



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Code of Corporate Governance

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Document History

Document Title	Version	Reference / Date	Comments
Code of Corporate Governance	1.00	23/01/08	First version of the Code approved by Audit Committee
	1.01	04/09/09	Updated to reflect the councils' vision and priorities stated in the 2009-12 corporate plan and to set out review processes, etc.
	1.02	15/08/12	Updated to reflect 2012-15 corporate plan and incorporate CIPFA "extended requirements associated with its report on "The Role of the Chief Financial Officer in Local Government", 2010

LANCASTER CITY COUNCIL

CODE OF CORPORATE GOVERNANCE

Background

1. The council's vision is: **“By promoting city, coast and countryside, we will secure a safe and prosperous community that is proud of its natural and cultural assets and provides lasting opportunities for all.”**
2. Our values, priorities and supporting themes are set out in the Corporate Plan for 2012-15 as follows:

Values:

- **Leading our communities:** We will bring communities together to deal with the major issues facing us and work with our partners to deliver real improvements to the quality of life of those in our district
- **Providing value for money:** Ensuring that the council's limited resources are used in the most cost effective manner to deliver our approved priorities and agreed standards of service
- **Putting our customers first:** Our customers are at the heart of what we do. We will listen to, respect and value their views, using them to shape our services
- **Maintaining a skilled and professional workforce:** We are proud of our skilled and professional employees. We want our people to feel supported, valued and proud to serve our communities and be our ambassadors in the community

Priorities:

- **Economic Growth**
- **Health and Wellbeing**
- **Clean, Green and Safe Places**
- **Community Leadership**

Supporting themes:

- **Working together in partnership**
- **Managing the Council's resources**
- **Environmental sustainability**

3. A sound system of corporate governance underpins the achievement of all the Council's strategic objectives but is also key to ensuring that the Council is a performing organisation as it forms a significant element of the Use of Resources assessment regime.
4. In 2007 CIPFA and SOLACE issued a Framework document and supporting guidance entitled "Delivering Good Governance in Local Government" under which the Council is urged to:
 - develop and maintain an up-to-date local code of governance consistent with the core principles set out in this Framework, including arrangements for ensuring its ongoing application and effectiveness;
 - review its existing governance arrangements against this Framework;

- prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
5. This local Code of Corporate Governance has been produced to show how Lancaster City Council will implement the core principles and detailed provisions of the CIPFA/SOLACE Framework and therefore ensure full compliance with it.

Core Principles

6. The following six core principles have been developed from those promoted by the Good Governance Standard produced by the Independent Commission on Good Governance in Public Services with support from OPM and CIPFA. The council defines good governance as meaning:
1. Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promoting the values of the Council and demonstrating the values of good governance through behaviour
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 5. Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers -also have the capability and capacity to deliver effectively
 6. Engaging with local people and other stakeholders to ensure robust local public accountability

These six core principles have been developed by identifying a number of supporting principles/objectives and by defining a range of measures that the council relies upon to deliver them. These have been extended by reference to CIPFA's "*Application Note to Delivering Good Governance in Local Government*" arising from its *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. This is all brought together in the Governance Framework which is set out in the following pages.

GOVERNANCE FRAMEWORK

Core Principle 1 Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area	
The Council Seeks To	This Is Done By:
Exercise strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users.	<ol style="list-style-type: none"> 1. Developing and promoting the Council's purpose and vision 2. Reviewing on a regular basis the Council's vision for the local area and its implications for the Council's governance arrangements 3. Encouraging partnerships of which the Council is a member to be underpinned by a common vision of their work that is understood and agreed by all partners <p>Ensuring that priorities and objectives are aligned to principal statutory obligations and available funding Knowing how well the Council is performing against planned outcomes Ensuring that knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes</p> <ol style="list-style-type: none"> 4. Publishing annual accounts on a timely basis to communicate the Council's activities and achievements, its financial position and performance
Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.	<ol style="list-style-type: none"> 5. Deciding how the quality of service for users is to be measured and making sure that the information needed to review service quality effectively and regularly is available. 6. Putting in place effective arrangements to identify and deal with failure in service delivery
Ensure that the Council makes best use of resources and that tax payers and service users receive excellent value for money.	<ol style="list-style-type: none"> 7. Deciding how value for money is to be measured and making sure that the Council and its key partnerships have the information needed to review value for money and performance effectively. 8. Ensuring that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use 9. Ensuring that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary 10. Ensuring compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code <p>Measuring the environmental impact of policies, plans and decisions.</p>

Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	
The Council Seeks To	This Is Done By:
Ensure there is effective leadership throughout the Council by being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function	11. Setting out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Council's approach towards putting this into practice
	12. Ensuring that the Section 151 (s151) Officer reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members.
	13. Setting out a clear statement of the respective roles and responsibilities of other Council members, members generally and of chief officers
Ensure that constructive working relationships exist between Council members and officers and that the responsibilities of Council members and officers are carried out to a high standard	14. Determining a scheme of delegation and reserved powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensuring that it is monitored and updated when required
	15. Making the Council's Chief Executive responsible and accountable to the Council for all aspects of operational management
	16. Ensuring that the authority's governance arrangements allow the s151 Officer direct access to the Chief Executive and to other leadership team members
	17. Having arrangements in place for the Leader of the Council and the Chief Executive to discuss their respective roles early in the relationship and to maintain a shared understanding of roles and objectives.
	18. Making the Head of Resources (as Section 151 officer) responsible to the Council 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
	19. Appointing a professionally qualified s151 Officer whose core responsibilities include those set out in the Statement on the Role of the Chief Financial Officer in Local Government and ensure that they are properly understood throughout the authority
	20. Ensuring that the s151 Officer:
	<ul style="list-style-type: none"> ○ leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively ○ has a line of professional accountability for finance staff throughout the organisation
	21. Ensuring that budget calculations are robust and reserves adequate, in line with CIPFA's guidance
	22. Ensuring that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role.
23. Making the Head of Legal and HR Services (as Monitoring Officer) responsible to the Council for ensuring	

that agreed procedures are followed and that all applicable statutes and regulations are complied with

Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles (continued)

The Council Seeks To	This Is Done By:
<p>Ensure that relationships between the Council and the public are clear so that each knows what to expect of the other.</p>	<p>24. Having protocols in place to ensure effective working relationships between members and officers in their respective roles</p> <p>25. Setting out the terms and conditions for remuneration of members and officers and having an effective structure for managing the process including an independent remuneration panel for elected members.</p> <p>26. Ensuring that effective mechanisms exist to monitor service delivery</p> <p>27. Ensuring that the organisation’s vision, 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</p>
	<p>28. Establishing a medium term business and financial planning process to deliver strategic objectives including:</p>
	<table border="1" style="width: 100%; background-color: #f2f2f2;"> <tr> <td style="padding: 5px;"> <ul style="list-style-type: none"> ○ A medium term financial strategy to ensure sustainable finances ○ A robust annual budget process that ensures financial balance ○ A monitoring process that enables this to be delivered ○ Ensuring that these are subject to regular review to confirm the continuing relevance of assumptions used </td> </tr> </table> <p>29. When working in partnership, ensuring that:</p> <ul style="list-style-type: none"> ○ members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council; ○ there is clarity about the legal status of the partnership; ○ representatives of partner organisations both understand and are committed to meeting clearly defined good governance principles; ○ representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
<ul style="list-style-type: none"> ○ A medium term financial strategy to ensure sustainable finances ○ A robust annual budget process that ensures financial balance ○ A monitoring process that enables this to be delivered ○ Ensuring that these are subject to regular review to confirm the continuing relevance of assumptions used 	

Core Principle 3 Promoting the values of the Council and demonstrating the values of good governance through behaviour	
The Council Seeks To	This Is Done By:
Ensure that Council members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<p>30. Ensuring that the Council's leadership sets the tone for the organisation by creating a climate of openness, support and respect</p> <p>31. Having Codes of Conduct in place to ensure that the standards of conduct and personal behaviour expected of members and staff are defined and communicated.</p> <p>32. Having protocols in place to ensure that standards for joint working between members and staff and between the Council, its partners and the community are defined and communicated.</p> <p>33. Having arrangements in place to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and having in place appropriate processes to ensure that they continue to operate in practice</p>
Ensure that organisational values are put into practice and are effective.	<p>34. Developing and maintaining shared values, including leadership values both for the organisation and staff reflecting public expectations, and communicating these with members, staff, the community and partners</p> <p>35. Having arrangements in place to ensure that systems and processes, including those for financial administration, financial control and protection of the authority's resources and assets, are designed in conformity with appropriate ethical standards, and by monitoring their continuing effectiveness in practice</p> <p>36. Maintaining an effective standards committee</p> <p>37. Using the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council</p> <p>38. In pursuing the vision of a partnership, agreeing a set of values (to be demonstrated both individually and collectively by partners) against which decision making and actions can be judged.</p>

Core Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
The Council Seeks To	This Is Done By:
Be rigorous and transparent about how decisions are taken and to listen to and act upon on the outcome of constructive scrutiny	39. Maintaining an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall
	40. Ensure an effective internal audit function is resourced and maintained
	41. Maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
	42. Having arrangements in place to safeguard members and employees against conflicts of interest and having appropriate processes to ensure that they continue to operate in practice
	43. Maintaining an effective audit committee which is independent of the executive and scrutiny functions
	44. Ensure that the authority's governance arrangements allow the s151 Officer direct access to the audit committee and external audit
Have good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	45. Ensuring that effective, transparent and accessible arrangements are in place for dealing with complaints
	46. Ensuring that those making decisions, whether for the Council or one of its partnerships are provided with information that is fit for the purpose (i.e. is relevant, timely and gives clear explanations of technical issues and their implications)
	47. Ensuring the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority
	48. ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
	49. Ensuring the authority's governance arrangements allow the s151 Officer to bring influence to bear on all material decisions
	50. Ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance
	51. Ensuring that proper professional advice on all matters including those that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately

Core Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	
The Council Seeks To	This Is Done By:
Ensure that an effective risk management system is in place	52. Ensuring that risk management is embedded into the culture of the Council, with members and managers at all levels recognising that risk management is part of their jobs
	53. Ensuring the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports
	54. Ensuring the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorization and approval processes
	55. Having in place effective arrangements for whistle-blowing, to which officers, staff and all those contracting with or appointed to the Council have access Ensuring that risk management processes specifically consider risks in relation to significant partnerships and provide for assurances to be obtained about the management of those risks. Ensuring that there are well established and clear arrangements for financing risk
Maintain a robust system of internal control which includes systems and procedures to mitigate principal risks	Ensuring that sound financial management is promoted Having effective arrangements to counter fraud and corruption Having effective arrangements in place to ensure business continuity Ensuring the safety of staff, contractors and visitors Ensuring that the Council's internal control framework is subject to regular independent assessment
Use legal powers to the full benefit of the citizens and communities in the area	56. Actively recognising the limits of lawful activity placed on the Council by, for example, the ultra-vires doctrine but also striving to utilise available powers to the full benefit of its communities 57. Observing all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular integrating the key principles of good administrative law, viz rationality, legality and natural justice, into procedures and decision making processes

Core Principle 5 Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers -also have the capability and capacity to deliver effectively	
The Council Seeks To	This Is Done By:
Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	58. Providing induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
	59. Ensuring 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 Council
	60. Ensuring the s151 Officer has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role
	61. Reviewing the scope of the s151 Officer’s other management responsibilities to ensure financial matters are not compromised
Develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group	62. Providing the finance function with the resources, expertise and systems necessary to perform its role effectively
	63. Assessing the skills required by members and officers and making a commitment to develop those skills to enable roles to be carried out effectively
	64. Embedding financial competencies in person specifications and appraisals
	65. Ensuring that councillors’ roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities
Encourage new talent for membership of the Council so that best use can be made of individual' skills and resources in balancing continuity and renewal.	66. Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
	67. Ensuring that effective arrangements are in place for reviewing and developing the performance of the executive as a whole and of its individual members.
	68. Having effective arrangements in place which are designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council
	69. Ensuring that effective Member development and employee development strategies and actions are in place.

Core Principle 6 Engaging with local people and other stakeholders to ensure robust local public accountability.	
The Council Seeks To	This Is Done By:
Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<p>70. Making it clear within the organisation, its staff and the local community what the Council is accountable for and to whom</p> <p>71. Considering those institutional stakeholders to whom the Council is accountable and assessing the effectiveness of their relationships</p> <p>72. Producing an annual report on the activity of the scrutiny function</p>
Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning	<p>73. Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders, and having effective monitoring arrangements in place</p> <p>74. Holding meetings in public unless there are good reasons for confidentiality</p> <p>75. Having arrangements in place to enable the Council to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p> <p>76. Operating a clear policy on the types of issues the Council will meaningfully consult on or engage with the public and service users about. This includes a feedback mechanism for consultees to demonstrate what has changed as a result</p> <p>77. Publishing an annual performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</p> <p>78. Ensuring that that the Council as a whole is open and accessible to the community, service users and its staff and ensuring that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</p>
Make best use of human resources by taking an active and planned approach to meet responsibility to staff.	79. Maintaining a clear policy on how staff and their representatives are consulted and involved in decision making

Review of Arrangements

7. The CIPFA/SOLACE Framework requires the Council to:
 - consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
 - identify systems, processes and documentation that provide evidence of compliance
 - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
 - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
 - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
8. A corporate working group assumes responsibility for conducting a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:
 - Strategic and business planning;
 - Communication;
 - Performance management;
 - Risk management;
 - Value for money;
 - Probity;
 - Financial strategy;
 - Financial standing;
 - Financial management;
 - Asset management.
9. The key officers involved in the self assessment are:
 - Head of Resources (the Section 151 Officer)
 - Head of Governance (the Monitoring Officer)
 - Internal Audit Manager
10. The results of the self-assessment are reported for review by the full corporate Management Team. Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and fed into the business planning process. This means that they are subjected to systematic monitoring which in turn ensures their resolution.
11. The Annual Governance Statement is reported to the Audit Committee, which has the responsibility for overseeing its production and for recommending its adoption.

Annual Governance Statement

12. Regulation 4(2) of the Accounts and Audit Regulations 2003 requires a local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and include (in the financial statements) a Statement on Internal Control, prepared in accordance with proper practices....”.
13. The CIPFA SOLACE Framework defines proper practice for the form and content of an Annual Governance Statement (AGS), which meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011.

14. The Council therefore publishes an AGS based on the CIPFA SOLACE model governance statement. The AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:
 - the authority's policies are put into place
 - the authority's values are met
 - laws and regulations are complied with
 - required processes are adhered to
 - financial statements and other published information are accurate and reliable
 - human, financial and other resources are managed efficiently and effectively
 - high quality services are delivered efficiently and effectively.
15. It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of governance. Consequently, the council takes the view that approval and ownership of the AGS should be at a corporate level and should be confirmed not only by the Chief Executive as the most senior officer and the Leader as the most senior member, but also the Section 151 Officer and the Monitoring Officer
16. These four individuals therefore sign the AGS on behalf of the council once the review and approval process has been followed. The AGS will be recommended for adoption by the Audit Committee and published with the annual financial statements so that the publication timetable for the financial statements drives the AGS approval timetable.

Service Assurance Statements

17. As indicated above, before signing the AGS the Leader and Chief Executive will seek assurances that the review and approval process has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
18. However in reviewing and approving the AGS members will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their directorates.
19. The council has therefore adopted a system of Service Assurance Statements which are compiled on an annual basis to coincide with the production of the AGS. These require Service Heads to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
20. The completed Service Assurance Statements are scrutinised to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging will be included in the Annual Governance Statement itself.