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## **LOCAL CODE OF CORPORATE GOVERNANCE**

**Report by Chief Executive**

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### **AUDIT AND SCRUTINY COMMITTEE**

**28 June 2017**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **The purpose of this report is to propose that the revised Local Code of Corporate Governance of Scottish Borders Council be considered and be recommended by the Audit and Scrutiny Committee for approval by full Council.**
- 1.2 Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.3 Fundamentally Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 1.3 The development of a revised Local Code of Corporate Governance for the Council, consistent with the principles and requirements of the Framework 2016 'Delivering Good Governance in Local Government', will help to ensure proper arrangements continue to be in place to meet these responsibilities.

#### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
- (a) **Consider the revisions to the Local Code of Corporate Governance of Scottish Borders Council that is attached to this report as Appendix 1, and recommend it for approval by full Council;**
  - (b) **Instruct that the Local Code of Corporate Governance be re-launched to ensure greater awareness across the Council; and**
  - (c) **Request that the Chief Executive and Service Directors consider compliance with the Code as part of their annual assurance statements on internal control and governance and implement actions to ensure full compliance to the elements of the Code.**



### **3 BACKGROUND**

- 3.1 Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 3.2 Fundamentally Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values, by which councils are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 3.3 Scottish Borders Council aims to meet the highest standards of corporate governance. The Council operates through a governance framework for the conduct of its affairs which brings together an underlying set of legislative requirements, governance principles and management processes. The Council's Local Code of Corporate Governance was previously approved by full Council on 19 May 2016.
- 3.4 A new CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Edition (the 2016 Framework) was published in Spring 2016. This applies to Annual Governance Statements prepared for the financial year 2016/17 onwards, and associated guidance for Scottish Authorities was published in November 2016. The Council's Local Code of Corporate Governance has therefore been updated as part of the annual assurance process for 2016/17 to comply with the principles and requirements of the 2016 Framework.
- 3.5 The 2016 Framework defines the seven (previously six) core principles of good governance, namely:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management and
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.6 The Framework urges local authorities to test their structure against these principles by:
  - (a) Reviewing their existing governance arrangements against the Framework.
  - (b) Developing and maintaining an up-to-date local code of governance including arrangements for ensuring its on-going application and effectiveness.
  - (c) Preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

3.7 The Council undertakes an annual review of its governance arrangements. An officer Governance Self-Assessment Working Group carries out a self-assessment of compliance with the Local Code to inform the Service Directors' assurance statements to the Chief Executive. The outcome of the annual review is reported to the Audit and Risk Committee within the Annual Governance Statement by the Chief Executive prior to its inclusion within the published Statement of Accounts. During the 2016/17 review the Group concluded that revisions are required to the Local Code to ensure it reflects the changing context of Scottish Borders Council, and complies with the new Framework.

#### **4 PROPOSALS**

- 4.1 Revisions are required to the Scottish Borders Council Local Code of Corporate Governance (Local Code), which is attached to this report as Appendix 1, to ensure it continues to be a value-added tool for members and officers of the Council in the conduct of the Council's affairs.
- 4.2 The main changes to the Local Code cover:
- (a) Updating existing and formalising new partnership arrangements e.g. the Health and Social Care Integration Joint Board.
  - (b) Updating existing monitoring and review arrangements of service performance of Alternative Service Delivery Models.
  - (c) Developments in Consultation and Engagement activities.
  - (d) The layout of the document to ensure it is compliant with the new Framework.
- 4.3 The approval of the revised Local Code (Appendix 1), will ensure the Council meets the requirements of the CIPFA/SOLACE 2016 Framework. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for compliance with applicable legislation and guidance, control and management of risk, delivery of best value, and monitoring the adequacy and effectiveness of the arrangements in practice.
- 4.4 The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members 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.
- 4.5 The Council will continue to undertake an annual review and reporting of its governance arrangements. The Annual Governance Statement provides assurance that internal control and governance arrangements are adequate and operating effectively in practice or, where reviews of the internal control and governance arrangements have revealed gaps, action is planned that will ensure effective internal control and governance in future.
- 4.6 This process not only creates an opportunity for the Council to set out its standard for good governance but also to ensure that its governance arrangements are seen to be sound. This is important as the governance arrangements in public services are closely scrutinised.

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications arising from the proposals in this report. Arrangements to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively is an integral part of good corporate governance and therefore financial governance and key internal financial controls are embedded within the revised Local Code of Corporate Governance.

### 5.2 Risk and Mitigations

The review of and revisions to the Local Code of Corporate Governance will ensure that internal controls, risk management and other governance arrangements are improved through the implementation of the framework.

### 5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from this report.

### 5.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

### 5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

### 5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

### 5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Corporate Management Team, Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer HR and the Clerk to the Council have been consulted on this report and the revised Local Code and any comments received have been taken into account.

### Approved by

**Tracey Logan, Chief Executive**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
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**Background Papers:** CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Edition (2016 Framework); Scottish Borders Council Annual Governance Statement 2016/17

**Previous Minute Reference:** Scottish Borders Council 19 May 2016

**Note** – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

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