

Report to: Audit Committee
Date of meeting: 18th March 2009
Report of: Director of Finance
Title: The Code of Corporate Governance

1.0 **SUMMARY**

This report updates the council's existing local Code of Corporate Governance in line with current advice. The latest guidance aims to be more focused on the outcomes that good governance should produce. There is no fundamental change to the underlying philosophy.

2.0 **RECOMMENDATION**

That Audit Committee recommends the adoption of the updated code to Council

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3.0 DETAILED PROPOSAL

- 3.1 Corporate governance is the system which an organisation follows to direct and control its functions to meet its objectives. In local government this ranges from legislation, through the Constitution and other policies and practices determined by Members, down to guidance and procedure notes used by officers in their daily work.
- 3.2 The council approved a local code of Corporate governance in 2003, following guidance issued by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code has not been amended since then but has been used for reference in compiling the statement that has to be included in the accounts – previously known as the Statement on Internal Control and from 2007/08 as the Annual Governance Statement. It is a key document setting out how the council manages itself to achieve its objectives.
- 3.3 SOLACE and CIPFA have now revised their original framework to reflect the changing environment for local government accountability and engagement, while maintaining the emphasis on good governance of all the council’s activities.
- 3.4 The previous framework consisted of five dimensions:
- Community Focus
 - Service Delivery Arrangements
 - Structures and processes
 - Risk Management and Internal Control
 - Standards of Conduct
- 3.5 The updated framework has six core principles. These are based on work done by the Independent Commission on Good Governance in Public Services, supported by the Office for Public Management and CIPFA. They are:
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability

Each of these has supporting principles that lead to specific requirements or expectations.. These have been reflected in the attached revised Code, under the heading “This requires:” The points listed under the heading “The Council will therefore:” reflect current policies and practices, although this is by no means a

comprehensive list of all the measures in place to promote good governance.

- 3.6 Compliance with the Code should be reviewed at least annually. In the past, this has been addressed formally by the Audit Committee in considering the Annual Governance Statement, the primary means of external reporting. It is proposed that this continues to be the case but with the addition of review by the Standards Committee, to gain a wider perspective and follow current best practice. As now, any significant areas for improvement will be identified in the Annual Governance Statement, in an action plan. The outcome of any review should also be reported on internally, to reinforce corporate understanding of the Code's requirements.

4.0 IMPLICATIONS

4.1 Financial

- 4.1.1 The Director of Finance comments that there are no financial implications arising from this report.

4.2 Legal Issues (Monitoring Officer)

- 4.2.1 The Head of Legal and Property Services comments that the Council needs to update its Corporate Governance in line with current advice to comply with Government requirements for audit.

4.3 Equalities

- 4.3.1 Good practice in equalities is integral to good governance.

4.4 Potential Risks

Potential Risk	Likelihood	Impact	Overall score
Failure to produce an accurate Annual Governance Statement, leading to adverse external audit comment on the accounts	1	3	3
Adverse impact on the Comprehensive Area Assessment/Use of Resources assessment, if good practice is not adopted	2	3	6

Those risks scoring 9 or above are considered significant. None of the above risks falls into that category but they will require monitoring. All are included in the Corporate risk Register.

4.5 Staffing

- 4.5.1 Good practice in human resources is integral to good governance

Appendices

Appendix 1 Code of Corporate Governance

Background Papers

Delivering Good Governance in Local Government – SOLACE/CIPFA

File Reference

None

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Local Code of Corporate Governance

Introduction

This document is based on “Delivering Good Governance in Local Government”, published by the Society of Local Authority Chief Executives and the Chartered Institute of Public Finance and Accountancy. That framework sets out the benefits of good governance as follows:

“Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. “

The six core principles and the supporting principles (under the heading “This requires:”) are set out, together with examples of how the Council will demonstrate its adherence to them.

Compliance with this Code will be reviewed annually and the outcome will be reported in the Annual Governance Statement. The Annual governance Statement forms part of the annual Statement of Accounts. An Action Plan to tackle any significant weaknesses has to be included in the Annual Governance Statement.

This replaces the local Code approved in 2003 but embodies the same values of openness, honesty, inclusively and accountability.

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

This requires:

- * The exercise of strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- * Ensuring that users receive a high quality of service, whether directly, or in partnership, or by commissioning
- * Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

The Council will therefore:

- * Develop and publish its Sustainable Community Strategy, setting out key objectives and standards
- * Keep the plan under review in the light of changing circumstances and feedback from taxpayers, service users and partners
- * Publicise the extent to which plans and objectives have been achieved, at least annually
- * Develop and implement key service strategies, taking account of consultation with service users
- * Ensure that the council's vision is shared and agreed with partners
- * Establish and publicise the standards of service that users can expect
- * Monitor service performance and take corrective action if standards are not met
- * Implement its Carbon Management Strategy
- * Implement its Value for Money Strategy
- * Aim to achieve and maintain a 'good' rating by the Audit Commission for the Use of Resources
- * Keep Council Tax increases below the rate of inflation

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

This requires:

- * Effective leadership throughout the authority and clarity about executive and non-executive functions and the roles and responsibilities of the scrutiny function
- * A constructive working relationship between members and officers and the responsibilities of both members and officers being carried out to a high standard
- * A clear relationship between the authority and the public so that each knows what to expect of the other

The Council will therefore:

- * Continue to publish its Constitution and update it as necessary, so that roles and responsibilities are clear, including the Scheme of Delegation and Terms of Reference for member bodies
- * Receive regular reports from the Mayor to demonstrate her accountability for political leadership
- * Acknowledge that the Managing Director is responsible and accountable for all aspects of operational management
- * Support an effective working relationship between the Mayor and the Managing Director
- * Ensure that a senior officer is responsible for the role of Chief Finance Officer
- * Ensure that a senior officer is responsible for the role of Monitoring Officer and the provision of legal advice
- * Follow its protocol on Member and officer relations
- * Annually take advice from the Remuneration Panel on Members' allowances
- * Keep the salaries of senior officers under review through the Chief Officer Pay Panel
- * Ensure that Call-in and Performance scrutiny and quarterly reviews by Portfolio Holders are effective
- * Ensure that the Council's plans are soundly based, developed after consultation with stakeholders, publicised and effectively implemented
- * Ensure that, when working in partnership, there is clarity among all partners about roles and responsibilities and legal powers.

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

This requires:

- * Members and officers to exercise leadership in ways that exemplify high standards of conduct and effective governance
- * That organisational values are put into practice and are effective

The Council will therefore:

- * Expect Members and officers to maintain a climate of openness, support and respect
- * Take key decisions in public and restrict the use of confidentially as far as is consistent with legal requirements and good governance
- * Maintain and keep under review its Codes of Conduct for Members and officers and take appropriate action if these are breached
- * Maintain records of Members' interests, officers' interests where relevant to their role, and of gifts and hospitality
- * Demonstrate and communicate its values through its publications for public and staff
- * Keep its policies and practices under review to ensure they comply with appropriate ethical standards
- * Develop and maintain an effective Standards Committee
- * Agree appropriate values with partners to guide decision-making in partnerships

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

This requires:

- * Rigour and transparency about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- * Good quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs
- * Having an effective risk management system in place
- * The use of legal powers to the full benefit of the citizens and communities in the area

The Council will therefore:

- * Review the effectiveness of its Scrutiny Committees annually and make changes when necessary
- * Ensure that Cabinet considers reports from Scrutiny on a timely basis and responds to recommendations made
- * Ensure that all significant decisions are taken having regard to information and advice from suitably qualified and experienced officers and are formally recorded and published on the council's website
- * Ensure there are effective processes in place to safeguard members and officers against conflicts of interest
- * Maintain an effective Audit Committee, independent of both Cabinet and Scrutiny
- * Maintain an effective complaints procedure and review procedures and policies in the light of complaints
- * Ensure that all Members and staff act with regard to sound risk management principles
- * Keep its Whistle-blowing Policy under review and publicise it to staff and other stakeholders
- * Act within the law, while seeking to make full use of the powers available, by ensuring that procedures and decision-making are based on rationality, legality and natural justice.

Developing the capacity and capability of members and officers to be effective

This requires:

- * Members and officers to have the skills, knowledge, experience and resources they need to perform well in their roles
- * The development of the capability of people with governance responsibilities and the evaluation of their performance as individuals and as a group
- * The encouragement of new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal

The Council will therefore:

- * Provide induction programmes for Members and officers and update this regularly, as required
- * Ensure that the statutory officers have the skills, resources and support necessary to carry out their roles effectively
- * Review the training needs of Members and officers and provide training and development to enable them to carry out their roles effectively
- * Ensure that the performance of the Cabinet as a whole and the individual Portfolio Holders is kept under review and that any necessary training and development needs are identified and provided
- * Provide opportunities for individuals to engage with and contribute to, the work of the council.
- * Seek to provide opportunities for both members and officers to take on more senior roles over time

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

This requires:

- * Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships
- * An active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether by the authority, in partnership or by commissioning.
- * Making best use of human resources by taking an active and planned approach to meet responsibilities to staff

The Council will therefore:

- * Publicise the services it is responsible for, and how the public can hold the council to account
- * Maintain effective relationships with any institutional stakeholders, such as central government, its external auditors and the Audit Commission
- * Produce an annual report on the effectiveness of the scrutiny function, for consideration by full Council.
- * Keep its communication with all sections of the community under review
- * Hold meetings in public unless there are good grounds for confidentiality, and publish the schedule of meetings and the topics to be discussed in advance
- * Seek to engage with all sections of the community in an appropriate manner
- * Maintain clear arrangements for petitions from the public to be received and considered
- * Be clear when it is consulting and when it is informing and let people know the outcome of consultation
- * Publish annually reports on its performance in the previous year and plans for the forthcoming year.
- * Periodically conduct surveys to establish levels of resident satisfaction with the council.
- * Maintain clear policies about consultation with staff and their representatives