




Agenda item:

[No.]

Audit Committee **On 12 May 2008**

Report Title: Draft Local Code of Corporate Governance	
Report of: The Chief Financial Officer	
Forward Plan reference number: N/A	
Wards(s) affected: All	Report for: Non-key decision
<p>1. Purpose</p> <p>1.1 To inform Members about the background to the Local Code of Corporate Governance and the draft Local Code which is to be recommended to full Council in July for adoption.</p>	
<p>2. Recommendations</p> <p>2.1 That Members approve the draft Local Code of Corporate Governance attached as the Appendix to the report.</p> <p>2.2 That Members note the process and timescale for consulting Member bodies before adoption by full Council.</p>	
<p>Report Authorised by: Chief Financial Officer</p> 	
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<p>3. Head of Legal Services Comments</p> <p>3.1 The legal and constitutional implications are set out in the body of the report.</p>	
<p>4. Local Government (Access to Information) Act 1985</p> <p>The Council's Constitution and relevant CIPFA/SOLACE Guidance</p>	

5. Background

- 5.1 This report is linked to the report on the Annual Governance Statement (AGS) which is due to be considered separately on the agenda for this meeting of the Audit Committee. The draft AGS explains the need for a Code of Corporate Governance as part of the Council's "governance framework". At the end of the draft AGS is an Action Plan which includes as a major issue the approval and adoption of Haringey's own Local Code of Corporate Governance by full Council by September 2008.
- 5.2 However, the issue around the adoption of a Local Code of Corporate Governance goes beyond the AGS process, because the Code will be an important tool in demonstrating and maintaining effective corporate governance across the Council.
- 5.3 The Local Code of Corporate Governance has its origins in the third report of the "Nolan Committee" on standards in public life back in 1997. This report into standards in Local Government resulted in the statutory Members' Code of Conduct and supervision by the Standards Board for England and local Standards Committees.
- 5.4 The importance of embedding a "governance framework" in each Council was recognised and taken forward by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers). In 2001 these bodies published a Guidance Note entitled "Corporate Governance in Local Government – A Keystone for Community Governance". This encouraged all Councils to adopt their own Local Codes of Corporate Governance. The concept was that each Council would review its existing governance arrangements against the key principles in the Guidance and report annually on their effectiveness in practice.
- 5.5 The Guidance Note was updated in 2006 in a revised version entitled "Delivering Good Governance in Local Government". The revisions took into account areas that merited greater emphasis notably the role of Standards and Audit Committees, partnership arrangements, risk management and the relationship of the governance framework with the statutory Statement on Internal Control and the "Good Governance Standard" recommended by the Independent Commission on Good Governance in Public Services.
- 5.6 The revised Guidance defines good governance by reference to 6 core principles:
- (i) Focussing on the purpose of the Council and on outcomes for the community and implementing a vision for the local area,
 - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles,
 - (iii) Promoting the Council's values and demonstrating the values of good governance through upholding high standards of conduct and behaviour,
 - (iv) Taking informed and transparent decisions which are subject to effective scrutiny and risk management,

- (v) Developing the capacity and capability of Members and officers to be effective, and
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

5.7 The Guidance contains a template for Councils seeking to produce their own Local Codes of Corporate Governance. It starts with the 6 core principles above and develops them through a number of supporting principles that illustrate the application of the core principles in practice. Beneath the supporting principles are a range of practical actions/arrangements that each Council should already have in place. While there may be some scope for local interpretation, use of this template will help ensure that Councils include all the essential points.

6. Haringey Local Code of Corporate Governance

6.1 As stated in the draft AGS, Haringey has had all the relevant elements of a formal local Code of Corporate Governance in existence and operation. However, these have not previously been brought together into a single document. The Appendix to this report is the proposed draft Local Code of Corporate Governance which follows the CIPFA/SOLACE template. Drafts of this Local Code have been reported to CEMB on 5 February and 1 April 2008. This report is intended to explain the need for a Local Code of Corporate Governance in Haringey and to seek the Audit Committee's comments before the draft goes before other Member bodies.

6.2 It is suggested in the Guidance that Councils should nominate a Lead Officer with the knowledge and experience to oversee the implementation of the new Local Code of Corporate Governance and the processes needed to monitor its effectiveness in practice. This role would be suitable for the Monitoring Officer/Head of Legal Services but there would need to be support from the core officer group, mentioned in the report on the AGS, which also comprises the Head of Local Democracy & Member Services, the Head of Audit & Risk Management and key officers from within the Legal Service, Corporate Finance and Performance and Policy.

6.3 The Lead Officer will be responsible for reviewing the operation of the Local Code of Corporate Governance on an annual basis. They will report at the end of each municipal year to both the Cabinet and full Council on compliance with the Code and any changes that appear desirable. There will also be regular reports to CEMB on these matters.

6.4 If the Local Code of Corporate Governance is to be effective, it will be necessary for all senior managers at first and second tier levels to accept responsibility for publicising and implementing the Code in their Services and for monitoring compliance. All Services would be expected to contribute appropriate information and recommendations for the annual reports to Members.

6.5 Following adoption of the Local Code of Corporate Governance, it would assist "buy in" if there was publicity across the Council to raise the profile of the Code with

officers and Members. This could be achieved through team briefing, articles in Smart Talk, publicity on Harinet and the inclusion of reference to the Code in training material. The draft Code attached in the Appendix to this report contains suggested links to Harinet and the Council's external website to render it more "user-friendly".

- 6.6 The adoption of a Local Code of Corporate Governance would confirm the Council's commitment to achieving high standards of corporate governance and would assist the Council's Community Leadership role. Although the Guidance behind the Code is not specifically intended for the purposes of CPA assessment, the adoption of a Code would also be a significant advantage in connection with the Use of Resources Key Lines of Enquiry on corporate governance arrangements.

7. Process for Consulting Member Bodies before Adoption

- 7.1 The adoption of a Local Code of Corporate Governance is not an express statutory function and there is no legal requirement for the formal decision to be taken either by Cabinet or full Council. However, given the significance of the document it is recommended that approval to the draft Code be given by full Cabinet at the first available meeting in June with the final adoption to be resolved by full Council in July 2008.
- 7.2 Since the adoption of the Code would be important for both the Council's audit functions and the maintenance of high standards of conduct, it is considered appropriate that the draft Code be reported to the Audit Committee on 12 May and the Standards Committee at its meeting in June.

8 Recommendations

- 8.1 That Members approve the draft Local Code of Corporate Governance attached as the Appendix to the report.
- 8.2 That Members note the process and timescale for consulting Member bodies before adoption by full Council.

9 Use of Appendices

- 9.1 The Appendix to this report is the draft Haringey Local Code of Corporate Governance proposed for adoption by full Council.

APPENDIX

DRAFT LOCAL CODE OF CORPORATE GOVERNANCE

LONDON BOROUGH OF HARINGEY

1. Introduction and Background

(a) Corporate Governance is the system by which organisations are directed and controlled. The Committee on Standards in Public Life (the “Nolan Committee”) concluded that there was a need for comprehensive framework of principles and standards to guide the conduct of local Councillors and local authorities.

(b) The Local Authority Model Code of Conduct issued in 2001 contained national mandatory provisions governing the conduct of Councillors.

(c) In 2001 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers), in association with the Local Government Association and the Audit Commission, published a Guidance Note and Framework entitled “Corporate Governance in Local Government – A Keystone for Community Governance”. This defined corporate governance in local authorities as “the system by which local authorities direct and control their functions and relate to their communities.” All local authorities were recommended to draw up a Local Code of Corporate Governance based on the CIPFA/SOLACE Guidance.

(d) Since then Local Government has been subject to continued reform intended to improve local accountability and engagement. A revised Framework has been issued entitled “Delivering Good Governance in Local Government”. This adapts for local authorities the six core principles, from the Nolan Committee, which should underpin the governance arrangements of all public bodies. These are:

- (1) a clear definition of the organisation’s purpose and desired outcomes,
- (2) well-defined functions and responsibilities,
- (3) an appropriate corporate culture,
- (4) transparent decision making,
- (5) a strong governance team and
- (6) real accountability to stakeholders.

(e) Under each of the six core principles there are several supporting principles which exemplify important aspects of the core principles. Each of the supporting principles in turn gives rise to a range of specific practical requirements which should be reflected in a Local Code of Corporate Governance.

(f) Haringey Council is committed to the principles of good corporate governance identified in the CIPFA/SOLACE Guidance and confirms its on-going intentions through the adoption and monitoring and development of Haringey's own Local Code of Corporate Governance. The Council recognises that achieving high standards of corporate governance will encourage stakeholders to have confidence in us and will allow the Council to undertake its Community leadership role effectively.

(g) The Lead Officer will be given responsibility for: -

- Overseeing the implementation and monitoring the operation of the Code
- Reviewing the operation of the Code in practice on an annual basis
- Reporting annually to the Cabinet and full Council on compliance with the Code and any changes that may be needed to ensure its effectiveness in practice
- Reporting any significant revisions of the Code to stakeholders.

(h) The Chief Executive and the Leader will make an Annual Statement of Assurance, following the annual report to Council, giving their position on whether the corporate governance arrangements are operating effectively.

(i) This document sets out Haringey Council's Local Code of Corporate Governance and the processes for monitoring its effectiveness. The Code provides the framework for the Council to achieve its aims and objectives.

(j) The Local Code of Corporate Governance for Haringey can be found:

- On Harinet for Members and officers (suggested link)
- On the Council's website (suggested link)
- By contacting the Head of Local Democracy & Member Services on 0208-489-2623 or the Monitoring Officer on 0208-489-3974.

2. **Core Principle 1 – Focussing on the Purpose of the Council and on Outcomes for the Community and Creating and Implementing a Vision for the Area**

(a) To exercise strategic leadership by developing and communicating clearly the Council's purpose and vision, and its intended outcomes for citizens and service users, we will:

- Develop and promote the Council's purpose and vision (suggested link to Council vision values and priorities)
- Review on a regular basis the Council's vision for its area and its implications for the Council's governance arrangements
- Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners (suggested link to HSP vision)
- Publish an annual report on a timely basis to communicate the Councils' activities and achievements and its financial position and performance.

(b) To ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning, we will:

- Decide how the quality of service for users is to be measured and make sure that the necessary information is available to review service quality effectively and regularly
- Put in place effective arrangements to identify and deal with failure in service delivery.

(c) To ensure that the Council makes the best use of resources and that tax payers and service users receive excellent value for money, we will:

- Decide how value for money is to be measured and make sure that the Council has the information needed to review value for money and performance effectively
- Measure the environmental impact of policies, plans and decisions.

3. **Core Principle 2 – Members and Officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles** (suggested link to Council's Constitution)

(a) To ensure effective leadership throughout the Council and to be clear about "executive" and "non-executive" functions and the roles and responsibilities of the scrutiny function, we will:

- Set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet Members individually including the Council's approach towards putting this into practice

- Set out a clear statement of the respective roles and responsibilities of non-executive Members, Members generally and senior officers

(b) To ensure that a constructive working relationship exists between Members and officers and that their respective responsibilities are carried out to a high standard, we will:

- Determine a scheme of delegation and reserve powers within the Constitution including a schedule of those matters specifically reserved to the full Council and update this as required
- Make a Chief Executive responsible and accountable to the Council for all aspects of operational management
- Develop Protocols to ensure that the Leader and Chief Executive have a shared understanding of their respective roles and objectives
- Make a senior officer, the section 151 officer, responsible to the Council for ensuring that appropriate financial advice is given and for maintaining proper records and an effective system of internal financial control
- Make a senior officer, the monitoring officer, responsible to the Council for ensuring that agreed procedures are followed and that all legislation is complied with

(c) To ensure relationships between the Council, its partners and the public are clear so that each knows what to expect of the other, we will:

- Develop Protocols to ensure effective communication between Members and officers in their respective roles
- Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective Remuneration Committee
- Ensure that effective mechanisms exist to monitor service delivery
- Ensure that the Council's vision, strategic plans, priorities and targets are developed robustly in consultation with the local communities and key stakeholders and that they are clearly expressed and publicised
- Ensure that Members working in partnership are clear about their roles and responsibilities, individually and collectively, both to the partnership and to the Council
- Ensure that all those working in partnership understand clearly the legal basis of the partnership and the extent of each representative's authority to commit their parent organisation to partnership decisions

4. **Core Principle 3 – Promoting Values for the Authority and Demonstrating the Values of Good Governance through Upholding High Standards of Conduct and Behaviour** (suggested link to Ethical Governance section)

(a) To ensure Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance, we will:

- Ensure that the Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect
- Define and publicise the standards expected in the conduct of Members and officers and in the work of the Council including work with partners and the local communities
- Put in place and maintain in operation arrangements to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest when dealing with different stakeholders

(b) To ensure that the Council’s values are put into practice and remain effective, we will:

- Develop and maintain shared values, including leadership values, for both the Council and its staff which reflect public expectations and communicate these to Members, staff, the community and partners
- Put in place arrangements to ensure that systems and processes reflect appropriate ethical standards and to monitor their continuing effectiveness in practice
- Develop and maintain an effective Standards Committee
- Use the Council’s shared values as a guide for decision-making and a basis for developing positive and trusting relationships within the Council
- Pursue a partnership vision with an agreed set of values for assessing decision-making and actions which must be demonstrated by the partners’ individual and collective behaviour

5. **Core Principle 4 – Taking Informed and Transparent Decisions which are Subject to Effective Scrutiny and Risk Management**

(a) To be rigorous and transparent about how decisions are taken and to listen and act on the outcomes of constructive scrutiny (suggested link to Overview and Scrutiny pages), we will:

- Develop and maintain an effective scrutiny function which encourages effective challenge and which enhances the Council’s performance overall and that of organisations for which the Council is responsible

- Develop and maintain open and effective mechanisms for documenting the evidence for decisions and for recording the criteria, rationale and considerations behind decisions
- Put in place arrangements to safeguard Members and staff against conflicts of interest together with appropriate processes to maintain them in practice
- Develop and maintain an effective Audit Committee which is independent of the Cabinet and scrutiny functions
- Make sure that effective, transparent and accessible arrangements are in place for dealing with complaints

(b) To have good quality information, advice and support which ensure that the services wanted and needed by the community are delivered effectively, we will:

- Ensure that decision-makers in the Council and partner organisations have information that is fit for purpose i.e. relevant, timely and with clear explanations of the technical issues
- Ensure that proper professional advice, on matters with financial or legal implications, is available, recorded well in advance of decision-making and used appropriately

(c) To ensure that an effective risk management system is in place, we will:

- Ensure that risk management is embedded into the culture of the Council with Members and managers recognising this is part of their respective roles (suggested link to risk management page)
- Ensure that effective arrangements for whistle-blowing are in place with access for Members, staff and those contracting with, or appointed by, the Council (suggested link to “whistle-blowing” policy item on Ethical Governance page).

(d) To use the Council’s legal powers for the full benefit of citizens and communities in the Borough, we will:

- Recognise the limits of lawful action while striving to use Council powers for the full benefit of the community
- Comply with the specific requirements of legislation and the general duties placed on Councils by public law
- Integrate the key principles of administrative law - rationality, legality and natural justice – into the Council’s procedures and decision-making processes

6. **Core Principle 5 – Developing the Capacity and Capability of Members and Officers to be Effective** (suggested link to training in Learning Zone)

(a) To make sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles, we will:

- Provide induction programmes tailored to individual needs and also opportunities for Members and officers to update their knowledge regularly
- Ensure that the statutory officers have the necessary skills, resources and support to perform effectively
- Ensure that the roles of the statutory officers are properly understood by all in the Council

(b) To develop the capability of those with governance responsibilities and to evaluate their performance individually and collectively, we will:

- Assess the skills required by Members and officers and develop those skills to enable their roles to be performed effectively
- 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
- Ensure that effective arrangements are in place for reviewing the performance of the Cabinet and individual Cabinet Members and for agreeing action plans to address training or development needs

(c) To encourage new talent for membership of the Council so best use can be made of individuals' skills and resources in balancing continuity and renewal, we will:

- Ensure that effective arrangements are in place to encourage individuals from all sections of the community to engage with, contribute to, and participate in, the Council's work
- Ensure that career structures are in place for Members and officers to encourage participation and development

7. **Core Principle 6 – Engaging with Local People and Other Stakeholders to Ensure Robust Public Accountability**

(a) To exercise leadership through a robust scrutiny function which effectively engages local people and all local stakeholders and partnerships and which develops constructive and accountable relationships, we will:

- Make clear to all Members, staff and the community that we are democratically accountable for this scrutiny function
- Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required
- Produce an annual report on the activity of the scrutiny function

(b) To take an effective 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, (suggested link to Making Public Consultation Work pages) we will:

- Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively
- Hold meetings in public unless there are good reasons for confidentiality
- Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively.
- The above arrangements will recognise that different sections of the community have different priorities and will establish processes for dealing with these competing demands
- Establish a clear policy on the types of issues where we will consult, or engage the public and service users, including a feedback mechanism to demonstrate to consultees what has changed as a result of consultation
- Publish an annual performance plan with information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and service user satisfaction in the previous year
- Ensure that the Council is open and accessible to the community, service users and its own staff and committed to openness and transparency in its dealings including partnerships subject to the protection of confidentiality where necessary and appropriate

(c) To make the best use of human resources by taking an active and planned approach to meet the Council's responsibility to its staff, we will:

- Develop and maintain a clear policy on the means for consulting and involving staff and their representatives in decision-making