LOCAL CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

1.1 North Herts District Council is committed to achieving good corporate governance and this Local Code of Corporate Governance confirms its ongoing commitment to do so.

1.2 This Code outlines North Herts District Council's (NHDC's) approach towards corporate governance and the principles against which its arrangements will be measured.

2. WHAT IS CORPORATE GOVERNANCE?

2.1. The Charted Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) set the standard for local authority governance in the UK through their Framework principles and published a new set in April 2016. These principles *are themselves* derived from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'). NHDC's Code is therefore based on these principles:
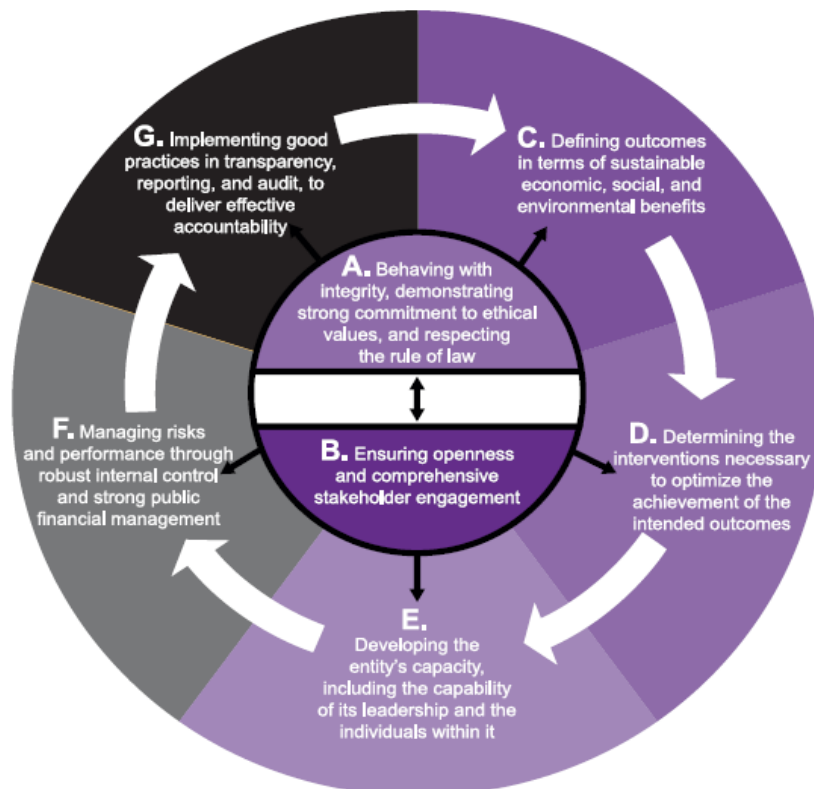
2.2. The 2016 Framework defines governance as comprising of: "...*the arrangements (including political, economic, social, environmental administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved."*

2.3. The CIPFA/Solace Framework states[1] that "***To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.***"

2.4. These principles and sub-principles are:

Principles in bold, *Sub-principles in italics.*
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.
1) Behaving with integrity
i) Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
ii) Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).
iii) Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
iv) Demonstrating, communicating, and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
2) Demonstrating strong commitment to ethical values
i) Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
ii) Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
iii) Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
iv) Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.
3) Respecting the rule of law
i) Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.

[1] Delivering good governance in Local Government Framework (2016 Edition)

ii) Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

iii) Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.

iv) Dealing with breaches of legal and regulatory provisions effectively.

v) Ensuring corruption and misuse of power are dealt with effectively.

Principle B. Ensuring openness and comprehensive stakeholder engagement.

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

1) Openness

i) Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.

ii) Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.

iii) Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.

iv) Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

2) Engaging comprehensively with institutional stakeholders

i) Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.

ii) Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.

iii) Ensuring that partnerships are based on:
— trust
— a shared commitment to change
— a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

3) Engaging stakeholders effectively, including individual citizens and service users

i) Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.

ii) Ensuring that communication methods are effective, and that members and officers are clear about their roles with regard to community engagement.

iii) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.

iv) Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.

v) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.

vi) Taking account of the interests of future generations of taxpayers and service users.

Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

1) Defining outcomes

i) Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.

ii) Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.

iii) Delivering defined outcomes on a sustainable basis within the resources that will be available.

iv) Identifying and managing risks to the achievement of outcomes.

v) Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

2) Sustainable economic, social and environmental benefits

i) Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.

ii) Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.

iii) Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.

iv) Ensuring fair access to services.

Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action

is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

1) Determining interventions

i) Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.

ii) Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

2) Planning interventions

i) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

ii) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.

iii) Considering and monitoring risks facing each partner when working collaboratively including shared risks.

iv) Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.

v) Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.

vi) Ensuring capacity exists to generate the information required to review service quality regularly.

vii) Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.

viii) Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

3) Optimising achievement of intended outcomes

i) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.

ii) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.

iii) Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.

iv) Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

1) Developing the entity's capacity

i) Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.

ii) Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.

iii) Recognising the benefits of partnerships and collaborative working where added value can be achieved.

iv) Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

2) Developing the capability of the entity's leadership and other individuals

i) Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

ii) Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.

iii) Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.

iv) Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
- *ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.*
- *ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ensuring members and officers have the appropriate skills,*

knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.

- *ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.*

v) Ensuring that there are structures in place to encourage public participation.

vi) Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

vii) Holding staff to account through regular performance reviews which take account of training or development needs.

viii) Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Principle F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery.

Importantly, this culture does not happen automatically, it requires repeated commitment from those in authority.

1) Managing risk

i) Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.

ii) Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.

iii) Ensuring that responsibilities for managing individual risks are clearly allocated.

2) Managing performance

i) Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

ii) Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.

iii) Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made

thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

iv) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

v) Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).

3) Robust internal control

i) Aligning the risk management strategy and policies on internal control with achieving the objectives.

ii) Evaluating and monitoring the authority's risk management and internal control on a regular basis.

iii) Ensuring effective counter fraud and anti-corruption arrangements are in place.

iv) Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.

v) Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:
— provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
— that its recommendations are listened to and acted upon.

4) Managing data

i) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.

ii) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.

iii) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

5) Strong public financial management

i) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.

ii) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

1) Implementing good practice in transparency
i) Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
ii) Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
6) Implementing good practices in reporting
i) Reporting at least annually on performance, value for money and the stewardship of its resources.
ii) Ensuring members and senior management own the results.
iii) Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).
iv) Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.
v) Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
7) Assurance and effective accountability
i) Ensuring that recommendations for corrective action made by external audit are acted upon.
ii) Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.
iii) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
iv) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
v) Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

2.5   The Chartered Institute of Public Finance and Accountancy (CIPFA) also launched a Financial Management (FM) Code. The intention is that the Code helps to create a culture of strong financial management to help address the financial pressures that Councils are facing. The intention is that a self-regulation approach will prevent any other Local Authorities 'failing'. This will then avoid any need for any external control or reductions in current powers. The Code does not currently have any specific statutory backing. However, CIPFA reference that compliance with the code should be linked to s151 of the Local Government Act 1972 ("every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of

their officers has responsibility for the administration of those affairs"). They also place an obligation on their members to adhere to the Code. The 17 standards contained within the Code have been provided to Members of the Committee by the Chief Finance Officer.

3.   NHDC'S GOVERNANCE AIM

3.1.   NHDC aims to meet the above Framework principles in a cost efficient and effective governance manner. The Council is required to review its arrangements annually and will assess these against the principles and prepare and publish an Annual Governance Statement (AGS) in accordance with Delivering Good Governance in Local Government: Framework (2016) and the statutory requirements[2].

3.2.   Many of the requirements contained within the principles and this Code are included in the Council's Constitution and the Council's key strategies and policies, which are available through the Council's website:

https://www.north-herts.gov.uk/

As part of the annual assessment, the AGS will, however, set out how the requirements have been met through specific examples/ outcomes as against the above principles; or if these have not been met in part/ fully, detail the actions NHDC will take to address the matter. The assessment document will be published on the Council's website.

4.   NHDC'S VISION

4.1.   Leadership and collaborative working are developed themes within NHDC. It has a vision and the Council Plan that sets out NHDC's strategic priorities and thematic work for the district for 2024-2028.

4.2.   NHDC's Vision is:

'Working with you for a fairer, greener North Herts'.

It is clear that the Council must work with its residents, businesses, contractors, and urban and rural communities to achieve this vision.

4.3.   NHDC's internal corporate business planning process supports the delivery of the vision in terms of what we do and the collaborative work we carry out in conjunction with our partners.

4.4.   The vision is supported by the Council's Priorities, which for 2024 onwards are:

- **Thriving Communities**

- **Accessible Services**

- **Responsible Growth**

- **Sustainability**

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[2] Under the Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit (Amendment) Regulations 2022/708

4.5. The Council aspires to achieve its priorities in an open and transparent manner having due regard to equal opportunities and the opportunities and benefits proffered by innovative and flexible partnership working.

5. CONCLUSION

To ensure that it keeps its aims, North Herts District Council will:

• Review its Local Code of Corporate Governance annually to ensure that it reflects current recommended practice and remains a "live" document.

• Monitor all arrangements in place for practical effectiveness.

• Review practices, procedures and guidelines on a regular basis.

• Review its arrangements and report these through the AGS on how North Herts District Council is complying with the principles/ the Code. This will include oversight of the assessment by the Leadership Team and Member consideration and approval (through appropriate bodies). This assessment will include review of the annual internal auditor's opinion from the Head of the Shared Internal Audit Service (SIAS); external auditors' opinion/ letter; managers' assurance statements; the Finance, Audit and Risk Committee annual report/ review of its effectiveness; inspection reports   (SIAS and the Shared Anti-Fraud Service – SAFS); Ombudsman's recommendations; annual Scrutiny report; Standards Committee report; project governance and risk arrangements.

• Identify any necessary governance actions in the AGS including appropriate timescales and designate Lead Officers for the forthcoming year.

• Ensure that actions identified in the AGS are monitored and reported back through the Leadership Team process (as appropriate) and to Members of Finance, Audit and Risk Committee.

Review date – 12th March 2025

*This Code will be reviewed by 31st March 2026 unless any **significant changes** are required in the interim.*