CODE
OF
CORPORATE
GOVERNANCE

Cheshire East Council

INTRODUCTION

Cheshire East operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes.

In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Society of Local Authority Chief Executives (SOLACE) with the support from key organisations in local government, responded to the need to draw together the principles identified by Cadbury, Nolan and, in England, the former Department of the Environment, Transport and the Regions (DETR). A single framework of good governance for use in local government was published entitled "Corporate Governance in Local Government – A Keystone for Community Governance: Framework".

Since the Framework was published, local government has been subject to continued reform intended to improve local accountability and engagement and a revised framework was deemed timely.

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 Cheshire East to pursue its vision effectively as well as underpinning that vision with mechanisms for control and the management of risk.

The revised Framework "Delivering Good Governance in Local Government – Framework" issued in 2007 defines the principles that should underpin the governance of a local authority. It identifies six core principles: -

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas

- Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risks

- Developing the capacity and capability of members and officers to be effective

- Engaging with local people and other stakeholders to ensure robust public accountability

The annual review of the Code of Corporate Governance is reported to the Audit and Governance Committee.

The production of the Governance Statement in compliance with the Accounts and Audit Regulations 2003 (Amended 2006) is presented to the Audit and Governance Committee annually in conjunction with the Statement of Accounts.

PRINCIPLE 1

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas:
- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner.

Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders

Supporting Principles	To meet with the requirements of Principle 1, Cheshire East will:
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and users	• Develop and promote the authority's purpose and vision
	• Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements
	• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
	• Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available
	• Put in place effective arrangement to identify and deal with failure in service delivery
Ensuring that the authority makes best use of resources and that tax payers and service users receive	• Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for

excellent value for money	money and performance effectively. Measure the environmental impact of policies, plans and decisions
	• *Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use*
	• *Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary*
	• *Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code*

PRINCIPLE 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles:
• Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function
• Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard
• Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government, the governing body is the full council or authority.

Supporting Principles	To meet with the requirements of Principle 2, Cheshire East will:
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	• Set out a clear statement of the respective roles and responsibilities of the Cabinet and the Cabinet members individually and the authority's approach towards putting this into practice
	• Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
	• *Ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.*
Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard	• Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required
	• Make the chief executive or equivalent responsible and accountable to the authority for all aspects of operational management
	• *ensure that the authority's governance arrangements allow the CFO direct access to the CEO and to other leadership team members*
	• Develop protocols to ensure that the

	leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
	• Make a senior officer (the Borough Treasurer and Head of Assets as Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control

	• *appoint a professionally qualified CFO (Chief Financial Officer –in this case the Borough Treasurer and Head of Assets) whose core responsibilities include those set out in the Statement on the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority*
	
	• *ensure that the CFO :*
	   o *leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively*
	   o *has a line of professional accountability for finance staff throughout the organisation*
	
	• *ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance*
	
	• *Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role*

	• Make a senior officer (the Borough Solicitor as monitoring officer)

	responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other	• Develop protocols to ensure effective communication between members and officers in their respective roles
	• Set out terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective independent remuneration panel (for members)
	• Ensure that effective mechanisms exist to monitor service delivery
	• Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholder, and that they are clearly articulated and disseminated.
	• *Establish a medium term business and financial planning process to deliver strategic objectives including:* • *A medium term financial strategy to ensure sustainable finances* • *A robust annual budget process that ensures financial balance* • *A monitoring process that enables this to be delivered* • *Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used*
	• When working in partnership. Ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority

	• When working in partnership:
	
	  o Ensure that there is clarity about the legal status of the partnership
	
	  o Ensure that, when working in partnership, all parties understand and

	make clear the extent of the authority to bind their organisation to partner decisions

PRINCIPLE 3

Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective

Good governance flows from a shared ethos or culture. As well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated by behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example equal opportunities and anti-discrimination.

Supporting Principles	To meet with the requirements of Principle 3, Cheshire East will:
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
	• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
	• Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
Ensuring that organisational values are put into practice	• Develop and maintain shared values including leadership values for both the

and are effective	organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners
	• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
	• *Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice*
	• Develop and maintain an effective standards committee
	• Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
	• In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively

PRINCIPLE 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
• Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny • Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs • Ensuring that an effective risk management system is in place • Using their legal powers to the full benefit of the citizens and communities in their area
Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, authority members must be well informed. Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently. Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

Supporting Principles	To meet with the requirements of Principle 4, Cheshire East will:
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible
	• *Ensure an effective internal audit function is resourced and maintained*
	• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
	• Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice
	• Develop and maintain an effective audit committee (the Audit and Governance Committee) which is independent of the executive and scrutiny functions.

	• *Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit*
	• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	• Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications
	• *Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority*
	• Ensure that timely professional advice on matters that have legal or financial implications is available and recorded in advance of decision making and used appropriately
	• *Ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions* • *Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance*
Ensuring that an effective risk management system is in place	• Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job
	• *Ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports* • *Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorization and approval*

		processes
	•	Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those in contracting with or appointed by the authority have access.
Using their legal powers to the full benefit of the citizens and communities in their area	•	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities
	•	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law
	•	Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision making processes

PRINCIPLE 5

Developing the capacity and capability of members and officers to be effective
• Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles
• Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group
• Encouraging new talent for membership of the authority so that best use cab be made of individual's skills and resources in balancing continuity and renewal
Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services. Authorities need people with the right skills to direct and control then effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.
Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the social class, life experience, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.

Supporting Principles	To meet the requirements of Principle 5, Cheshire East will:-
Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles	• Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis
	• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority
	• *Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role*
	• *Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised*
	• *Provide the finance function with the resources, expertise and systems necessary to perform its role effectively*

Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	• Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
	• *embed financial competencies in person specifications and appraisals* • *ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities*
	• 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 executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs
Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
	• Ensure that career structures are in place for members and officers to encourage participation and development

PRINCIPLE 6

Engaging with local people and other stakeholders to ensure robust public accountability
• Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships • Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning • Making best use of human resources by taking an active and planned approach to meet responsibility to staff
Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to annual review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the ombudsman.

Supporting Principles	To meet the requirements of Principle 6, Cheshire East will:-
Exercising leadership through a robust scrutiny function which effectively engages local people and stakeholders, including partnerships, and develops constructive accountable relationships	• Make clear to all staff and the community to whom they are accountable and for what
	• Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required
	• Produce an annual report on the activity of the scrutiny function and promote a regular dialogue between executive and scrutiny functions
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	• Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and 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 authority to engage with all sections of the community effectively. These arrangements should recognise

	that sections of the community have different priorities and establish explicit processes for dealing with these competing demands
	• Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result
	• On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
	• Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnership, subject only to those specific circumstances where it is proper and appropriate to do so
Ensure that our staff are engaged in the objectives and ethos of the organisation	• Ensure that staff are fully informed and have an opportunity to feedback with comments and suggestions.