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BOROUGH COUNCIL

A simple and effective governance framework

Southend-on-Sea Borough Council's Local Code of Governance (Draft)

1. What is governance and good governance?

Governance is defined by CIPFA and SOLACE as 'the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.   Good governance helps deliver the outcomes desired by an organisation.

The Delivering Good Governance in Local Government Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK[1]. It does so by stating that: 'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders'.

All councils should aim to meet the standards of the best which means governance arrangements should not only be sound but also be seen to be sound. Achieving high standards of governance encourages others to have confidence in engaging with the Council, enabling it to be more effective in undertaking its role of community leader.

2. Purpose of the framework

This framework, adopted by the Council, is in line with good practice guidance, including the principles that underpin it. It is part of the Council's control environment assurance arrangements (outlined further in section 11).

The Council is accountable for the proper conduct of public business. This means ensuring 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, the governance framework brings together an underlying set of values, legislative requirements, governance principles and management processes that enables effective outcomes.

The framework should be proportionate to the risk environment. As such one of the seven conditions the Council has established as required to achieve its ambition and desired outcomes is 'simple and effective governance'.

The underlying principles should be considered in the light of the key roles for local authorities identified in the guidance:

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[1] Delivering Good Governance in Local Government: Framework (2016) Chartered Institute of Public Finance and Accountancy & Society of Local Authority Chief Executives and Senior Managers

1. To engage in effective partnerships and provide leadership for and with the community;
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning;
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources; and
4. To develop citizenship and local democracy.

The framework puts high standards of conduct and leadership at the heart of good governance, placing responsibility on councillors and officers to demonstrate leadership by behaving in ways that exemplify high standards of conduct and so set the tone for the rest of the organisation. The Council discharges accountability for the proper conduct of public business, through the publication of an Annual Governance Statement (AGS) that will make the adopted practice open and explicit.
This AGS also sets out:

- **Accountability** for the governance of the Council, as well as the principles and values by which the Council operates;
- How the **principles** are put into practice to enable service delivery to reflect community need and how evidence is obtained to ensure they operate effectively throughout the year;
- The annual **reporting** process and
- How the framework is **communicated** to councillors, staff and other relevant parties.

3. Accountability

Councillors are collectively responsible for the governance of the Council. 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 of the Council and Chief Executive:
- Are accountable for ensuring good governance in their authority
- Sign the Annual Governance Statement on behalf of the Council.

4. Principles

The Council has adopted the seven core principles from the 2016 CIPFA/Solace Framework as the basis on which it wants to operate as outlined below.
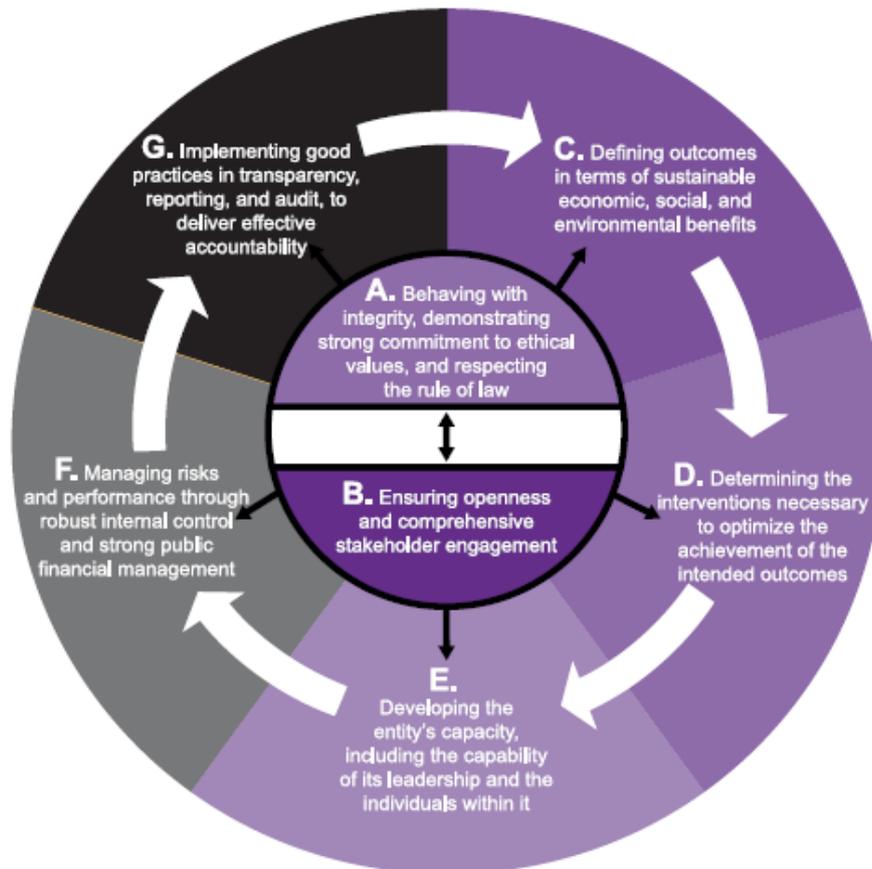
The CIPFA/Solace governance framework provides more detail on how these core principles should be applied in practice. It provides context, along with the Nolan Principles of Public Life, for the Council's own values and behaviours, agreed in 2019. The adoption and implementation of these values and behaviours by staff and councillors is critical for Council to achieve its ambition and desired outcomes - as set out in the Southend 2050 Road Map.

5. Values and behaviours

In discharging their roles and implementing the principles outlined above at an individual level, councillors and staff are expected to adopt and enact;

- [The Nolan seven principles of public life](#)
- The Council's own values and behaviours:

Council values:

- **Inclusive – we put people at the heart of what we do**
- **Collaborative – we work together**
- **Honest – we are honest, fair and accountable**
- **Proud – we are proud to make lives better**

Behaviours expected of councillors and staff:
- **Driving positive change**
- **Trust and respect**
- **Demonstrating strong leadership**
- **Act with integrity and behaving responsibly**
- **Building relationships to work well together**

Adhering to these values and behaviours will help ensure that councillors and staff conduct complies with the overarching good governance principles.

6. Putting the principles into practice

All organisations, whether public or private, large or small, need to operate core management processes to enable them to deliver their vision, aims and objectives. These processes are outlined below under the Council's main management activities below:

CITIZENS	PERFORMANCE
- Community participation - Co-design and production with citizens - Customer satisfaction - Consultation and engagement - Complaints, compliments and comments	- Outcome based business planning and strategy - Decision making / constitution - Policy framework and procedures - Performance management - Data quality - Risk management, whistleblowing - Business continuity - Information management security - Contract management - Project management - Change / transformation management
RESOURCES	**PEOPLE**
- Outcome based financial planning & reporting, budgetary control and treasury management - Commissioning - Procurement - Asset Management - Fraud & Corruption and Insurance - Value for Money	- Workforce management & development - Values and behaviours - codes of conduct for members and staff - Staff performance management - Health and safety - Ethical governance

The Council also has a very 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 outlined should put the Council in a strong position to successfully deliver whatever services it chooses to.

7. Effective implementation

7.1 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 defence**[2] model, as shown below.

CABINET / AUDIT COMMITTEE / COUNCIL				
SERVICE, DEPARTMENT OR CORPORATE SENIOR MANAGEMENT				
1ST LINE OF DEFENCE Operational Management	2ND LINE OF DEFENCE Policy owner	3RD LINE OF DEFENCE Internal Audit	External Audit	Regulators / peers
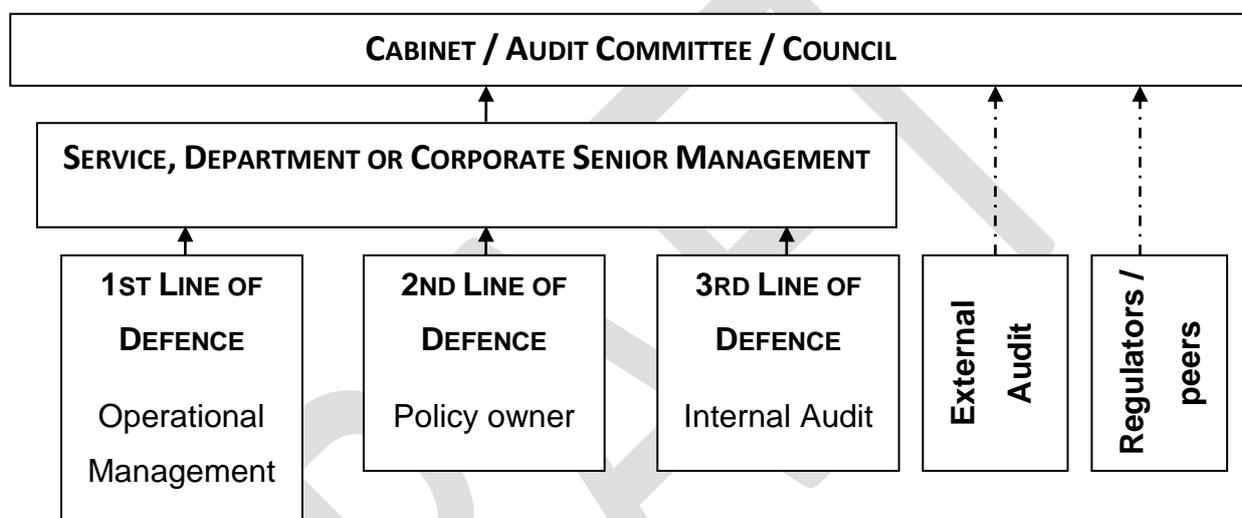
Evidence that the governance framework is being applied is obtained via:

7.2 The first line of defence:

Operational management, which is responsible for the effective and consistent application of these requirements in their area of operation. This includes both behavioural as well as procedural arrangements.

7.3 The second line of defence:

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 (for example, based upon relevant good practice), regularly reviewed and approved by senior management and members;

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[2] Based upon general industry good practice, more specifically guidance issued by the European Confederation of Institutes of Internal Auditing "*monitoring the effectiveness of internal control, internal audits and risk management systems*" September 2010

- 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; and
- Informative, regular and timely reports are provided to senior management to confirm the process has been operating effectively and consistently, identifying any remedial actions required should this not be the case.

7.4 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.

7.5 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 (e.g. through risk management / mitigation);
- sufficient evidence can be obtained throughout the year (via key management controls) to ensure these checks are operating as they should and, therefore, that the systems, processes and service objectives are being delivered.

7.6 Other potential assurance

This can be obtained from external sources such as external audit, regulators, peers as well as the public and media and can be considered a **fourth line of defence** where any of these sources' activity is relevant and robust.

8. Key Committees

The ('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.

The Council has delegated this function to the Audit Committee. However, there are other key council bodies that have a significant role to play within the governance framework:

- Full Council is responsible for setting the budget and policy framework.

- The **Cabinet** is responsible for the majority of functions of the Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers. Cabinet leads the Council's drive for value for money, the preparation of the Council's vision, policies and budget and community participation processes. It takes in year decisions on resources and priorities and is the focus for forming partnerships to address local needs.

- **Scrutiny Committees** review decisions made or actions taken in relation to any of the Council's functions, consider any matter affecting the area or its residents and exercise the right to call in, for reconsideration, decisions made by Cabinet, not yet implemented. They undertake reviews of Council policy and practice and suggest ways these could be improved.

- **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 **Standards Committee** is responsible for promoting and maintaining high standards of conduct by councillors and co-opted members, and assisting them to observe the Councillors code of conduct.

- The **Health & Wellbeing Board** provides strategic leadership to improve the health and wellbeing of local people and reduce health inequalities. The Board works to understand the local community's needs, agree priorities and encourage commissioners to work in a more joined up way.

- The **Community Safety Partnership** provides strategic leadership in their statutory responsibility for reducing crime and disorder, substance misuse and re-offending in their area.

It is necessary sometimes for information to go to more than one committee in order for them to discharge their respective responsibilities.

9. Good Governance Group

The Council has an officer Good Governance Group that meets regularly to oversee the delivery of the governance framework. There is a terms of reference for this group and it reports to the Chief Executive and provides reports to the Corporate Management Team and Audit Committee.

In addition to the Corporate Management Team, key officer boards ensure good governance in relation to:

- Investment
- Commissioning
- Growth & infrastructure
- Innovation and change

10. Annual review and reporting

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

- Up to date, fit for purpose and comply with the CIPFA/Solace Framework;
- Consistently applied across the organisation at all service levels;
- Being strengthened, as necessary, where improvement opportunities have been identified.

Such reviews are reported to the Audit Committee, within the Council and externally with the published accounts.

11. Evidence and Assurance

Evidence that the governance framework is operating as it should, is obtained in a number of ways. This includes:

Annual assurance obtained from:
- Key elements of the Control Environment Assurance, including the Council's approach to and reporting on:
    - Risk management
    - Counter fraud, bribery and corruption
    - Counter money laundering
    - Whistleblowing
    - Directed surveillance

The owners or sponsors of key management processes, in relation to the adequacy of and compliance with key management arrangements

- Other significant functions / service providers (e.g. project / contract managers) that confirms compliance with the relevant corporate approach or requirements.
- The Good Governance Group reviewing evidence provided, each year, highlighting any areas that require senior management attention. Departmental management teams will review actions requiring attention through the normal performance management process.
- Compliance with the treasury management policy.
- Approval of the financial statements.
- Revenue and capital monitoring.
- Performance management.

12. Independent evidence

Independent 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 functions have complied with professional standards.
- The external auditor's Annual Governance Report to those charged with governance.
- External inspections and reviews from regulatory, professional, peer and representative bodies.

13. Annual Governance Statement

The Council's Annual Governance Statement is developed by the Good Governance Group, during the year and will be considered by the Corporate Management Team before being reported to the Audit Committee as part of the annual Statement of Accounts. 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.

The AGS is signed by the Leader and Chief Executive on behalf of the Council.

14. Communications

This framework forms part of the Council's Constitution which is available on Council's website and, therefore, accessible to all staff, councillors, the public and other stakeholders. The framework is provided to new councillors and content outlined to newly appointed staff as part of the induction process.

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

The Head of Internal Audit can be contacted on 01702 215802 and the Policy Manager can be contacted on 01702 534025 with any queries regarding the framework.