

NORTH YORKSHIRE COUNTY COUNCIL

STANDARDS COMMITTEE

1 September 2008

LOCAL CODE OF CORPORATE GOVERNANCE

Joint Report of the

**Corporate Director – Finance and Central Services and the
Assistant Chief Executive (Legal and Democratic Services)**

1.0 PURPOSE OF THE REPORT

- 1.1 To invite the Committee to comment on a draft of a revised Local Code of Corporate Governance.

2.0 BACKGROUND

- 2.1 On 8 October 2008 the County Council will be asked formally to adopt a revised Local Code of Corporate Governance.
- 2.2 The Audit Committee, on 26 June 2008, gave some initial consideration to the contents of a draft Code and made various suggestions. The Committee also noted that the draft Code would be further refined by officers before being resubmitted to Members as follows:-

Executive	–	23 September 2008
Audit Committee	–	29 September 2008
County Council	–	8 October 2008 (for formal adoption)

- 2.3 The Audit Committee, the membership of which includes Mr James Daghish, recognised that the Standards Committee should also be given opportunity to consider the draft Code and therefore resolved to refer it to today's meeting for comment.

3.0 CORPORATE GOVERNANCE FRAMEWORK – THE THEORY

- 3.1 Each local authority operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes.

- 3.2 In 2001 CIPFA, in conjunction with SOLACE and with support from key organisations in local government, responded to the need to draw together the principles identified by Cadbury, Nolan and the former Department of the Environment, Transport and the Regions (DETR), into a single framework of good governance for use in local government and published *Corporate Governance in Local Government – A Keystone for Community Governance Framework*.
- 3.3 Since that Framework was published, local government has been subject to continued reform intended to improve local accountability and engagement, and a revised Framework was therefore timely. Governance arrangements must not be regarded merely as bureaucracy and must adapt to changing circumstances. Good governance should mean that, whatever executive arrangements are in place, the way a local authority operates is always based on sound decision making with an effective process to support it.
- 3.4 The revised Framework (issued in 2007) builds on recent governance work in both the public and the private sector, and in particular *The Good Governance Standard for Public Services* drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management (OPM), in partnership with the Joseph Rowntree Foundation. The six core principles from the Good Governance Standard (see **paragraph 4** below) have been adapted for the local government context. The Framework also comprises best practice objectives that provide the basis for each local authority to develop and maintain a Local Code of Governance reflecting its type, size, functions and nature.

What do we mean by Governance?

- 3.5 Governance is about how local authorities ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.6 It comprises the systems and processes, and cultures and values, by which local authorities are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 3.7 Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract immense attention. They are vitally important to all tax payers and citizens, as well as the reputation of the authority itself.
- 3.8 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.

Purpose of the Framework

- 3.9 The Framework document is intended to be followed as best practice for developing and maintaining a **Local Code of Governance**, and for discharging accountability for the proper conduct of public business, through the publication of an **Annual Governance Statement** (which replaces the current Statement on Internal Control) that will make the adopted practice open and explicit.
- 3.10 Whatever form of executive arrangements are in place, authorities are urged to test their structures against the principles contained in the Framework by -
- (a) reviewing their existing governance arrangement against this Framework
 - (b) developing and maintaining an up-to-date Local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
 - (c) preparing a Governance Statement in order to report publicly on the extent to which they comply with their own Code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period
- 3.11 In order to review their current arrangements, authorities will need to -
- (a) consider the extent to which the authority complies with the principles and requirements of good governance set out in the Framework
 - (b) identify systems, processes and documentation that provide evidence of compliance
 - (c) identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
 - (d) identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
 - (e) identify the individuals who would be responsible for undertaking the actions required and plan accordingly
- 3.12 The Framework document also reflects the role or business of local government bodies. Four key roles are identified -
- (a) to engage in effective partnerships and provide leadership for and with the community
 - (b) to ensure the delivery of high quality local services whether directly, or in partnership, or by commissioning
 - (c) to perform a stewardship role which protects the interests of local people and makes the best use of resources
 - (d) to develop citizenship and local democracy

Authorities are asked to bear these roles in mind when considering the Principles on which Good Governance should be based (see **paragraph 4** below).

4.0 THE PRINCIPLES OF GOOD GOVERNANCE

4.1 The following six core principles are taken from *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for local government purposes. The principles are –

- (a) focusing on the purpose of the authority and on outcomes for the community (including citizens and service users), and creating and implementing a vision for the local area
- (b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles
- (c) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- (d) taking informed transparent decisions which are subject to effective scrutiny and managing risk
- (e) developing the capacity and capability of Members and Officers to be effective
- (f) engaging with local people and other stakeholders to ensure robust public accountability

4.2 Within the Framework document, these core principles are then supported by secondary principles which effectively translate each core principle into a list of activities, processes and procedures which, if existing within an authority, demonstrate good governance.

5.0 THE LOCAL CODE

5.1 The existing Local Code and Governance Policy are effectively superseded by the requirements of the revised Framework. Therefore the Local Code has been redrafted to reflect the essence of the current (2006) Code but expressed in the newly defined format. The redrafted Code is attached as **Appendix A**.

5.2 The Annual Governance Statement referred to in **paragraph 3.9** was approved by the Audit Committee on 26 June 2008.

6.0 RECOMMENDATION

6.1 That the Standards Committee considers any comments it would wish to make in respect of the draft of a revised Local Code of Corporate Governance.

JOHN MOORE
Corporate Director – Finance and Central Services

CAROLE DUNN
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
NORTHALLERTON

21 August 2008

Background Documentation

- Delivering Good Governance in Local Government – Framework (CIPFA/SOLACE 2007)
- Delivering Good Governance in Local Government – Guidance Note (CIPFA/SOLACE 2007)
- The Good Governance Standard for Public Services (Independent Commission for Good Governance in Public Services 2004)

Appendix A – Draft Local Code of Corporate Governance

Local Code of Corporate Governance

WORKING DRAFT

June 2008

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1.0 INTRODUCTION

- 1.1 Corporate governance is the system by which a local authority directs and controls its functions and relates to the community it serves. It is therefore a framework of policies, systems, procedures and structures that together, determine and control the way in which a local authority manages its business, determines its strategies and objectives, and sets about delivering its services to meet those objectives for the greater good of its community. This naturally extends to how the organisation accounts to, engages with and, where appropriate, leads its community.
- 1.2 On this basis, the principles of good corporate governance require a local authority to undertake its functions in a way that is completely open and inclusive of all sectors of the community, demonstrates the utmost integrity in all its dealings, and is fully accountable to the public it serves.
- 1.3 North Yorkshire County Council is committed to demonstrating good corporate governance. This Code sets out what the governance arrangements are, and who is responsible for them within the County Council. It also explains how the arrangements will be kept under review and monitored for compliance.
- 1.4 The Code is also intended to express how the County Council will seek to conduct its business in a way that demonstrates -
- **Openness and Inclusivity** – which is necessary to ensure that stakeholders can have confidence in the decision-making and management processes of the County Council, and in the approach of the Members and Officer within them. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an inclusive approach, which seeks to ensure that all stakeholders and potential stakeholders have the opportunity to engage effectively with the decision-making processes and actions of the County Council. It requires an outward focus and a commitment to partnership working, and it encourages innovative approaches to consultation and to service provision.
 - **Integrity** – is necessary for trust in decision making and actions. It is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of the County Council's affairs. It is dependent on the effectiveness of the internal control framework and on the personal standards and professionalism of both Members and Officers. It is reflected in the County Council's decision-making procedures, in its service delivery and in the quality of its financial and performance reporting.
 - **Accountability** - is the process whereby Members and Officers within the County Council are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles expressed through a robust and resilient structure.

2.0 **POLICY STATEMENT ON CORPORATE GOVERNANCE**

2.1 The Policy of the County Council is to incorporate the principles of Corporate Governance into all aspects of its business activities to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Members, Officers and agents in delivering services. To this end, the County Council will report annually on its intentions, performance and financial position, as well as on the arrangements in place to ensure good governance is always exercised and maintained.

3.0 **THE SIX PRINCIPLES OF CORPORATE GOVERNANCE**

3.1 There are six core principles that should underpin governance arrangements within a local authority. These are defined as follows -

- (1) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- (2) Members and officers working together to achieve a common purpose with clearly defined functions and roles
- (3) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- (4) taking informed and transparent decisions which are subject to effective and managing risk
- (5) developing the capacity and capability of members and officers to be effective
- (6) engaging with local people and other stakeholders to ensure robust public accountability

3.2 This Code addresses these six core principles and describes the systems and processes that support these in the County Council.

3.3 The Code also explains how the County Council intends to monitor and review the corporate governance arrangements defined in this Code.

4.0 **CORPORATE GOVERNANCE ARRANGEMENTS**

Core Principle 1 : Focussing on the purpose of the County Council and on outcomes for the community, and creating and implementing a vision for the local area

4.1 The County Council will develop a clear vision and purpose, identify intended outcomes and ensure that these are clearly communicated to all stakeholders of the organisation, both internal and external. In doing so, the County Council will report

regularly on its activities and achievements, and its financial position and performance. The County Council will publish annually -

- the Council Plan (including externally verified performance information)
 - the Local Area Agreement
 - the Sustainable Community Strategy
 - a Statement of Final Accounts (incorporating the Annual Governance Statement)
- in conjunction with the North
Yorkshire Strategic Partnership

4.2 The County Council will keep its corporate strategies, objectives and priorities under constant review, so as to ensure that they remain relevant to the needs and aspirations of the community.

4.3 In undertaking all its activities, the County Council will aim to deliver high quality services which meet the needs of service users. Delivery may be made directly, via a subsidiary company, in partnership with other organisations, or by a commissioning arrangement. Measurement of service quality will also be a key feature of service delivery. In addition, the County Council will continue to monitor the cost effectiveness and efficiency of its service delivery as part of its Value for Money Plan.

4.4 The County Council will also seek to address any concerns or failings in service delivery by adhering to and promoting its Complaints Procedure.

Core Principle 2 : Members and Officers working together to achieve a common purpose with clearly defined functions and roles

4.5 To ensure accountability the Constitution of the County Council defines the roles and responsibilities of both the Council's executive and non-executive functions. In particular, the Constitution -

- clearly defines the role of the Executive and Executive Members
- also defines the respective roles of other members, members generally and of senior officers
- defines the statutory roles of the Head of Paid Service, Section 151 Officer and the Monitoring Officer
- sets out a Protocol to address the working relationship between the Leader and the Chief Executive which enables each to fulfil their respective roles
- includes Schemes of Delegation for members and officers
- includes Procedure Rules in relation to staff employment, contracts, finance and procurement that are reviewed annually
- empowers an Independent Remuneration Panel that considers Members' allowances
- requires appropriate governance arrangements for partnerships.

Core Principle 3 : Promoting values for the County Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 4.6 The County Council will conduct its activities in a manner which promotes high ethical standards and good behaviour which will foster openness, support and mutual respect. The following policies and protocols have been established and will be kept under review to assist the County Council in maintaining this culture -
- Member Code of Conduct
 - Officer Code of Conduct
 - Protocol on Officer/Member Relations
 - Ethical Behaviour Statements
 - Leader
 - Chief Executive
 - Staff and Member Registers of Interest
 - Whistleblowing policy
 - Counter Fraud Strategy
 - Equalities Policy
 - Communication Strategy
- 4.7 The aim is to develop a set of shared values which will underpin an ethos of good governance. This will be further supported by compliance with legalisation, Procedure Rules and all relevant professional standards.
- 4.8 The County Council has established a Standards Committee to discharge its responsibilities for promoting and maintaining high standards of Member conduct. The Standards Committee meets regularly and monitors compliance against the national Code of Conduct for Councillors.
- 4.9 Where the County Council works in partnership it will continue to uphold its own ethical standards, as well as acting in accordance with the partnership's shared values and aspirations.

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

- 4.10 The County Council observes this Principle through a combination of the following -
- an effective scrutiny function, the structure of which echoes the principal objectives laid out in the Council Plan
 - comprehensive recording of all decisions taken and the reasons for those decisions
 - maintenance of registers to record potential conflicts of interest, attendance etc
 - an independent Audit Committee

- a properly constituted Standards Committee
- a transparent complaints procedure
- Area Committees that have the flexibility to co-opt local representatives
- member development programme
- provision of timely and relevant information to all interested parties
- involvement of legal, financial or other specific service expertise to inform decision-making
- an embedded risk management culture
- effective whistleblowing and counter fraud procedures
- implementation of all specific legislative requirements placed upon the County Council
- developing a comprehensive Information Governance Framework in compliance with accredited standards

4.11 Based on the above, in terms of policy and decision making, the Executive is supported at all times by professional advice that addresses all relevant legal, financial and resourcing issues. At the same time, risk management processes operate so as to ensure that the risk and impact of decisions are fully assessed.

4.12 The Council has established a scrutiny framework, supported by a separate officer group, that enables decisions by the Executive to be challenged or influenced by the rest of the County Council's Members.

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

4.13 The County Council is continually seeking to develop the capacity and capability of both its Members and officers in recognition that the people who direct and control the organisation must have the right skills. This is achieved through a commitment to training and development, as well as recruiting senior officers with the appropriate balance of knowledge and experience.

4.14 The County Council aims to achieve this by -

- organising Member and employee induction programmes
- a Workforce Plan that addresses issues such as recruitment, succession planning, flexible working
- providing career structures to encourage staff development
- regularly reviewing job descriptions and person specifications and using these as the basis for recruitment
- implementing a Training and Development Plan
- maintaining an effective performance management system
- encouraging a wide variety of individuals and organisations to participate in the work of the County Council

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

4.15 The County Council will seek the views of its stakeholders and respond appropriately by -

- clearly identifying its stakeholders, in order to ensure that relationships with these groups continue to be effective
- maintaining effective channels of communication which reach all groups within the community and other stakeholders as well as offering a range of consultation methods
- publishing a Council Plan and an annual Statement of Accounts to inform stakeholders and services users of the previous year's achievements and outcomes
- publicising the Medium Term Financial Strategy and consulting each year on the Annual Review Budget and its impact on Council Tax
- providing a variety of opportunities for the public to engage effectively with the County Council including attending meetings
- presenting itself in an open and accessible manner to ensure that County Council matters are dealt with transparently, in so far as the need for confidentiality allows
- introducing a consultation policy which will outline how staff and their representatives are consulted and involved in decision-making
- supporting these shared principles and the undertakings in the North Yorkshire Compact which provides a framework for local authorities and other public bodies to work together with the voluntary and community sector
- developing on behalf of the North Yorkshire Strategic Partnership (the NYSP) a Sustainable Community Strategy and delivering its priorities through a Local Area Agreement
- developing a NYSP community engagement framework with a set of shared principles and joined up mechanisms where possible and appropriate
- maintaining a Citizens' Panel of around 2000 residents who are consulted four times a year on a wider range of service issues
- maintaining a Freedom of Information Act Publication scheme and arrangements to respond to requests for information from the public
- ensuring the lawful and correct treatment of personal information through a Data Protection policy that follows the principles set out in the Data Protection Act 1998
- maintaining a County Council website that provides access to information and services and opportunities for public engagement

5.0 MONITORING, REPORTING AND REVIEW

5.1 Ensuring good corporate governance is the responsibility of the whole Council. However to formalise the process, the County Council has two Committees that are primarily responsible for monitoring and reviewing the corporate governance arrangements -

- the Audit Committee
- the Standards Committee

The two committees liaise on any issue of Corporate Governance that may be of legitimate common concern to both.

5.2 The Audit Committee is independent of both the Executive and Scrutiny, and has wide ranging powers and responsibilities in relation to audit, information governance, risk management, procedure rules, as well as overall corporate governance that are detailed in the Constitution. The Committee meets a minimum of five times a year and includes three Independent Members.

5.3 The Standards Committee meets four times per annum to promote and maintain high standards of conduct by Councillors and co-opted Members of the Council. The Committee also assists Councillors to observe the Code of Conduct adopted by the County Council under section 51 of the Local Government Act 2000 and provides advice to the Council on issues relating to Member/officer relations. It will also be responsible for investigating and hearing complaints in relation to alleged breaches of the Code of Conduct. The Committee includes X independent members, one of whom chairs the Committee.

5.4 Further to the two Committees referred to above, the County Council has also established a Corporate Governance Officer Group of senior officers, chaired by the Corporate Director – Finance and Central Services, which is responsible for overseeing the delivery of an integrated programme of work to support the development of robust corporate governance arrangements, and to keep implementation of such arrangements under on-going review. In particular, this Group monitors the Self-assessment Checklist that maps, and monitors, all governance activity within the County Council against all published Best Practice Guidelines.

5.5 The County Council is required to undertake an annual review of the effectiveness of its system of internal control¹. This review seeks to -

- identify principal risks to the achievement of County Council objectives
- identify and evaluate key controls to manage principal risks
- obtain assurances of the effectiveness of key controls
- evaluate assurances and identify gaps in control/assurances

This review is undertaken by the Audit Committee and is part of the preparatory process for the Annual Governance Statement (see **paragraph 5.6** below).

¹ As required by Regulation 4 of the Accounts and Audit Regulations (2003), as amended 2006.

² As required by Regulation 4 of the Accounts and Audit Regulations (2003), as amended 2006.

The Annual Governance Statement

- 5.6 Following the annual review of effectiveness of the system of internal control an Annual Governance Statement (AGS)² will be published as part of the Statement of Final Accounts for the County Council. The AGS will provide an overall assessment of the corporate governance arrangements in the County Council.
- 5.7 An Action Plan will be drawn up in response to any significant control weakness identified in the AGS. A follow up process will be overseen by the Corporate Governance Officer Group to ensure continuous improvement of the system of corporate governance. The Audit Committee will monitor progress on this Action Plan.

Review of this Code

- 5.8 A review of this Code will be undertaken annually alongside the preparation of the AGS.

6.0 CONTACT DETAILS AND FURTHER INFORMATION

- 6.1 Further details of the County Council's Corporate Governance arrangements can be obtained on the Council's website www.northyorks.gov.uk or by contacting the Corporate Director – Finance and Central Services (**see below**).
- 6.2 Finally, if you have any concerns about the way in which the County Council, its Members, Officer or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following Officers as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) **Chief Executive (Head of Paid Service)**

John Marsden
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(ii) **Corporate Director – Finance and Central Services (Section 151 Officer)**

John Moore
Corporate Director – Finance and Central Services
North Yorkshire County Council
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(iii) **Assistant Chief Executive (Legal and Democratic Services)
(Monitoring Officer)**

Carole Dunn

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