



# **LOCAL CODE OF GOVERNANCE**

## **What do we mean by Governance?**

1. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework') defines governance as follows:

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

2. The International 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.”

3. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
4. Governance comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
5. Good governance leads to:-
  - good management,
  - good performance,
  - good stewardship of public money,
  - good public engagement,
  - good outcomes for citizens and service users.
6. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
7. The Council, along with each and every other local authority, aims to meet the standards of the best and its governance arrangements should not only be sound but also be seen to be sound.

## **Governance Framework**

8. The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
9. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) drew together a Working Group to compile a framework document entitled

“Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) (‘the Framework’)”.

10. This 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 that will make the adopted practice open and explicit.
11. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
12. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

### **The Council’s Commitment**

13. The Council is committed to the principles of good governance and wishes to confirm its ongoing commitment and intentions through this Local Code of Governance.
14. This Code sets out and describes the Council’s commitment to governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council’s work.
15. Accordingly, the Council will test its arrangements by:-
  - reviewing its existing governance arrangements against this revised Code,
  - maintaining an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness,
  - on an annual basis, prepare a governance statement in order to report publicly on the extent to which the Council complies with this code, including how the effectiveness of its governance arrangements have been monitored in the year and on any planned changes in the coming period.

### **The Principles of Good Governance**

16. The core principles and sub-principles of good governance set out below are taken from the International Framework. In turn they have been interpreted for a local government context.

#### ***The Seven Core Principles***

17. Principles A and B permeate implementation of principles C to G.

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

*Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.*

The core principle is supported by three supporting principles:

- a) Behaving with integrity,
- b) Demonstrating strong commitment to ethical values, and
- c) Respecting the rule of law.

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

*Local government is run for the public good, organisations therefore should ensure openness in their activities. 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.*

The core principle is supported by three supporting principles:

- a) Openness,
- b) Engaging comprehensively with institutional stakeholders, and
- c) Engaging with individual citizens and service users effectively.

18. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for principles C to G.

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

*The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. 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.*

The core principle is supported by two supporting principles:

- a) Defining outcomes, and
- b) Sustainable economic, social and environmental benefits.

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

*Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their 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. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.*

The core principle is supported by three supporting principles:

- a) Determining interventions,
- b) Planning interventions, and
- c) Optimising achievement of intended outcomes.

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

*Local government 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 within the specified periods. A local government organisation 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 organisation as a whole. Because both individuals and the environment in which an organisation 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. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.*

The core principle is supported by two supporting principles:

- a) Developing the entity's capacity
- b) Developing the capability of the entity's leadership and other individuals

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

*Local government 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. 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.*

*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.*

*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. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.*

The core principle is supported by five supporting principles:

- a) Managing risk,
- b) Managing performance,
- c) Robust internal control,
- d) Managing data, and
- e) Strong public financial management.

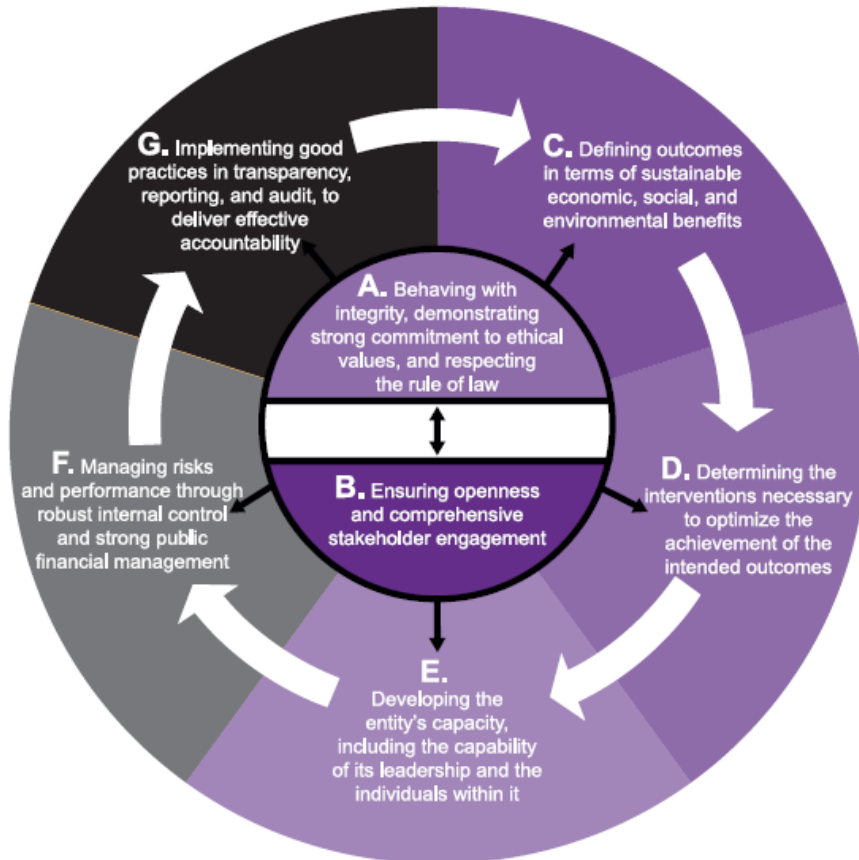
**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

*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 organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.*

The core principle is supported by three supporting principles:

- a) Implementing good practice in transparency,
- b) Implementing good practices in reporting, and
- c) Assurance and effective accountability.

19. These principles are illustrated in the following diagram: (from CIPFA/SOLACE)



### **Monitoring and Review**

20. The Council will carry out an ongoing review and monitoring of its governance arrangements (see Appendix A) and how these arrangements comply with the Framework document and this Local Code.
21. This review and monitoring will be co-ordinated by the Council's Corporate Governance Group and will include references to, amongst other things:
  - Heads of Service Management Assurance Statements,
  - Constitution Review arrangements,
  - Ethics arrangements,
  - Shared Internal Audit Service's Annual Report,
  - Performance management arrangements,
  - Risk management arrangements,
  - Council's decision making arrangements,
  - Freedom of information and data protection arrangements, and
  - Council's complaints procedures (3C's).
22. The results of this process will be incorporated into an Annual Governance Statement (AGS), the preparation and publication of which is necessary to meet the statutory requirement of the Accounts and Audit Regulations 2015.
23. The purpose of the AGS is to provide an assurance that:

- governance arrangements are adequate and operating effectively
- where the review has revealed gaps, action is planned that will ensure effective governance in future

24. The AGS will be considered by the Corporate Governance Group before being presented to the Council's Audit Committee and then the Executive.

25. Once approved, the AGS will be signed by the Leader of the Council and the Chief Executive and will be published with the Annual Statement of Accounts, prior to being reviewed by the Council's External Auditors.

**May 2018**



**Appendix A – Hertsmere Borough Council Corporate Governance Framework**

<b>Core Principles</b>	<b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<b>B - Ensuring openness and comprehensive stakeholder engagement</b>	<b>C - Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	<b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<b>F - Managing risks and performance through robust internal control and strong public financial management</b>	<b>G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>
<b>Evidence of Good Governance</b>	Constitution  Financial Regulations  Contract Procedure Rules  Scheme of Delegation  Members Code of Conduct  Officers Code of Conduct  Annual Governance Statement  Members Allowance Scheme  Procurement Strategy  Procurement Handbook	Constitution  Local Strategic Partnership  Community Strategy – Hertsmere Together  Service Level and Partnership Agreements  Local Government Transparency Code  Freedom of Information Act 2003  Hertsmere News  Participatory Budgeting  Opinion Research / Residents Surveys  Communications Strategy	Corporate Plan  Community Strategy  2020 Vision  Local Plan Core Strategy  Local Development Framework  Site Allocations and Development Management Plan  Parking Management Strategy  Gambling Policy  Community Safety Partnership Plan	Constitution  Corporate Plan  Community Strategy  Medium Term Financial Strategy  Departmental Service Plans  Council Meetings: Dates, Agendas and Minutes  Budget Consultation  Stakeholder Engagement  Local Strategic Partnership  Communications Strategy	Workforce Strategy and annual Workforce Plan  Continuous Performance Review Scheme (appraisals)  Job / Person Specifications  Local Joint Committee and Personnel Committee  Corporate Training Programme  Executive Performance Management Panel	Medium Term Financial Strategy (including Efficiency Plan)  Treasury Management Strategy  Asset Management Plan  Financial Monitoring Panel (FMP)  Audited Annual Statement of Accounts  Annual Revenue and Capital Budgets  Participatory Budgeting	Council and Executive web-cast  Speak at Planning Committee (by prior arrangement)  Facility for Council to receive petitions  Residents / business owners submit relevant questions in writing for consideration and response at Council meetings  Freedom of Information Publication Scheme  Forward Plan

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	Whistleblowing Policy  Anti-Fraud and Anti-Corruption Strategy  Anti-Bribery Policy  RIPA Policy  Equality Policy  Members' Register of Interests and Gifts & Hospitality  Members and Staff Induction Programme  Planning Committee Training  Customer Feedback/Complaints Process  Standards Committee	Shared Service Initiatives  All Staff e-mails  Directorate Meetings  Chief Executive Briefings  Customer Feedback/Complaints Process	Economic Development Strategy  Homeless Strategy  Housing Strategy  Waste Strategy  Chief Officers Board  Management Board  Executive  Corporate Policy Network	Senior Management Team  Chief Officers Board  Management Board  Executive  Council	Performance Management Framework  Financial Regulations  Contract Procedure Rules  IT Strategy  Health and Safety Policy  Health and Safety Group  Health and Wellbeing Initiatives  Safeguarding Policy  Members and Staff Induction Programme	Risk Management Strategy  Strategic and Operational Risk Registers  Annual Management Assurance Statements  Shared Internal Audit Service (SIAS)  Annual Audit Plan Report  SIAS Progress Reports  Head of Assurance Opinion and SIAS Annual Report	Council Meetings: Dates, Agendas and Minutes  Report Templates  Local Government Transparency Code – Transparency and Open Data  Independent Remuneration Panel  Shared Internal Audit Service  Head of Assurance Opinion and SIAS Annual Report  Executive Performance Management Panel

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	<p>Audit Committee</p> <p>Overview Committees</p> <p>Member Panels</p> <p>Independent Remuneration Panel</p> <p>Safer Recruitment</p> <p>Chief Officers Board</p> <p>Chief Executive (Head of Governance), Corporate Director (S151 Officer) and Head of Legal and Democratic Services (Monitoring Officer)</p> <p>Corporate Governance Group</p> <p>Ombudsman Reports</p>				<p>Planning Committee Training</p> <p>Sickness Absence Management / Policy</p> <p>Formal HR procedures including Capability, Grievance and Discipline</p>	<p>Annual Governance Statement</p> <p>External Auditors</p> <p>External Audit Annual Audit Letter</p> <p>External Audit Recommendations</p> <p>Council Meetings: Dates, Agendas and Minutes</p> <p>Data Protection Policy</p> <p>Data Sharing Protocols</p>	<p>Performance Management Framework</p> <p>Annual Anti-Fraud Action Plan</p>

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	<p>Protocol on Member Officer Relations</p> <p>Data Protection Policy</p> <p>Shared Anti-Fraud Service</p> <p>Annual Anti-Fraud Action Plan</p>					<p>Monthly Budget Monitoring Reports to FMP</p> <p>Overview Committees</p> <p>Audit Committee</p> <p>Financial Regulations</p> <p>Contract Procedure Rules</p>	