

**Agenda Item No:** 8  
**Report To:** **Audit Committee**

**Date:** **30/06/2016**

**Report Title:** **Local Code of Corporate Governance, *Delivering Good Governance in Local Government* 2016**

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

**Report Author:** Policy and Performance Officer, Nicholas Clayton



**Summary:**

In April CIPFA/SOLACE published an updated '*Delivering Good Governance in Local Government*' framework 2016 which sets the standard for local authority governance.

Accordingly, it is good practice for the Council to adopt its own compliant local Code of Corporate Governance, based upon the national framework. This local Code will apply to Annual Governance Statements prepared for the financial year 2016/17 onwards.

This report summarises the new CIPFA/SOLACE Code, presenting the framework in the context of Ashford Borough Council's governance arrangements.

**Key Decision:** NO

**Affected Wards:** ALL

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

- 1. Agree a new Local Code of Corporate Governance, based on the *Delivering Good Governance in Local Government* Framework 2016**

**Policy Overview:** The revised '*Delivering Good Governance in Local Government*'<sup>1</sup> framework produced by CIPFA and SOLACE, and published in April 2016, sets the standard for local authority governance.

This Local Code has been prepared in accordance with the CIPFA/SOLACE framework

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<sup>1</sup> <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

<b>Financial Implications:</b>	N/A
<b>Risk Assessment</b>	N/A although good governance includes the provision for consideration of risk management issues
<b>Equalities Impact Assessment</b>	N/A although good governance includes the provision for consideration of equalities issues
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# Local Code of Corporate Governance

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*Delivering Good Governance in Local  
Government, 2016*

**Ashford Borough Council**

## Introduction

1. The Corporate Governance framework comprises the systems, processes, culture and values under which a Council manages and controls its activities.
2. Ashford Borough Council must ensure that, as an accountable public body, it meets the highest standards and that governance arrangements are not only sound but are seen to be sound.
3. The main principle underpinning this Local Code is that it positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and form an intrinsic element of the Council's Corporate Plan, adopted in December 2015, for *Aspiration, Action and Achievement*.
4. Local authorities must recognise the need to focus on the long term. Accordingly, the Council's focus on adopting a proactive, commercial and entrepreneurial approach to achieving self-sufficiency matches a wider focus on sustainability and the interdependent links between governance and public financial management.
5. This Framework applies to annual governance statements prepared for the financial year **2016/17** onwards.

## What is Governance?

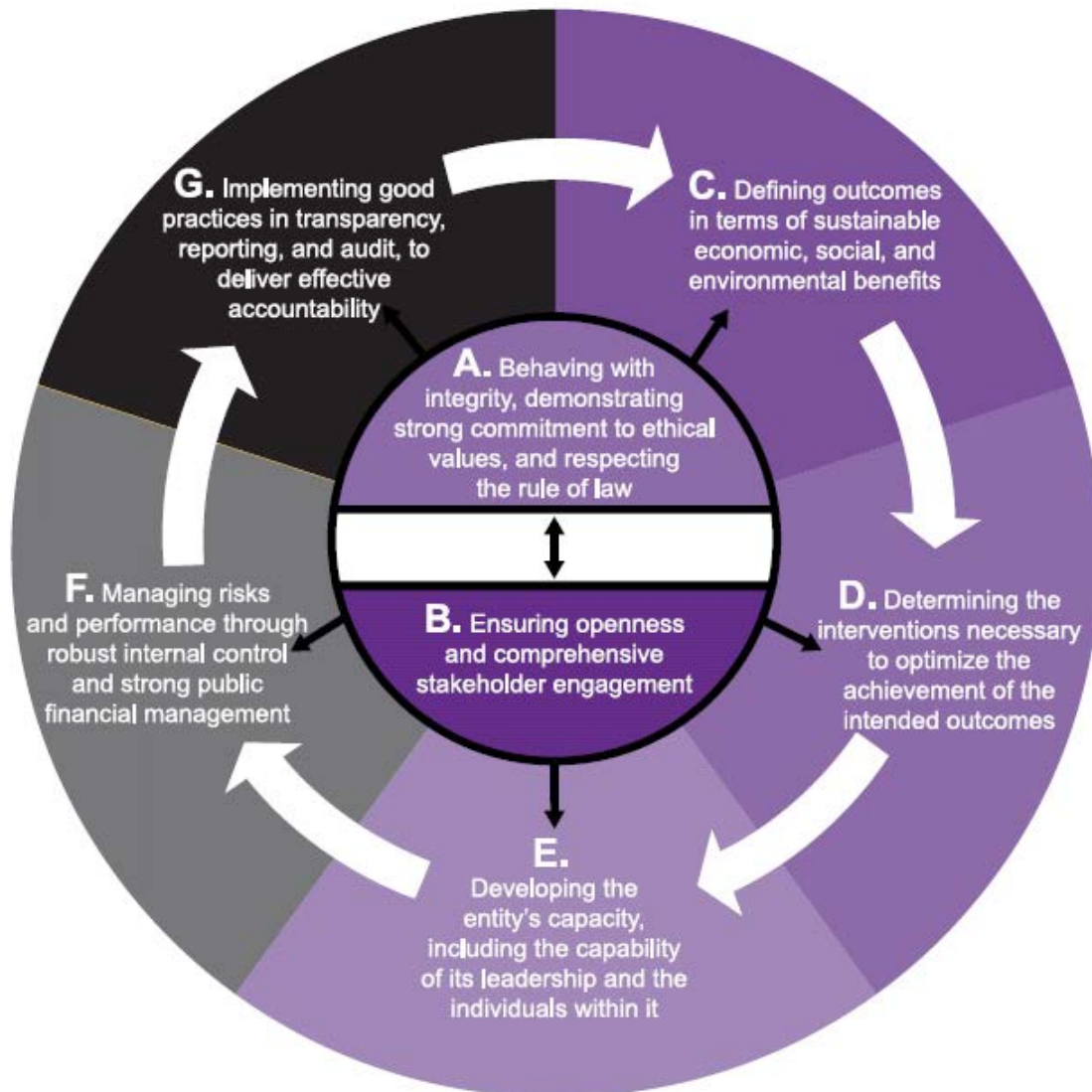
6. Governance comprises those arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
7. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.
8. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders<sup>2</sup>.

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<sup>2</sup> Source : The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014)

## The Core Principles and Sub-Principle of Good Governance

9. The diagram below, taken from the *International Framework: Good Governance in the Public Sector*, illustrates the various principles of good public sector governance, and how they relate to each other.



10. Principles A and B permeate implementation of principles C to G. The diagram makes it clear that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.
11. The following pages take each of these principles in turn, and sets out those component sub-principles, behaviours and actions, that demonstrate Ashford Borough Council's good governance in practice.

## **A. Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

12. Ashford Borough Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship.
13. This includes accountability for outputs, both positive and negative, and for the outcomes it has achieved. In addition, the Council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.
14. It is essential that, as a whole, the Council can demonstrate the appropriateness of all its actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### ***Behaviours and Actions In Practice***

#### **Behaving with Integrity**

- Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council
- Ensuring members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood.
- Leading by example and using the above standard operating principles or values as a framework for decision making and other actions
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively

#### **Demonstrating strong commitment to ethical values**

- Seeking to establish, monitor and maintain the Council's ethical standards and performance

- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the Council's culture and operation
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values
- Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the Council

## **Respecting the rule of law**

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations
- Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring corruption and misuse of power are dealt with effectively



## **B. Ensuring openness and comprehensive stakeholder engagement**

15. Ashford Borough Council is run for the public good. The Council should therefore ensure openness in its activities.
16. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders<sup>3</sup>.

### ***Behaviours and Actions In Practice***

#### **Openness**

- Ensuring an open culture through demonstrating, documenting and communicating the Council's commitment to openness
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action

#### **Engaging comprehensively with institutional stakeholders**

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:

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<sup>3</sup> institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

- trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners
- and that the added value of partnership working is explicit

## **Engaging with individual citizens and service users effectively**

- Establishing a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

## **C. Defining outcomes in terms of sustainable economic, social and environmental benefits**

17. The long-term nature and impact of many of the Ashford Borough Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable.
18. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.
19. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### ***Behaviours and Actions In Practice***

#### **Defining Outcomes**

- Having a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the Council's overall strategy, planning and other decisions
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users
- Delivering defined outcomes on a sustainable basis within the resources that will be available
- Identifying and managing risks to the achievement of outcomes
- Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available

#### **Sustainable economic, social and environmental benefits**

- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints

- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs
- Ensuring fair access to services

## **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

20. Ashford Borough Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved.
21. The Council needs robust decision-making mechanisms to ensure that its defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.
22. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

### ***Behaviours and Actions In Practice***

#### **Determining interventions**

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts

#### **Planning interventions**

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
- Considering and monitoring risks facing each partner when working collaboratively, including shared risks
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances

- Establishing appropriate performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured
- Ensuring capacity exists to generate the information required to review service quality regularly
- Preparing budgets in accordance with objectives, strategies and the medium term financial plan
- Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

## **Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
- Ensuring the achievement of 'social value' through service planning and commissioning

## **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

23. Ashford Borough Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes.
24. The Council must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the Council as a whole.
25. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members.
26. The Council's leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of Ashford's communities.

### ***Behaviours and Actions In Practice***

#### **Developing the entity's capacity**

- Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
- Recognising the benefits of partnerships and collaborative working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

## Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles
- Developing the capabilities of members and senior management to achieve effective leadership and to enable the Council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
  - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing



## **F. Managing risks and performance through robust internal control and strong public financial management**

27. Ashford Borough Council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.
28. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.
29. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.
30. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery.
31. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

### ***Behaviours and Actions In Practice***

#### **Managing Risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for managing individual risks are clearly allocated

#### **Managing Performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review

- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council's financial, social and environmental position and outlook
- Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance and that of any organisation for which it is responsible
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)

## **Robust internal controls**

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
  - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
  - that its recommendations are listened to and acted upon

## **Managing data**

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

## **Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

32. Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the Council plans and carries out its activities in a transparent manner.
33. Both external and internal audit contribute to effective accountability.

### ***Behaviours and Actions In Practice***

#### **Implementing good practice in transparency**

- Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand

#### **Implementing good practices in reporting**

- Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way
- Ensuring members and senior management own the results reported
- Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations

## Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

# Annual Review and Reporting

## The Annual Governance Statement

34. Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework.
35. The annual governance statement provides a meaningful communication, reviewing the governance that has taken place over the last year and the role of the Council's governance structures. It should be focused on outcomes and value for money.
36. The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
37. The annual governance statement includes:
  - a. an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control)
  - b. reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment
  - c. an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework
  - d. an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
  - e. reference to how issues raised in the previous year's annual governance statement have been resolved
  - f. a conclusion, including a commitment to monitoring implementation as part of the next annual review
38. Local authorities are required to include the annual governance statement with their statement of accounts.

## Key elements of Ashford Borough Council's governance

- Codes of conduct which define standards of behaviour for members and staff
- Policies dealing with whistleblowing and conflicts of interest
- Ensuring compliance with relevant laws and regulations, internal policies and procedures
- A commitment to openness and acting in the public interest
- Clear channels of communication with residents and stakeholders, ensuring accountability and encouraging open consultation
- Developing and communicating a strategic vision for the borough, and setting out the courses of action for the Council, its partnerships and collaborations
- Reviewing the effectiveness of the decision-making framework, including delegation arrangements and the robustness of data quality
- Measuring the performance of services and related projects
- Defining and documenting the roles and responsibilities of members and management
- Ensuring that financial management arrangements conform with appropriate governance requirements
- Ensuring effective arrangements are in place to discharge the monitoring officer and head of paid service functions
- Provide induction and training to meet the development needs of members and officers
- Identifying and managing risks, performance and demonstrating clear accountability
- Ensuring effective counter fraud and anti-corruption arrangements
- Ensuring an effective scrutiny function is in place
- Undertaking the core functions of an audit committee, supported by assurance arrangements and Internal Audit
- Ensuring that the Council provides timely support, information and responses to external auditors, and properly considers audit finding and recommendations
- Incorporating good governance arrangements in respect of partnerships