



LOCAL CODE OF GOVERNANCE

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WHAT DO WE MEAN BY GOVERNANCE?

Good governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms to control and manage risk. All authorities should aim to meet the highest standards, and governance arrangements should not only be sound but also perceived to be sound.

The Council recognises that achieving high standards of governance gives confidence to stakeholders and allows the Council to undertake its community leadership role more effectively.

PURPOSE OF THE GOVERNANCE FRAMEWORK

Castle Point Borough Council (the Council) is accountable for the proper conduct of public business. This means ensuring that it operates in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In doing this, each local government body operates using a governance framework that brings together an underlying set of values, legislative requirements, governance principles and management processes that enables it to achieve its aims and objectives.

This Local Code of Governance (the Code) sets out the governance framework adopted by the Council in line with good practice guidance¹, including the principles that underpin it. The governance framework established is proportionate to the overall risk environment facing the Council.

These principles should be considered in the light of the four key roles for local authorities, as set out in the same good practice guidance, which are:

- to engage in effective partnerships and provide leadership for and with the community
- to ensure the delivery of high-quality local services whether directly or in partnership or through commissioning
- to perform a stewardship role which protects the interests of local people and makes the best use of resources
- to develop citizenship and local democracy.

¹ Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework (2016) (CIPFA Framework), reflecting the eight core principles from *The International Framework: Good Governance in the Public Sector* (2014) by CIPFA / IFAC.

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The Council then discharges accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.

This document sets out:

- accountability as well as the principles and values by which the Council operates;
- how the principles are put into practice in order to enable service delivery to reflect community need and how ongoing evidence is obtained that demonstrates effective operation of these principles throughout the year;
- the annual reporting process; and
- how the Code is communicated to members, staff and other relevant parties.

ACCOUNTABILITY

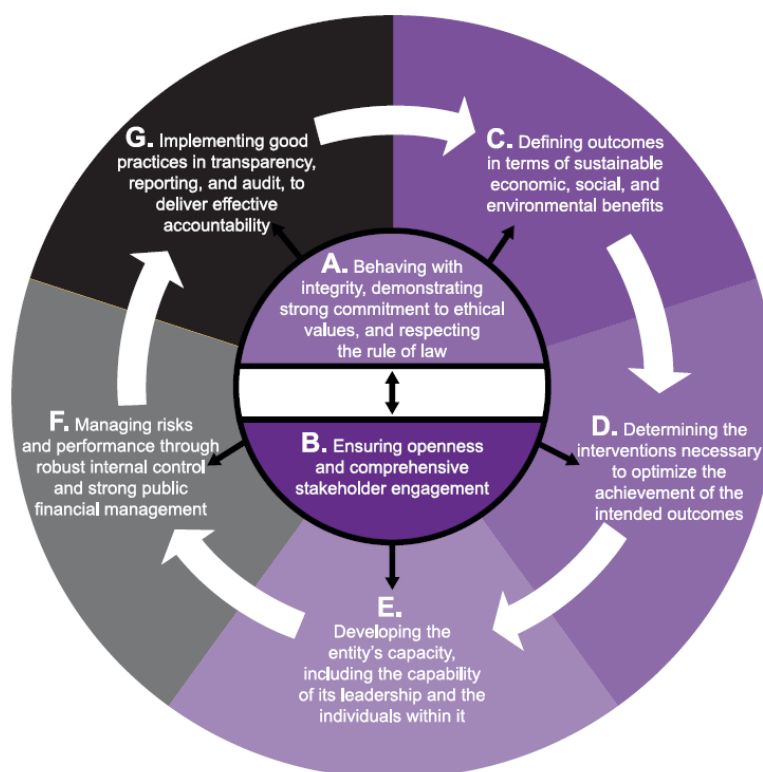
The Council delegates responsibility for independently checking that an effective governance framework (which includes a sound system of internal control) exists and operates effectively throughout the year to the Audit Committee.

The Leader and Chief Executive of the Council:

- are accountable for ensuring good governance in their authority
- sign the Annual Governance Statement on behalf of the Council.

PRINCIPLES

At an organisational level, the Council has adopted the eight core principles from the CIPFA Framework as the basis on which it wants to operate as outlined below.



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Appendix A expands on these core principles to show how they will be applied in practice.

These put high standards of conduct and leadership at the heart of good governance, placing responsibility on members and staff to demonstrate leadership by behaving in ways that exemplify high standards of conduct and so set the tone for the rest of the organisation.

VALUES

In discharging their roles and implementing the principles outlined above **at an individual level**, members and employees are expected to adopt:

- the ***Nolan Committee's Seven Principles of Public Life***, as outlined at **Appendix B**;
- the ***Council's own values*** as outlined below.
 - **Equality**: Fair treatment for all
 - **Respect**: Respect for each other
 - **Integrity**: Integrity in the work we do and the decisions we make
 - **Caring**: Listening and acting on staff, councillor, and customer needs
 - **Innovation**: Seeking new, improved ways of working and delivering services
 - **Teamwork**: Valuing everyone's contribution
 - **Accountability**: Being open and accountable to our residents, customers, partners, councillors and staff.

This will ensure that their own conduct complies with these overarching good governance principles.

PUTTING THE PRINCIPLES INTO PRACTICE

All organisations, whether public or private, large or small, need to operate the same core management processes in order to enable them to set and deliver their vision, aims and objectives. These processes are explained in **Appendix C** and structured below under the four main management activities that all successful organisations discharge well.

MANAGING CUSTOMERS

- Consultation and Engagement
- Customer Satisfaction
- Complaints, Compliments and Comments

MANAGING PEOPLE

- Workforce Development Planning
- Ethical Governance
- Staff Performance Management
- Health and Safety
- Business Planning and Strategy

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MANAGING PERFORMANCE

- Committee Structure, Constitution, Policy Framework and Procedures
- Performance Management
- Risk Management, Whistleblowing and Business Continuity
- Data Quality
- Data Management and Security
- Contract Management
- Project Management
- Change / Transformation Management

MANAGING RESOURCES

- Financial Planning, Budgetary Control and Treasury Management
- Asset Management
- Fraud & Corruption
- Insurance
- Procurement and Value for Money

Whilst the above sets out the processes that need to be in place to demonstrate good governance arrangements, it does not explain how each process works. Therefore a “How it Works” guide is maintained and updated annually which sets out the minimum expectations to ensure management processes that are proportionate but fit for purpose. The guide is available on the Council’s corporate drive and is shared with managers each year alongside guidance on completing Manager Assurance Statements (see section Management Evidence on page 8).

The Council also has a specific responsibility for ensuring that:

- the financial management of the body is adequate
- it has a sound system of internal control which facilitates the effective exercise of its functions, and which includes its arrangements for the management of risk.

All services are responsible for maintaining proportionate but sound operational procedures and processes that adequately mitigate risks that may result in a service failure or the failure to deliver service objectives.

Application of the framework should put the Council in a strong position to successfully deliver its vision, aims and objectives.

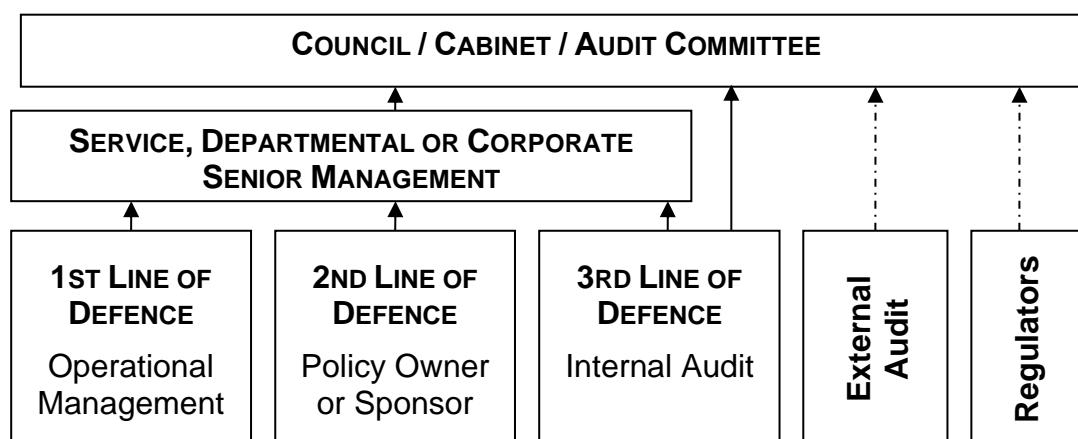
EVIDENCING EFFECTIVE IMPLEMENTATION

THE APPROACH

In order to ensure that the governance framework set out above is in place and operating properly throughout the year, the Council has adopted the concept contained in the **THREE LINES OF DEFENCE²** model, as shown below.

² Based upon general industry good practice, more specifically guidance issued by the European Confederation of Institutes of Internal Auditing (ECIIA) *Monitoring the effectiveness of internal control, internal audits and risk management systems* (September 2010) and as amended in the report *Corporate governance & cybersecurity* (September 2017).

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Ongoing evidence that the governance framework is being applied is obtained via:

The first line of defence which is:

Operational management, who are **responsible** for the effective and consistent application of these requirements in their area of operation (which includes both behavioural as well as procedural arrangements)

The second line of defence which is:

The 'owner' or 'sponsor' who is **accountable** for the overall operation of the corporate management or service specific process and should ensure that:

- it is fit for purpose (e.g. based upon relevant good practice), regularly reviewed and approved by senior management and members
- it is constructed so that evidence of its application is easily produced i.e. as 'business as usual'
- there are proportionate and cost-effective mechanisms in place to enable them to confirm that operational managers are applying it effectively and consistently
- informative, regular and timely reports are provided to senior management and councillors to confirm the process has been operating effectively and consistently, identifying any remedial actions required should this not be the case.

The third line of defence which is:

Internal Audit who provide **independent assurance** to senior management and the Audit Committee, on how effectively the first and second lines of defence have been operating.

SYSTEM OF INTERNAL CONTROL

Within this, it is incumbent on all staff to ensure that:

- sufficient checks (controls) are built into all systems, processes and activities to ensure that they consistently and effectively deliver the objectives required of them (risk management / mitigation)
- they obtain sufficient evidence throughout the year (key management controls) that these checks are operating as they should and therefore that the objectives of the systems, processes and activities are being delivered.

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OTHER POTENTIAL ASSURANCE

This can be obtained from external sources such as external audit, regulators and peers and is considered as a fourth line of defence where any of this third-party activity is relevant and robust.

KEY COMMITTEES

Full Council is responsible for ensuring the organisation has good governance arrangements. It can discharge this duty itself or delegate this role to a committee although accountability for this remains with Council.

Although the Council has delegated this function to the Audit Committee, there are five key member groups (other than Full Council) that have a significant role to play within the governance framework:

- **Cabinet** is responsible for leading the community and organisational planning process, setting the policy framework, priorities and budget, and monitoring performance;
- **Review Committee** responsibilities include promoting and maintaining high standards of conduct by Members and hearing and determining complaints about members;
- **Policy & Scrutiny Committees** are responsible for the review and development of policies and strategies and undertake specific development work at the request of Cabinet;
- **Audit Committee** is responsible for independently checking that appropriate governance arrangements (including the system of internal control) are in place, operating effectively throughout the year and that actions required to strengthen these arrangements are addressed, in a timely manner. Its work programme is designed to provide it with sufficient evidence to conclude that the Annual Governance Statement accurately reflects the governance arrangements as operated for the year in question;
- **The Council's Monitoring Officer** is responsible for promoting and maintaining high standards of conduct by the members and co-opted members, and assisting them to observe the Council's Code of Conduct; and
- **The Council's Section 151 Officer** is responsible for the proper administration of the Council's financial affairs and is required to report to all Members if there is, or is likely to be, unlawful expenditure or an unbalanced budget.

This means that it is necessary sometimes for information to go to more than one committee in order for them to discharge their respective responsibilities.

GOOD GOVERNANCE GROUP

The Council has a Good Governance Group that works collectively at least three times each year to oversee the delivery of the governance framework. There is a terms of reference for this group and the findings of the group are reported to Leadership Team through the governance monitoring reports and Annual Governance Statement.

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ANNUAL REVIEW AND REPORTING

Local Authorities are required to undertake an annual review of their governance arrangements and evidence that they are:

- up to date, fit for purpose and comply with the CIPFA Framework;
- consistently applied across the organisation at all service levels; and
- being strengthened as necessary where improvement opportunities have been identified.

The Annual Governance Statement should be reported to the Audit Committee, be made available to the Council when included as part of the Annual Statement of Accounts, and externally when the Annual Statement of Accounts is published on the Council's website.

As with the in-year arrangements for obtaining evidence that the governance framework is operating as it should, annual assurance is also provided by management as well as internal and external audit.

MANAGEMENT EVIDENCE

Management contribute to this annual requirement by asking for assurance from:

- operational managers who confirm the degree to which key management processes have been applied in their service areas throughout the year
- the owners or sponsors of key management processes regarding the adequacy of and compliance with these arrangements, through their contributions to the two governance monitoring reports over the year plus through the Annual Governance Statement

The Head of Governance will undertake to confirm the successful transaction of Council business over the year.

Members of the Good Governance Group – as the owners of key management processes – will challenge the assessments provided in the Manager Assurance Statements when meeting to agree on the assessments for each governance process to feed into the Annual Governance Statement, highlighting any areas that require senior management attention. The Good Governance Group will monitor delivery of any areas that require improvement through monitoring reports twice yearly to Leadership Team and to Audit Committee. This work will also provide evidence that the governance framework is being applied throughout the year.

Other manager assurance is provided by:

- annual reports on:
 - the Council's risk management arrangements (including those relating to fraud and corruption)
 - compliance with the treasury management policy
- the approval of the financial statements
- Self-assessments by the Head of Internal Audit and the Section 151 officer against the CIPFA statements on the role of these functions, both contained within the Annual Governance Statement.

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INDEPENDENT EVIDENCE

Evidence primarily takes the form of:

- the Head of Internal Audit's annual report, which includes an opinion on the overall system of internal control and whether the internal audit function has complied with professional standards; and
- the external auditor's Annual Governance Report to Those Charged with Governance.

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is produced by the Good Governance Group and considered by the Leadership Team before being reported to the Audit Committee. The Audit Committee considers whether the Annual Governance Statement accurately reflects its understanding of how the Council's governance arrangements have operated for the year in question. It either approves the Annual Governance Statement or recommends it to Council for approval.

The Annual Governance Statement is signed by the Leader and the Chief Executive on behalf of the Council as part of the approved statement of accounts.

COMMUNICATION OF THIS CODE

This Code is available on the internet. It is therefore accessible to all staff, members, the public and other stakeholders.

Training on aspects of the governance framework or the application of key business management processes is provided as required.

The Strategy, Policy and Performance Manager can be contacted on 01268 882358 with any queries regarding the Code.