

The purpose of this appendix is to set the Local Code of Governance for 2018/19.

## **South Lakeland District Council Local Code of Governance December 2018**

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### **Introduction**

This Local Code of Governance has been developed from a framework document produced by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). The CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) defines governance as follows:

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

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 contains seven principles. These are as follows:

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

Principle B – Ensuring openness and comprehensive stakeholder engagement

Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

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

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

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council is committed to these principles and has adopted them into its Local Code. The remainder of this document sets out the local arrangements that support the achievement of these principles. The Council will review the effectiveness of these arrangements against the Framework on an annual basis.

## **The Council commits itself to the following principles:**

**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 across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

In pursuance of this principle we will:

- A1. make a Chief Executive (or equivalent) responsible and accountable to the authority for all aspects of operational management;
- A2. make a senior officer (the Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- A3. appoint a professionally qualified and experienced Chief Finance Officer (Section 151 Officer), who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds, together with professional accountability for finance staff throughout the Council with regard to CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2016);
- A4. make a senior officer (the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.
- A5. develop and maintain shared values including leadership values both for the Council and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council;
- A6. use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- A7. develop and adopt formal codes of conduct defining standards of personal behaviour;
- A8. develop and maintain an effective standards committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- A9. put in place arrangements to ensure that members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
- A10. put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice;
- A11. ensure that systems and processes for financial administration and control, protection of the Authority's resources and assets, are designed in conformity with appropriate ethical standards; and are subject to monitoring of their effectiveness;
- A12. put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- A13. put in place effective transparent and accessible arrangements for dealing with complaints;
- A14. actively recognise the limits of lawful activity placed on the Council by the ultra vires doctrine but also strive to utilise the Council's powers to the full benefit of our communities;
- A15. observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of

administrative law – rationality, legality and natural justice into the Council’s procedures and decision making;

- A16. put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place;
- A17. put in place effective anti-bribery, fraud and corruption policies that comply with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014);

#### Additional Measures

- A18. use a statement of business conduct to make its expectations clear to partners and external providers of services;

#### Additional Measures

- A19. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;
- A20. assess the skills required by members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- A21. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;
- A22. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications.

### **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.

In pursuance of this principle we will:

- B1. develop protocols to ensure effective communication between members and officers in their respective roles;
- B2. develop protocols to ensure that the leader and chief executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- B3. ensure that the Council’s vision, values, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- B4. in pursuing partnerships, agree a set of values against which decision making and actions can be judged in line with and having referred to the Partnership Register and Guidance.
- B5. develop and maintain open and effective mechanisms for documenting evidence for

- decisions and recording the criteria, rationale and considerations on which decisions are based;
- B6. put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority;
  - B7. make clear to ourselves, all staff and the community, to whom we are accountable and for what;
  - B8. consider those institutional stakeholders to whom we are accountable and assess the effectiveness of the relationships and any changes required;
  - B9. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
  - B10. put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements will recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;
  - B11. develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making;
  - B12. To put in place measures to ensure freedom of information requests and transparency requirements are adhered to, including publication through the Council's website.
  - B13.** To ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;

#### Additional Measures

- B14. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- B15. promote the use of technology to enhance efficiency and quality of service;
- B16. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;
- B17. when working in partnership, ensure that there is a clear statement setting out the purpose of the partnership and the outputs to be achieved.

**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 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.

In pursuance of this principle we will:

- C1. make a clear statement of the authority's purpose and vision and use it as a basis for corporate and service planning, and shaping the Council Plan ~~community strategy and local area agreements~~;
- C2. review on a regular basis the authority's vision for the local area and its impact in the authority's governance arrangements;
- C3. when working in partnership, ensure that there is a clear statement setting out the purpose of the partnership and the outputs to be achieved.
- C4. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- C5. produce an annual report on scrutiny function activity;
- C6. ensure performance, financial and non-financial, is reported to senior management and Members including action plans where necessary:-
- C7. Link service plans to agreed measures and targets within the Council plan;
- C8. ensure strategic investment decisions are managed through the capital budgeting process and Medium Term Financial Plan linked to the Council Plan, including the economic, social and environmental impacts.
- C9. ensure committee reports are shared with senior management and portfolio holders as part of the pre agenda submission process:-

#### Additional Measures

- C10. ensure that the Council's vision, values, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- C11. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- C12. put arrangements in place to capture and manage risks corporately;
- C13. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.

**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 (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.

In pursuance of this principle we will:

- D1. decide how the quality of service for users is to be measured and ensure that the

- D2. information needed to review service quality effectively and regularly is available; decide how value for money is to be measured and ensure that we have the information needed to review value for money and performance effectively; measure the environmental impact of policies, plans and decisions;
- D3. produce timely, accurate and impartial financial information for decision making, enabling the Authority to meet its objectives and providing effective stewardship and value for money;
- D4. ensure that effective mechanisms exist to monitor service delivery;
- D5. ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- D6. produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council;
- D7. establish a medium term business and financial planning process in order to deliver a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review;
- D8. when working in partnership ensure that appropriate governance arrangements are in place that include responsibilities and arrangements for managing risk for each counterparty,
- D9. agree annually a calendar of meetings to be used as the basis for forward planning of decision making

#### Additional Measures

- D10. To ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;
- D11. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- D12. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- D13. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- D14. Consider social value when preparing service plans, considering procurement and commissioning and monitoring performance.

**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 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.

In pursuance of this principle we will:

- E1. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- E2. assess the skills required by members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- E3. embed financial competencies within all appropriate person specifications and appraisals;
- E4. ensure that Councillor's roles and responsibilities for monitoring financial/budgetary performance are clear; and they are provided with and have access to adequate financial skills and training to assist in discharging these responsibilities;
- E5. develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed, in line with the member development strategy;
- E6. provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis;
- E7. ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority;
- E8. consider career structures for members and officers to encourage participation and development;
- E9. manage the strategic Human Resource Management and Organisational Development needs of the organisation through relevant policies and accreditation.
- E10. promote the use of technology to enhance efficiency and quality of service;

**Additional measures:**

- E11. ensuring members and officers are aware of corporate guidance around partnership working through annual partnership review;

**Additional Measures**

- E12. decide how value for money is to be measured and ensure that we have the information needed to review value for money and performance effectively; measure the environmental impact;
- E13. when working in partnership, ensure that appropriate governance arrangements are in place that make clear the financial controls, data sharing, audit and scrutiny arrangements.



- E14. develop protocols to ensure effective communication between members and officers in their respective roles;
- E15. develop protocols to ensure that the leader and chief executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- E16. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;
- E17. ensure effective internal control arrangements exist for sound financial management systems and processes;
- E18. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;

**Principle 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.

In pursuance of this principle we will:

- F1. maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved;
- F2. ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management;
- F3. put in place effective arrangements to deal with a failure in service delivery;
- F4. determine a scheme of delegated and reserved powers within the constitution and ensure that it is monitored and updated when required;
- F5. require appropriate management accounting, functions and controls to be in place within the Council,;
- F6. ensure budget calculations are robust and reserves are adequate;

- F7. ensure that effective management arrangements are in place at the top of the organisation;
- F8. ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job;
- F9. ensure effective internal control arrangements exist for sound financial management systems and processes;
- F10. review the scope of the Chief Finance Officer's (Section 151 Officer's) non financial areas of responsibility to ensure financial matters are not compromised;
- F11. provide the Financial Services with the resources, expertise and systems necessary to perform its role effectively within the Council;
- F12. on an annual basis, publish an annual report giving information on the authority's vision, strategy, plans and financial statements as well as information about the outcomes, achievements and the satisfaction of service users in the previous period;
- F13. Set out clear financial and contract procedure rules, kept under review as part of the overall Constitution of the Council.
- F14. Put arrangements in place for sharing, gathering and storing data and ensuring data quality.
- F15. Put arrangements in place to capture and manage risks corporately.

Additional Measures:

- F16. when working in partnership, ensure that appropriate governance arrangements are in place that make clear the financial controls, data sharing, audit and scrutiny arrangements.

Additional Measures:

- F17. ensure performance, financial and non-financial, is reported to senior management and Members including action plans where necessary;
- F18. To ensure committee decisions are fully documented through the use of appropriate report templates, agenda submission processes and minutes;
- F19. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications.
- F20. develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall;
- F21. ensure that systems and processes for financial administration and control, protection of the Authority's resources and assets, are designed in conformity with appropriate ethical standards; and are subject to monitoring of their effectiveness;
- F22. ensure an effective internal audit function is resourced and maintained and complies with Public Sector Internal Audit Standards (PSIAS);
- F23. put in place effective anti-bribery, fraud and corruption policies that comply with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014);
- F24. require our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports;

F25. Ensure audit committee complies with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018).

**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.

In pursuance of this principle we will:

- G1. set out a clear statement of the respective roles and responsibilities of the Council's executive committee and the members individually and the authority's approach towards putting this into practice;
- G2. set out a clear statement of the respective roles and responsibilities of the Council's other committees and members and senior officers;
- G3. set out the terms and conditions for remuneration of members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011;
- G4. ensure an effective internal audit function is resourced and maintained and complies with Public Sector Internal Audit Standards (PSIAS);
- G5. develop and maintain effective arrangements for determining the remuneration of senior staff;
- G6. ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications;
- G7. enable the Chief Finance Officer (Section 151 Officer) to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained;
- G8. require our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports;
- G9. ensure that the authority as a whole is open and accessible to the community, service users and staff and make a commitment to openness and transparency in all our dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;
- G10. develop and maintain an effective audit committee which is independent of the executive and scrutiny functions;
- G11. enable the Chief Finance Officer (Section 151 Officer) to have direct access to the Council's Audit Committee and External Auditor
- G12. Ensure audit committee complies with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018~~2013~~).

### Additional Measures

- G13. establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- G14. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance;
- G15. produce timely, accurate and impartial financial information for decision making, enabling the Authority to meet its objectives and providing effective stewardship and value for money;
- G16. produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council;

## **Annual Review of Corporate Governance**

At the end of the year, the Council will produce its Annual Governance Statement which will review the effectiveness of the actual system of internal control in place against both the Local Code of Governance and the CIPFA best practice framework. The review will draw various sources of evidence including:

- detailed self-assessment against the CIPFA best practice examples
- the Internal Audit annual opinion,
- relevant reports from External Audit,
- year end reports from Scrutiny, Audit and Standards committees
- assurances from senior management and significant partners

As part of its governance role, the Audit Committee will oversee this review on behalf of the Council.

# Framework for the Internal Control Environment

