2014 Code, a number of key changes have shifted the focus of local governance from that which was laid down in the 2008 Local Code.

14. Accordingly, the following section summarises the impact of the wider governance developments noted above on the Council's 2008 Local Code, as enshrined within CIPFA's six core principles of good governance.

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

15. In response to the need to act proactively to shape the future of Ashford's public services, in 2010 the Council undertook its largest public engagement exercise to date, forming a new five-year Business Plan as a result of over 2,000 questionnaires filled in by residents.

16. This document refocused the Council's effort into four key areas –

    i. recycling and environment,
    ii. activities for young people,
    iii. economic development and housing,
    iv. providing the best services resources allow

17. More recently, the Council's priorities were further articulated for the forthcoming two years in the 'Focus 2013-15' Corporate Strategy, agreed in October 2013.

18. In order to better understand the nature of the Council's key partnerships, a new partnership framework was agreed in 2011 including a set of principles underpinning good partnership governance, and this was reviewed in 2012.

19. Although a summary of the Council's accounts and Budget Book have been published annually alongside the budget and Annual Governance Statement, the ending of the old BVPI and NI performance frameworks meant that a corresponding Annual Report was no longer required. Quarterly performance management and Medium-Term Financial Planning have continued to be considered by Management Team and Members, whilst a new Annual Report is set to be agreed soon after the end of the 2013-14 financial year (May 2014).

20. The Council's financial planning and monitoring includes an emphasis on securing value for money. Although the Price Book and other benchmarking has since ended, the Council has been subject to inspection (including on value for money) by the Audit Commission through CPA and CAA, and more recently in annual value for money judgements from its current external auditors Grant Thornton. Supplementing this, the Council has involved

advisory groups when required, including for financial planning and strategy reviews.

21.   More recently, traditional service planning has been overtaken by priority project planning to Management Team, and partnership-level support to the Ashford Strategic Delivery Board and others.

22.   The Localism agenda provides an increasing steer to the Council's governance. Pilot work has been undertaken to explore different models for service deliver in parishes, whilst neighbourhood planning provides the opportunity for a more individualist approach to governance at the sub-district level. The Council uses an annual 'Rural Conference' and quarterly 'Parish Forums' to improve the communication and collaboration between levels of local government.

23.   The Council's priorities are regularly communicated to staff through the Chief Executive's walkabouts, to Members through the regular Leader's Briefings, and to the public through the Leader's column in the Kentish Express and quarterly performance monitoring.

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

24.   The Council's Constitution is transparent, available and updated every year, and from April 2013 includes increased detail on the roles and responsibilities of the Members of the Cabinet and Portfolio Holders.

25.   The Council has strengthened the relationship between Cabinet Portfolio Holders and Officers in the production of Cabinet Reports. A4 summaries of the proposed reports are circulated over a month in advance of the Cabinet date, promoting earlier interaction between Officers and Members. Portfolio Holder ownership of reports is specifically noted within the covering pages of all Cabinet reports.

26.   In April 2013 two new committees were created, dealing with transport, highways and education and vocational training. The role of these committees is to advise Cabinet, and are cross-party in nature. Regular briefings are also held on upcoming planning decisions and other matters of importance, allowing for early Member involvement in forthcoming matters.

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

27.   A new code of conduct for Members was agreed in 2012, whilst from May 2013 declarations of pecuniary interests for all Members have been made available through the Council's website and work is currently ongoing to do the same for all parish councils.

28.   The Monitoring Officer compiles an annual report on complaints and standards of conduct.

29.   Since 2008 the Council has agreed a new Anti-fraud policy, and is currently reviewing its policy on whistleblowing.

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

30.   The Council has maintained oversight of its strategic risks within the internal audit function. The Audit Committee has received a number of reports on the responsibilities and accountability of risk throughout the organisation, whilst the Strategic Risk Register was subject to wholesale review during 2011 and 2012, and is currently subject to six-monthly review to the Council's Audit Committee. The ownership of these standard-format risks is apportioned appropriately across the authority, and these owners regularly consider their action plans to mitigate against risk and the level of risk itself.

31.   The shift from primarily service-based planning to project planning has meant a shift to incorporate project risk management into operational risk. The project management of those projects currently under the Ashford Strategic Delivery Board includes risk management considerations.

32.   The Council has also taken steps to embrace the transparency agenda in regard to its decision-making. Papers on priority project work for the Ashford Strategic Delivery Board are made available online and included in the Cabinet agenda, whilst the Cabinet has instituted more transparent meeting arrangements and the early publishing of key decisions.

33.   From 2014 individual votes cast on budget decisions will be recorded and made publically available, alongside annual reports to Council on the work of the Overview and Scrutiny and Audit Committees. From 2009, these two committees have also had the power to cross-refer matters of interest allowing for more effective accountability on decision-making.

Developing the capacity and capability of Members and Officers to be effective

34.   Since 2008 the Council has taken steps to strengthen the training and development offered to staff. A centrally-administered training budget links training and development with the strategic needs and objectives of the Council, operating alongside a competency framework for all staff.

35.   Member training helps to prepare new councillors for their role as a Ward Member, and to strengthen skills in key areas such as in the consideration of planning matters. It is overseen by a Member Training Panel.

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

36.   As noted above, the Council's public engagement in 2010 when drafting its Five Year Business Plan was the largest consultation of that type it has undertaken to date. This engagement provided a strong public mandate for subsequent changes to council operations.

37.   Although the Sustainable Community Strategy is no longer in place, the Council has maintained active engagement with local stakeholders, including an annual Rural Conference and quarterly Parish Forums with Parish Councils, regular briefings from the Leader in the Kentish Express and more open arrangements for the public to engage in the decision-making process.

38.   The Council aims to be open and honest in its operations, and the transparency agenda has led to an increase in publically-available website information on Members and Officers which provides for greater scrutiny, including staff declarations of interest, details of staff and councillor expenses, a register of hospitality and gifts received. The Council also provides an annual Pay Policy Statement which sets out how senior staff and others are remunerated. These are all published in line with the Council's Transparency Publication Policy.

39.   Quarterly performance monitoring reports on the progress of the Council's corporate priorities to Members and the public in a transparent and accessible manner, replacing the previous National Indicator and Local Area Agreement Regimes. The Council is also developing an Annual Report which will bring together the achievements across of the entire borough, including the Council, its partners and residents.

Risk Assessment

40.   N/A although good governance includes the provision for consideration of risk management issues

Equalities Impact Assessment

41.   N/A although good governance includes the provision for consideration of equalities issues

Other Options Considered

42.   N/A

Consultation

43.   N/A

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Ashford Borough Council's Local Code of Corporate Governance (2014)

Agreed March 2014

Introduction

1. The Corporate Governance framework comprises the systems, processes, culture and values under which an organisation manages and controls its activities.

2. The Delivering Good Governance in Local Government framework produced by CIPFA and SOLACE and published in 2007 set the standard for local authority governance and this Council produced its own Local Code of Corporate Governance in 2008. The publication in late 2012 of an updated Delivery Good Governance document makes it timely to refresh our own local code.

3. The 2012 document identified the following as the essential criteria for the provision of good governance -
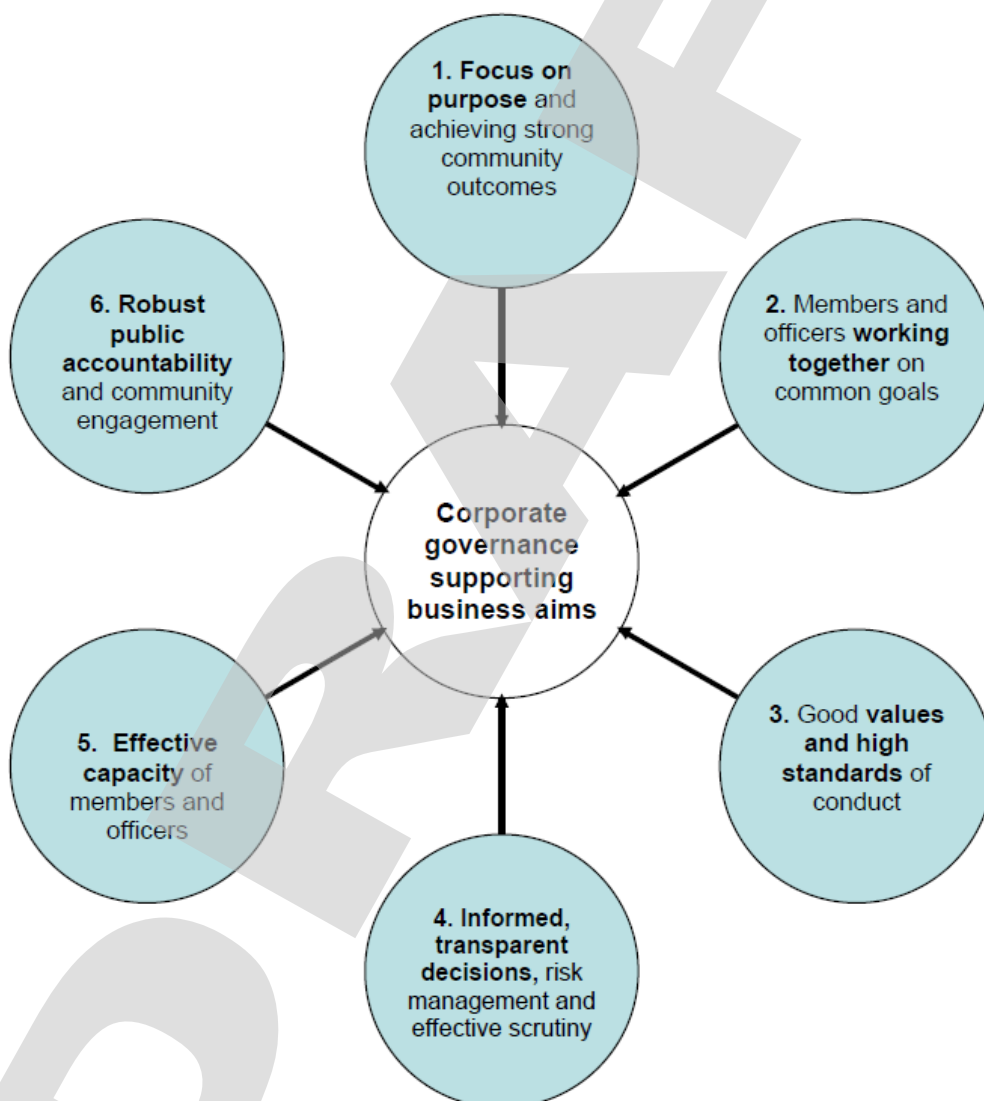
4. The following sections set out the general evidence the Council will seek to maintain to demonstrate that it meets the principles set out above. The effectiveness of these arrangements are reviewed annually within the Annual Governance Statement.

Principles of Corporate Governance

5. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

5.1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and users

- A Corporate Plan *Focus 2013-15*, adopted by Council in October 2013
- Further public engagement planned for 2014/15
- Annual public consultation on the budget
- Publishing an Annual Report
- Quarterly performance reporting, financial Monitoring and medium-Term financial Planning
- Ashford Voice magazine available online for all residents

5.2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning

- Transparent priority planning through the Ashford Strategic Delivery Board, bringing local partners together to focus on eight major projects to improve the borough
- Ongoing imbedding of the new waste contract re-let in partnership with KCC, Swale and Maidstone Borough Councils
- Working with others is underpinned by our partnership framework and principles of good partnership governance
- Annual Governance Statement agreed annually and its exceptions monitored quarterly
- Maintaining effective governance arrangements when setting up trading (or other) companies

5.3. Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

- External auditors take a judgement on value for money annually in their assessment of the authority
- Strengthened strategic understanding of value for money to be included in improvements in internal performance monitoring
- Annual Budget Book
- Well-developed medium term financial planning
- Strong track record of delivering budget savings
- New procurement strategy, agreed October 2013

6. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

6.1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and roles and responsibilities of the scrutiny function

- Maintaining a Constitution which sets out roles and responsibilities of Members and Officers
- Appointing Committees to discharge the Council's regulatory and scrutiny responsibilities
- Providing Committees with clear terms of reference and a work programme which enables them to meet their responsibilities
- Close working relationship between Officers and relevant Portfolio Holder(s)
- Appointing a Chief Executive (and Head of Paid Service) and a Management Team and ensuring all staff have clear conditions of employment and job descriptions which set out their roles and responsibilities
- Appointing a Monitoring Officer who carries overall responsibility for legal compliance, working closely with other officers to advise on requirements
- Appointing a Chief Financial Officer responsible for the proper financial administration of the Council's affairs

6.2. Ensuring that a constructive working relationship exists between elected Members and Officers and that the responsibilities of authority Members are carried out to a high standard

- The Constitution is regularly updated and includes schemes for delegation
- Regular dialogue between Cabinet Portfolio Holders and Officers on reports
- Maintaining a scrutiny function which provides overview and scrutiny of all Council activities and operates a call in facility, as well as cross-referring matters if needed with the Audit Committee
- Maintaining an Audit Committee with responsibility for overseeing the governance arrangements of the Council, as well as cross-referring matters if needed with the Overview and Scrutiny Committee
- Training and development opportunities for councillors

6.3. Ensuring relationships between the authority and its partners and the public are clear so each know what to expect of the other

- Clear principles of good partnership governance followed
- Ensure transparent and inclusive Committee arrangements regarding the public
- Detailed information published on key decisions
- Pay Policy Statement including details of senior Officer remuneration and details of all invoices over £500.
- Code of Conduct for Members and Officers
- Agreed Member/Officer protocol

7. **Promoting the Council's values and upholding high standards of conduct and behaviour**

7.1. Ensuring authority Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance,

whilst ensuring that organisational values are put into practice and are effective

- Code of Conduct for Members and Officers
- An annual report on conduct from the Monitoring Officer
- Member Training Panel promotes Member development and training
- Regularly updated financial and procurement regulations
- Effective internal audit function
- Annual performance appraisal and objective setting for Officers
- Whistleblowing and anti-fraud policies in place
- Staff declarations of interest and hospitality available online
- Annual Pay Policy Statement
- Having a clear decision-making protocol contained within the Constitution

8. **Taking informed and transparent decisions which are subject to effective scrutiny and risk management**

8.1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny

- Compliance with transparency regulations including publication of details on the Council's website
- Full Council setting the policy and budget framework, including individual voting records on budget matters
- All key decisions to be taken by the Cabinet
- The decision making process being scrutinised by a scrutiny function
- Publishing a forward plan and key decisions of the Cabinet
- Minutes showing that declarations of interest were sought and appropriate declarations made
- Risk management is a consideration of all Cabinet reports

8.2. Having good quality information, advice and systems to ensure that services are delivered and are what the community needs / wants

- All key decisions are made by Cabinet being on the basis of written reports, including assessment of alternative options, consultation undertaken, financial, risk and equalities implications as well as the comments of the relevant Portfolio Holder
- Scrutiny Committee has the power to call in decisions
- Performance information published on a regular basis and is made available to Management Team
- Making provision for Members and the public to ask questions both at Cabinet and full Council meetings
- Ensuring that the Council complies with the CIPFA statements on the role of the Chief Financial Officer and Head of Internal Audit

8.3. Ensuring an effective risk management system is in place

- Maintaining a Strategic Risk Register which is updated every six months and agreed by the Audit Committee

- Incorporating project risk assessment in to the Council's priority projects and the work of the Ashford Strategic Delivery Board
- The Audit Committee has oversight of risk management arrangements
- Providing risk management training to Members and Officers as appropriate
- Risk is considered within the front page of all Cabinet reports
- Whistleblowing Policy

8.4. Using legal powers to the full benefit of the citizens and communities in the area

- General power of competence allows Councils to do anything which is legal to help residents
- Clearly documented roles and responsibilities of Members and Officers in the Constitution
- Monitoring Officer's responsibilities include the guidance of Members in the maintenance of the Constitution
- Policy briefings to Management Team and Members on the implications of changing legislation

9. **Developing the capacity and capability of Members and Officers to be effective**

9.1. Making sure that Members and Officers have the skills and knowledge, experience and resources they need to perform well in their role

- Induction programme for all new staff, including staff handbook
- Annual staff appraisal system including objective setting and personal development plan
- Corporate training budget continues to prioritise spend against the competency framework and the Council's strategic objectives
- Corporate competency framework
- Ensuring all employees have up to date and relevant job descriptions
- Providing Members with regular briefings on relevant topics

9.2. Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group

- Maintaining a Member development programme
- Annual review of the activities of internal audit
- Aspiring Leaders' Programme

9.3. Encourage new talent for membership of the authority so that best use can be made of individual skills and resources, balancing continuity and renewal

- Maintaining communication with Parish Councils and with voluntary organisations in the borough.
- Succession planning operates where appropriate

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

   10.1.   Challenging leadership through a robust scrutiny function which effectively engages with local people and all institutional stakeholders, including partnerships, and develops constructive accountability relationships

   - Publishing a Corporate Plan
   - Providing the residents of the borough with information about the Council and its spending
   - Maintaining an effective Overview and Scrutiny Committee
   - Parish Forum

   10.2.   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 authority, in partnership or by commissioning

   - Quarterly performance reporting to Cabinet and Overview and Scrutiny
   - Compliance with transparency legislation, including publishing all relevant information on the Council's website
   - Open and accountable public access to Committees, including a policy of holding meetings in public whenever possible
   - Monthly Ashford Voice magazine available to all residents through the Council website
   - Maintaining a comprehensive complaints / appeals procedure

   10.3.   Making best use of human resources by taking an active and planned approach to engage and inform staff

   - Maintain comprehensive and effective Personnel policies
   - Maintaining consultative arrangements with the trade unions and staffside representatives, including an effective Joint Consultative Committee
   - Regular Chief Executives walkabouts
   - Regular staff surveys and all staff workshops where appropriate

Monitoring and Review

11. The Strategy and Partnerships Team are responsible for maintaining the Local Code alongside annual consideration of it – and wider governance developments – within the Annual Governance Statement.

12. The Code will be submitted to the Audit Committee for approval.

Key documents underpinning the Local Code of Corporate Governance

1. Constitution

2. *Focus 2013-15* Corporate Plan

3. Financial Regulations and Standing Orders

4. Medium Term Financial Plan

5. Procurement Strategy / Framework

6. Officer and Member Codes of Conduct

7. Member Training and Development Strategy