

RYEDALE DISTRICT COUNCIL

LOCAL CODE OF PRACTICE

ON

CORPORATE GOVERNANCE

December 2003

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1. Introduction

- 1.1 Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
- 1.2 The following aspects of the Government's modernising agenda impacts on corporate governance
- Democratical renewal
 - Community leadership
 - Engagement of the local community, consultation and partnership working
 - Outward looking, accountable and responsive services
 - Continuous improvement
 - High standards of conduct and probity
- 1.3 The principles of corporate governance should be embedded in the culture of each local authority and implemented through a defined framework of processes and procedures which should be transparent to all stakeholders. By making their own high standards of corporate governance explicit, local authorities can also give a lead to potential partners from the public, private and voluntary sectors.

2. Fundamental Principles of Corporate Governance

- 2.1 There are three fundamental principles of corporate governance, these are:-

- Openness and inclusivity
- Integrity
- Accountability

Openness and inclusivity

Openness is necessary so that stakeholders can have confidence in the management processes and decision-making arrangements within local authorities and just as important, in the approach of individual Members and officers. Authorities should be open through genuine consultation with stakeholders and provide access to full, accurate and clear information whenever possible. Openness also calls for an inclusive approach. This seeks to ensure that all stakeholders have the opportunity to be involved with and take part in authorities' decision-making processes. The necessitates an outward focus and calls for innovative approaches to consultation.

Integrity

This is based on honesty, objectivity and selflessness, and high standards in the management of an authority's affairs and the stewardship of public funds. Integrity includes straightforward dealing and completeness. It depends on both the personal standards and professionalism of Members and offices within an authority and on the effectiveness of the control framework. The level of integrity is reflected in an authority's decision-making processes, its service delivery and in the quality of its financial and performance reporting.

Accountability

This is the process whereby local authorities and individual Members and officers within them are held to account for their decisions and actions. This is achieved through all parties having a clear understanding of their responsibilities and having clearly defined roles. Comprehensive review and scrutiny arrangements must also exist for effective accountability.

2.2 The concept of leadership overarches these three principles. The principles described above can only be adhered to if leadership is exercised through:

- The local authority providing vision for its community and leading by example in its decision-making and other processes and actions.
- Members and managers conducting themselves in accordance with high standards of conduct.

3. The Corporate Governance Framework

3.1 The fundamental principles outlined above need to be translated into a framework within local authorities. This seeks to ensure that the principles are fully integrated into an authority's business and it also helps to demonstrate compliance with best practices.

3.2 In addition systems and processes must be monitored for their effectiveness and reviewed to ensure they are kept up to date.

3.3 The Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers have developed a framework based on five dimensions of a local authority's business. These dimensions are not mutually exclusive and form the basis of the Local Code of Practice shown on pages 6 - 17.

The dimensions are:-

Community Focus
 Service Delivery Arrangements
 Structures and Processes
 Risk Management and Internal Control
 Standards of Conduct

4. General Principles of Conduct

4.1 The Government have identified ten general principles which govern the conduct of Members. Most of the principles can also apply to employees.

The general principles are

Selflessness	Members and employees should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.
Honesty and Integrity	Members and employees should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.
Objectivity	Members and employees should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.
Accountability	Members and employees should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.
Openness	Members and employees should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

Personal judgement	Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.
Respect for others	Members and employees should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and other employees.
Duty to uphold the law	Members and employees should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.
Stewardship	Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.
Leadership	Members and employees should promote and support these general principles by leadership and example and should always act in a way that secures or preserves public confidence.

4.2 The general principles of Member and employee conduct are set out in the Council's Constitution - in particular in the relevant Codes of Conduct and in the guidance on the acceptance of gifts and hospitality, and the registration of outside interests. Training on these general principles is provided both to Members and employees in training events covering induction and their respective codes of conduct.

5. Annual Review and Reporting

5.1 It is important that the Council's arrangements for achieving good corporate governance are subject to annual review to ensure that they remain effective and are kept up to date. Different aspects of the Council's corporate governance arrangements are reviewed each year by Internal Audit. The arrangements are also subject to external review by the Council's external auditors. Any significant changes which are needed are reported to the Audit Panel. Relatively minor changes and those more of a technical nature are agreed and implemented at officer level.

5.2 It is also a necessary requirement that the effectiveness of the Council's arrangements are reported externally to stakeholders. This is to provide assurance that either the arrangements are adequate and are operating effectively in practice or, where significant gaps in the arrangement have been identified through annual reviews, to set out the actions the Council intend to take to improve the arrangements.

5.3 There are two principal documents for public inspection made by this Council. First, there is a Statement of Assurance on the Council's arrangements, included in the annual Best Value Performance Plan (commencing 2004/5) which is signed by the Chairman of Overview & Scrutiny and the Chief Executive. More specifically, the Council's annual Statement of Accounts includes a Statement on the System of Internal Financial Control which is signed by the Chief Financial Officer.

5.4 The Council publishes financial and performance information in the Best Value Performance Plan and in the local newspapers.

6. Local Code of Corporate Governance

a) Community Focus

Through carrying out its general and specific duties and responsibilities and its ability to exert wider

influence, the Council will:

- Work for and with its communities
- Exercise leadership in its local communities, where appropriate
- Undertake an 'ambassadorial' role to promote the wellbeing of its area, where appropriate, through maintaining effective arrangements.
 - for explicit **accountability** to stakeholders for its performance and its **effectiveness** in the delivery of services and the sustainable use of resources
 - demonstrate **integrity** in its dealings in building effective relationships and partnerships with other public agencies and the private/voluntary sectors
 - demonstrate **openness** in all its dealings
 - demonstrate **inclusivity** by communicating and engaging with all sections of the community to encourage active participation
 - develop and articulate a clear and **up to date** vision and corporate strategy in response to community needs.

Criteria	How this is achieved
(a) Publish on a timely basis an annual report presenting an objective, understandable account of the Council's <ul style="list-style-type: none"> • activities and achievements, and • financial position and performance The reports will include statements: <ul style="list-style-type: none"> • explaining the authority's responsibility for the financial statements • confirming that the authority complies with relevant standards and codes of corporate governance • on the effectiveness of the authority's system for risk management and internal control 	Statement of Accounts Best Value Performance Plan

Criteria	How is this achieved
<p>(b) Publish on a timely basis a performance plan presenting an objective, balanced and understandable account and assessment of the Council's</p> <ul style="list-style-type: none"> • current performance in service delivery • plans to maintain and improve service quality. 	<p>Best Value Performance Plan Improvement Plans Corporate Plan</p>
<p>(c) Put in place proper arrangements for the independent review of the financial and operational reporting processes.</p>	<p>Annual External Audit letter and other audit reports Internal Audit Audit Panel Inspectorate reports</p>
<p>(d) Put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the authority and put in place appropriate monitoring processes to ensure that they continue to work in practice.</p>	<p>Strategic partnership framework Consultation arrangements with various groups Mobile Community Information Officer Overview & Scrutiny Web page</p>
<p>(e) Make an explicit commitment to openness in all of their dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by their actions and communications deliver an account against that commitment.</p>	<p>Constitution</p>
<p>(f) Establish clear channels of communication with all sections of the community and other stakeholders, and put in place proper monitoring arrangements to ensure that they operate effectively.</p>	<p>Partnership framework IIP accreditation Communication Strategy Staff Survey Feedback from the Community Mobile Community Information Officer Citizens Panel Council Newspaper Ryedale Information Bulletin Ryedale Website</p>

Criteria	How is this achieved
(g) Ensure that a vision for their local communities and their 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.	Community Strategy/Imagine Ryedale... Service Delivery Plans BVPP Partnership Working Corporate Planning Framework Capital & Revenue Budget strategies

6. Local Code of Corporate Governance

b) Service Delivery Arrangements

The Council will ensure that continuous improvement is sought, agreed policies are implemented and decisions are carried out by maintaining arrangements which;

- discharge its **accountability** to service delivery at a local level
- ensure **effectiveness** through setting targets and measuring performance
- demonstrate **integrity** in dealings with service users and developing partnerships to ensure the 'right' provision of services locally
- demonstrate **openness** and **inclusivity** through consulting with key stakeholders, including service users
- are flexible so that they can be kept **up to date** and be adapted to accommodate change and meet user wishes.

Criteria	How is this achieved
(a) Set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies.	Best Value Performance Plans Best Value Reviews Improvement Plans Benchmarking with Audit Commission family Group
(b) Put in place sound systems for providing management information for performance measurement purposes.	Performance Management Framework and information system Special SMT meeting that focuses on performance alone. Quarterly reporting to O&S
(c) Monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans.	Best Value Performance Plans Overview and Scrutiny Committee reports Improvement Plans Service Delivery Plans Staff Development Reviews
(d) Put in place arrangements to allocate resources according to priorities.	Community plan Consultation results Budget strategy Corporate Planning and Prioritisation process 3 year mid term financial strategy Capital strategy

Criteria	How is this achieved
(e) Foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so, in delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.	Community Strategy Adherence to good employment practice Partnership framework Procurement strategy
(f) Respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place arrangements for the effective implementation of agreed actions.	Annual audit letter and other audit report Inspectorate reports Improvement Plans

6. **Local Code of Corporate Governance**

c) **Structures and Processes**

The Council needs to establish effective political and managerial structures and processes to govern decisionmaking and the exercise of authority within the organisation. The Council will maintain arrangements to:

- define the roles and responsibilities of members and officers to ensure **accountability**, clarity and ordering of the authority's business
- ensure that there is proper scrutiny and review of all aspects of performance and **effectiveness**
- demonstrate **integrity** by ensuring a proper balance of power and authority
- document clearly such structures and processes and to ensure that they are communicated and understood to demonstrate **openness and inclusivity**
- ensure such structures and processes are kept **up to date** and adapted to accommodate change

Criteria	How is this achieved
Balance of Power and Authority	
(a) Put in place clearly documented protocols governing relationships between members and officers.	Constitution
(b) Ensure that the relative roles and responsibilities of executive and other members, members generally and senior officers are clearly defined.	Constitution Corporate Planning Framework
Roles and Responsibilities - Members	
(c) Ensure that members meet on a formal basis regularly to set the strategic direction of the authority and to monitor service delivery.	Schedule of council meetings Performance and management system Financial standards and regulations PMF to O&S Quarterly
(d) Develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the authority.	Constitution

Criteria	How is this achieved
(e) Put in place clearly documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting; and formal procedural and financial regulations to govern the conduct of the authority's business.	Constitution
(f) Put in place arrangements to ensure that members are properly trained for their roles and have access to all relevant information, advice and resource as necessary to enable them to carry out their roles effectively.	Members' induction scheme Training to committee chairs Regular update sessions Training plan Members Handbook
(g) Ensure that the role of member(s) is/are formally defined in writing, to include responsibility for providing effective strategic leadership to the authority and to ensuring that the authority successfully discharges its overall responsibilities for the activities of the organisation as a whole.	Constitution
(h) Ensure that the roles and responsibilities of all members of the local authority, together with the terms of their remuneration and its review, are defined clearly in writing.	Constitution Members' allowance scheme Remuneration Panel
(i) Ensure that an annual review is conducted of all key documents including: <ul style="list-style-type: none"> • Standing Orders • Standing Financial Instructions • Scheme of delegation • Arrangements for whistle blowing • Anti-fraud and corruption policy (including procedures for investigating frauds) • Complaints procedures • Employee Code of Conduct 	Constitution
Roles and Responsibilities - Officers	
(j) Ensure that a chief executive, or equivalent is made responsible to the authority for all aspects of operational management.	Conditions of employment Scheme of delegation Statutory provisions Job description/specification
(k) Ensure that a senior officer is made responsible to the authority for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and in maintaining an effective system of internal financial control.	Section 151 responsibilities Statutory provision Job description/specification Scheme of Delegation

Criteria	How is this achieved
(l) Ensure that a senior officer is made 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.	Monitoring officer provisions Statutory provision Job description/specification ACE responsible for each of the Policy Committees and O&S Committee

(m) Ensure that the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, are defined clearly in writing.	Job descriptions/specifications Pay and conditions of service Scheme of Delegation
(n) Adopt clear protocols, and codes of conduct to ensure that the implications for supporting community political leadership for the whole council are acknowledged and resolved.	Protocols governing member/officer relations included in Constitution

6. **Local Code of Corporate Governance**

d) **Risk Management and Internal Control**

The Council needs to establish and maintain a systematic strategy, framework and processes for managing risk. Together these arrangements should:

- include making public statements to stakeholders on the authority's risk management strategy, framework and processes to demonstrate **accountability**
- include mechanisms for monitoring and reviewing **effectiveness** against agreed standards and targets and the operation of controls in practice
- demonstrate **integrity** by being based on robust systems for identifying, profiling, controlling and monitoring of significant strategic and operational risks
- display **openness and inclusivity** by involving all those associated with planning and delivering services, including partners
- include mechanisms to ensure that the risk management and control process is monitored for continuing compliance to ensure that changes in circumstances are accommodated and that it remains **up to date**

Criteria	How is this achieved
(a) Develop and maintain robust systems for identifying and evaluating all significant risks which involve the proactive participation of all those associated with planning and delivering services.	Risk management policy & Strategy Risk Profile Corporate Risk Index Performance management system Audit Panel Corporate Risk Management group Standing Item on SMT
(b) Put in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes, regulations and relevant statements of best practice and need to ensure that public funds are properly safeguarded and are used electronically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use.	Scheme of delegation Internal audit Performance management system Financial Procedure Rules New structure of committee report includes an assessment of risk. Budget process for 2004/5 includes an assessment of risk.

Criteria	How is this achieved
(c) Ensure that services are delivered by trained and experienced people.	Job description/personal specifications Training plan Staff Development Reviews
(d) Put in place effective arrangement for an objective review of risk management and internal control, including internal audit.	Risk Management Policy Audit Panel External Audit reports
(e) Maintain an objective and professional relationship with their external auditors and statutory inspectors.	Inspectorate reports Annual audit letter and other audit reports Regular liason meetings with SMT
(f) Publish on a timely basis, within the annual report, an objective, balanced and understandable statement and assessment of the authority's risk management and internal control mechanisms and their effectiveness in practice.	Annual report

6. Local Code of Corporate Governance

e) Standards of Conduct

The openness, integrity and accountability of individuals within the Council forms the cornerstone of effective corporate governance. The reputation of the authority depends on the standards of behaviour of everyone in it, whether members, employees or agents contracted to it. Therefore, members and senior officers of a local authority will need to:

- exercise leadership by conducting themselves as role models to others within the authority to follow
- define the standards of personal behaviour that are expected from members and staff and all those involved in service delivery, and put in place arrangements to ensure
 - **accountability**, through establishing systems for investigating breaches and disciplinary problems and taking actions where appropriate, including arrangements for redress
 - **effectiveness** in practice through monitoring their compliance
 - that objectively and impartially are maintained in all relationships to demonstrate **integrity**
 - that such standards are documented and clearly understood to display **openness and inclusivity** and are reviewed on a regular basis to ensure that they are kept **up to date**

Criteria	How is this achieved
(a) Develop and adopt formal codes of conduct defining the standards of personal behaviour to which individual members, officers, and agents of the authority are required to subscribe and put in place appropriate systems and processes to ensure that they are complied with.	Members/officers code of conduct Anti fraud and corruption policy Complaints procedures Performance Management system
(b) Put in place arrangements to ensure that members and employees of the authority 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.	Standing orders Codes of conduct Financial Procedure Rules

Criteria	How is this achieved
(c) Put in place arrangements to ensure that their procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice.	Codes of conduct Standards Committee
(d) Put in place arrangements for whistle blowing to which staff and all those contracting with the council have access.	Whistle blowing policy