Report of the Section 151 Officer

Council – 24 August 2017

CODE OF CORPORATE GOVERNANCE

Purpose:	This report provides the revised Code of Corporate Governance and allows Council to approve the revised Code based on the CIPFA/SOLACE Framework issued for 2016/17 onwards.
Policy Framework:	None
Consultation:	Corporate Management Team, Legal, Finance and Access to Services
Recommendation(s):	It is recommended that Council approves the revised Code of Corporate Governance.
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1.   Introduction

1.1   The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as

'*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.

1.2   In local government, the governing body is the full council

2.   Code of Corporate Governance

2.1   The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

2.2   The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2016/17 onwards.

2.3   The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure:

- Resources are directed in accordance with agreed policies 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

2.4   The term local Code of Corporate Governance essentially refers to the approved governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

2.5   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 the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.

2.6   It is also crucial that he Framework is applied in a way that demonstrates the sprit 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.

2.7 The Accounts and Audit (Wales) Regulations 2014 require that a review of the effectiveness of the governance arrangements must be undertaken at least annually and reported on within the authority e.g. to the Audit Committee or other appropriate member body and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that:

- Its governance arrangements are adequate and working effectively in practice.
- Where the reviews of the governance arrangements have revealed significant gaps which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.

2.8 The Code of Corporate Governance for the City and County of Swansea based on the principles of the 2016 edition of the CIPFA/SOLACE Framework is shown in Appendix 1.

3. Equality and Engagement Implications

3.1 There are no equality and engagement implications associated with this report

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 There are no legal implications associated with this report.

Background Papers: None

Appendices: Appendix 1 - Code of Corporate Governance

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1. Definition of Governance

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2. Background

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Principle 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 and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Behaving with integrity	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the 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 Principles of Public Life (the Nolan Principles)
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the 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 high ethical standards expected by the organisation

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

Principle 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.	
Sub-Principles	**Behaviours and Actions that Demonstrate Good Governance in Practice**
Openness	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 partnership working is explicit

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Engaging stakeholders effectively, including individual citizens and service users	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve 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 their views have been taken into account
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	Taking account of the interests of future generations of tax payers and service users

Principle 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 authority'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	

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Defining outcomes	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides 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, plans and decisions 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

Principle 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. 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 input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised	
Sub-Principles	**Behaviours and Actions that Demonstrate Good Governance in Practice**
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
	Considering and monitoring risks facing each partner when working collaboratively including shared risks
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances
	Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured
	Ensuring capacity exists to generate the information required to review service quality regularly
	Preparing budgets in accordance with organisational 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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
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. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"

Principle 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 their 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 authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities	
Sub-Principles	**Behaviours and Actions that Demonstrate Good Governance in Practice**
Developing the entity's capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently
	Recognising the benefits of partnerships and collaborative working where added value can be achieved
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources
Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority 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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
	Developing the capabilities of members and senior management to achieve effective shared 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, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis • ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses
	Ensuring that there are structures in place to encourage public participation
	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
	Holding staff to account through regular performance reviews which take account of training or development needs
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principle F – Managing risks and performance through robust internal control and string 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 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 ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is 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 delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	
Sub-Principles	**Behaviours and Actions that Demonstrate Good Governance in Practice**
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
	Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook
	Ensuring an effective scrutiny or oversight function is in place which encourages 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)

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
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 or function which is independent of the executive and accountable to the governing body: • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment • that its recommendations are listened to and acted upon
Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principle 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.	
Sub-Principles	**Behaviours and Actions that Demonstrate Good Governance in Practice**
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in an 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 the stewardship of its resources
	Ensuring members and senior management own the results
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)
	Ensuring that the 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 which provides assurance with regard to governance arrangements and recommendations are acted upon
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
	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 that the need for wider public accountability has been recognised and met