AUDIT COMMITTEE

26 JANUARY 2017

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.3 **CODE OF CORPORATE GOVERNANCE**
(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To seek approval for a new Code of Corporate Governance reflecting the requirements of the new local government framework.

EXECUTIVE SUMMARY
• Local Authorities are required to maintain a local Code of Corporate Governance. • The proposed new code meets the requirements of the latest published framework, and reflects a revised presentational approach making it more accessible.

RECOMMENDATION(S)
That the Code of Corporate Governance as set out in Appendix A be approved.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES
The new Code of Corporate Governance helps to communicate the Council's underlying governance arrangements in delivery against its key priorities and objectives.

FINANCE, OTHER RESOURCES AND RISK
Finance and other resources There are no direct financial implications arising from this report. **Risk** The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance, the production of which protects the Council's reputation and demonstrates the Council's commitment to the development and maintenance of the core principals of good governance.

LEGAL

Regulation 6(1) of The Accounts and Audit Regulations 2015 requires an authority to each financial year: -
    a) Conduct a review of the effectiveness of the system of internal control
    b) Prepare an annual governance statement

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA / Solace Delivering Good Governance in Local Government Framework (2016) fulfils the statutory requirements above.

The Code of Corporate Governance is a key document in demonstrating the effectiveness of the Council's system of internal control.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

The maintenance of an up to date Code of Corporate Governance ensures that the Council has appropriate frameworks and controls in place that enable sound and inclusive decision making, and that there is clear accountability for the use of its resources in order to achieve desired outcomes for service users and communities.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Council is required to maintain a Code of Corporate Governance, to undertake a review of the effectiveness of its system of internal control and produce an Annual Governance Statement each year.

CIPFA / Solace have updated their framework for "Delivering Good Governance in Local Government", and it is therefore necessary at this time to update the Council's Code of Corporate Governance.

CURRENT POSITION

The current Code of Corporate Governance was approved by the Audit Committee at its meeting on 25th June 2015. That Code was consistent with the principles of the CIPFA / Solace Framework "Delivering Good Governance in Local Government (2007).

CIPFA / Solace published a new framework in 2016 which is applicable to local authorities from 2016/17 onwards, and therefore it has been necessary to produce a new Code of Corporate Governance, that reflects the new framework. Whilst the core principles in the framework have evolved, the concept of good governance remains broadly the same.

The concept of the new framework is to help each local authority to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way ensuring that:-

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

The framework defines governance as follows: -

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The framework also states that:
"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.

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."

The framework identifies that it is up to each local authority to:
- Set out its commitment to the principles of good governance included in the framework
- Determine its own governance structure, or local code, underpinned by the principles
- Ensure that it operates effectively in practice

The framework defines the principles that should underpin the governance of a local authority, and provides a structure to help with the authority's approach to governance.

There are seven core principles in the framework: -

    A. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
    B. **Ensuring openness and comprehensive stakeholder engagement**
    C. **Defining outcomes in terms of sustainable economic, social and environmental benefits**
    D. **Determining the interventions necessary to optimise the achievement of the intended outcomes**
    E. **Developing the entity's capacity including the capability of its leadership and the individuals within it**
    F. **Managing risks and performance through robust internal control and strong financial management**
    G. **Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Core principles A and B provide the overarching requirements for acting in the public interest. These 2 principles permeate implementation of core principles C to G which focus on the implementation of governance and the achievement of outcomes.

For each core principle the framework identifies a series of sub-principles, and for each sub-principle a schedule of behaviours and actions that demonstrate good governance in action. The detail for each core principle is included in Appendix A. The framework recognises that individual authorities are all different and that a one–size-fits-all approach to governance is inappropriate, and therefore leaves it up to each authority to put the framework into practice in a way that reflects the needs and requirements of that authority.

Good governance is dynamic, and the Council as a whole should be committed to improving governance on a continuing basis through processes of evaluation and review. The framework expects the Council to test its governance structures and partnerships against the principles contained in the framework by: -

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publically on compliance with its own code annually, and on how the effectiveness of governance arrangements has been monitored throughout the year and on planned changes

The existing Local Code of Corporate Governance provides an extensive listing of the arrangements in place that demonstrate how the Council achieves each sub-principle within that framework. The spirit of the new framework no longer requires such a detailed approach and the opportunity has been taken to streamline the approach and develop a single page that identifies how the Council's policies, systems and processes, cultures and values link to the core principles within the governance framework. This single page Corporate Governance Structure is supported by a page for each core principle identifying the sub-principles, behaviours and actions that demonstrate good governance, and the linkages to the single page code (Appendix A). It is worth highlighting that the underlying activities have not changed, and the Council has previously been able to demonstrate that it has an effective governance framework in place, so to a large extent this is primarily a presentational change to meet the requirements of the new code.

The framework includes the requirement for annual review and reporting on the Council's governance arrangements. The Annual Governance Statement for 2016/17, scheduled to be reported to the June 2017 meeting of the Committee will reflect any changes from the previous format necessary to comply with the new requirements.
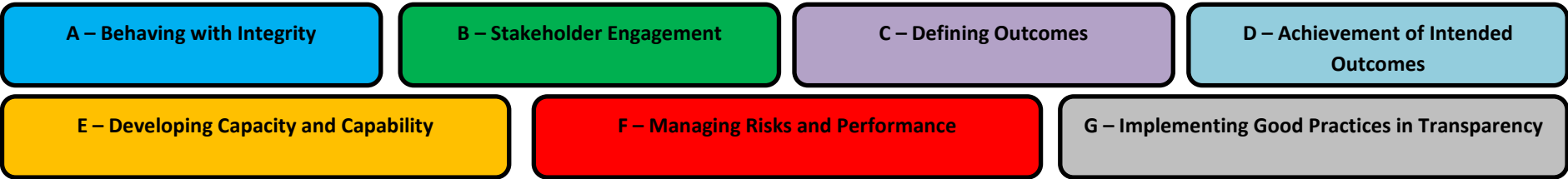
BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Code of Corporate Governance 2016/17

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

Core Principles of Good Governance

A – Behaving with Integrity	B – Stakeholder Engagement	C – Defining Outcomes	D – Achievement of Intended Outcomes

E – Developing Capacity and Capability	F – Managing Risks and Performance	G – Implementing Good Practices in Transparency

Policies, Systems and Processes, Cultures and Values that form the Corporate Governance Structure

1. The Council's Constitution, Budget and Policy Framework

		A	B	C	D	E	F	G
1	Constitution	■	■	■	■	■	■	■
2	Asset Strategy / Asset Management Plan			■		■		
3	Corporate Plan	■	■	■	■	■		
4	Community Strategy		■	■		■		
5	Community Safety Plan		■	■				
6	Financial Strategy / Forecast / Budget		■	■			■	
7	Local Development Plan		■	■				
8	Housing Investment Programme			■	■	■		
9	Statements of Licensing Policy	■	■	■	■			
10	IT Strategy and Information Governance			■				
11	Procurement Strategy		■	■	■			

2. Other Strategies, Policies and Procedures

		A	B	C	D	E	F	G
1	Anti Social Behaviour Policy							
2	Channel Shift Strategy			■				
3	Climate Change Strategy			■				
4	Codes of Conduct	■						
5	Communications Strategy & Procedures		■	■				
6	Complaints Procedure	■						
7	Covert Surveillance Policy	■						
8	Economic Strategy		■	■	■			
9	Financial Policies and Procedures	■		■	■		■	
10	Fraud and Corruption Strategy	■					■	
11	Health and Safety Policy					■		
12	Health Inequalities Strategy			■				
13	Housing Policies and Procedures		■					
14	Human Resources Policies & Procedures	■				■		
15	Independent Person Protocol	■						
16	Information / Data Policies						■	
17	I T Policies and Procedures						■	
18	Members' Planning Code & Protocol	■						
19	Media Protocol		■					
20	Partnership Guidance	■	■			■		■
21	Petition Scheme		■	■		■		
22	Risk Management Framework			■	■		■	
23	Tourism Strategy		■					
24	Whistleblowing Policy	■						

3. Examples of Good Governance

		A	B	C	D	E	F	G
1	All Member Briefings			■		■		
2	Annual Governance Statement						■	■
3	Audit Committee	■				■	■	■
4	Budget Monitoring / Reporting			■			■	
5	Business Continuity Planning				■		■	
6	Councillor Call for Action Scheme		■				■	
7	Decision Call In							
8	External Review Reports Acted Upon					■		■
9	External Standards Compliance	■						■
10	Forums and Panels for Stakeholders		■			■		
11	Internal Audit						■	■
12	Job Descriptions	■						
13	Member & Officer Training/Development					■	■	
14	Member / Officer Groups					■		
15	Member Working Parties				■	■	■	
16	Opposition Leaders Cabinet Participation					■		
17	Our Priorities and Projects 2016		■	■	■	■		
18	Overview and Scrutiny Committees	■		■		■	■	■
19	Performance Reports						■	■
20	Public Participation / Consultation		■			■		
21	Publications Scheme							■
22	Published Agendas / Minutes / Reports	■	■	■	■		■	■
23	Published Decisions	■	■	■	■		■	■
24	Registers of Gifts and Hospitality	■						
25	Registers / Declaration of Interests	■						
26	Regular Reviews of Constitution	■						
27	Representation – External Bodies		■					■
28	Risk Management / Registers			■	■		■	
29	Staff Briefings					■		
30	Standards Committee	■						
31	Statement of Accounts						■	■
32	State of Tendring District Statement							■
33	Statutory Officer Roles	■					■	
34	Tendring Partnership Register		■			■		
35	Transparency Information Published		■					■
36	Website Maintained		■	■				■

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

Links identifying, in relation to each principle of good governance, inclusion within the Council's Corporate Governance Structure: -

1. **The Council's Constitution, Budget and Policy Framework** 🟩

2. **Other Strategies, Policies and Procedures** 🟦

3. **Examples of Good Governance** 🟥

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

	1	2	3
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 organisation	🟩	🟦	🟥
Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	🟩	🟦	
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 a commitment to ethical values			
Seeking to establish, monitor and maintain the organisation's ethical standards and performance	🟩	🟦	🟥
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation'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 organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	🟩	🟦	
Respecting the rule of law			
Ensuring members and staff demonstrate a strong commitment to the rule of 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

	1	2	3
Openess			
Ensuring an open culture through demonstrating, documenting and communicating the organisation'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: - trust - a shared commitment to change - a culture that promotes and accepts challenge among partners and that the added value of the partnership working is explicit	🟩	🟦	🟥
Engaging with individual citizens and service users effectively			
Establishing a clear policy on the type of issues that the organisation 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

Defining outcomes	1	2	3
Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions	🟩		🟥
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	🟩	🟦	🟥
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 organisation'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

Determining interventions	1	2	3
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 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 mechanisms for delivering goods and services can be adapted to changing circumstances	■	■	
Establishing appropriate key performance indicators (KPIs) 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	■	■	■

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

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

Developing the entity's capacity	1	2	3
Reviewing operations, performance and the use of assets on a regular basis to ensure their continuing effectiveness	1		3
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			3
Recognising the benefits of partnerships and collaborative working where added value can be achieved	1	2	3
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	1	2	3
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 that relationship and that a shared understanding of roles and objectives is maintained	1		3
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	1		
Ensuring that the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	1		3
Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation 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 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	1	2	3
Ensuring that there are structures in place to encourage public participation	1	2	3
Taking steps to consider the leadership's own effectiveness and ensuring that leaders are open to constructive feedback from peer review and inspections	1		3
Holding staff to account through regular performance reviews which take account of training or development needs		2	
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		2	

F – Managing risks and performance through robust internal control and strong public financial management

Managing risk	1	2	3
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 organisation'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 organisation'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 (eg financial statements)			■
Robust internal control			
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 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

Implementing good practice in transparency	1	2	3
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	■	■	■