

AUDIT COMMITTEE

25 SEPTEMBER 2008

ANNUAL GOVERNANCE STATEMENT & CODE OF CORPORATE GOVERNANCE

Report from: Deborah Upton, Monitoring Officer

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Summary

To introduce and explain the requirements for reporting and approving an Annual Governance Statement (AGS) (formerly known as the Statement on Internal Control (SIC)) covering the financial year 2007/08, and to seek approval for the revised documentation.

1. Budget and Policy Framework

- 1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to comment on the annual governance statement. The code of corporate governance forms part of the Constitution, and as such will be agreed by full Council.
- 1.2 This report needs to be considered as a matter of urgency as the Accounts and Audit Regulations 2003 (as amended) require that Committee consider these issues prior to 30 September.

2. Background

- 2.1 In respect of the year 2006/7, the Statement of Internal Control was approved by this committee in 28 June 2007. Regulation 4 of the Accounts and Audit regulations (2003) (as amended) requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control each year with the Council's financial statements.
- 2.2 For 2007/08 this requirement has changed slightly. Now the SIC has been renamed the Annual Governance Statement (AGS), although its content is broadly similar to the former SIC. The format of the AGS is not prescribed – however CIPFA has produced a suggested template, which the Statement at Appendix A follows.

2.3 In addition the AGS refers explicitly to a Local Code of Corporate Governance. This has not yet been adopted by the Council, and this is set out at Appendix B.

3. Local Code of Corporate Governance

3.1 This derives from review work undertaken by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). The Commission identified six core principles which were published in a 2004 publication entitled The Good Governance Standard for Public Services. CIPFA has then adapted these six core principles for application to local authorities.

3.2 The core principles are:

- a) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) developing the capacity and capability of members and officers to be effective; and
- f) engaging with local people and other stakeholders to ensure robust public accountability.

3.3 In 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE), published guidance ('Delivering Good Governance in Local Government') as to the content of a Local Code of Corporate Governance based upon the six core principles plus a number of sub-principles, and it is upon this guidance that the Local Code as set out at Appendix B is based.

3.4 As a Local Code, it needs to be incorporated into the Constitution, and so the suggested process is for it to be referred to Council on 13 November 2008 via the Cabinet on 14 October 2008. This will replace the existing 'code of corporate governance' set out in chapter 5 of the Constitution.

4. Annual Governance Statement

- 4.1 The AGS (formerly known as the SIC) explains how the council has complied with the local code, how we are complying with regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. In addition, as before, there is a section setting out any future actions that may be needed to strengthen our corporate governance arrangements.

5 Financial implications

- 5.1 There are no financial implications arising directly from this report.

6. Legal implications

- 5.1 The legal implications arising directly from this report are set out in the main body.

6 Recommendations

Members are asked to

- (a) Agree that the Local Code of Corporate Governance set out in Appendix be recommended, via the Cabinet on 14 October 2008, to Council on 13 November 2008 for approval and incorporation into the Constitution;
- (b) Agree the contents of the Annual Governance Statement for 2007/08

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**MEDWAY COUNCIL
ANNUAL GOVERNANCE STATEMENT: 2007/08**

1. Scope of responsibility

Medway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council will be asked to approve a local code of corporate governance at its meeting on 13 November 2008, and this is consistent with the principles of the CIPFA/SOLACE *Framework for Delivering Good Governance in Local Government*. A copy of the current Code is on our website at www.medway.gov.uk and can also be obtained from the Monitoring Officer at Medway Council, Gun Wharf, Dock Road, Chatham (01634) 332133, and the revised code will subsequently be published once adopted.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The following section of the statement summarises Medway Council's governance framework that has been in place for the year ended 31 March 2008 and up to the date of approval of this Statement and the Statement of Accounts. The framework described reflects the arrangements in place to meet the six core principles of effective governance.

3. The Council's framework for ensuring compliance with the core principles of effective governance

(a) Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area

- The council works with its partners through the Local Strategic Partnership to set the vision and priorities for the area. The council manages, on behalf of the LSP, a process of bringing together performance data, demographic information and consultation findings to determine the key shared priorities. The community plan vision and objectives were subject to extensive consultation with the then 10 thematic partnerships of the Local Strategic Partnership and the LSP full plenary. During the latter part of 2007/8 the LSP further refined its priorities as it negotiated its second local area agreement.
- The council's well established 'framework for managing performance at Medway Council' (attached at appendix 1) shows how the community plan then helps to inform and shape the council's own priorities. During 2007/8 the Council reviewed its own priorities in the context of the refreshed community plan agreed in November 2006. In June 2007 the council agreed the best value performance plan for 2007/8 which both showed how the council would deliver the elements of the community plan which are its individual or shared responsibility and how it intends to develop and improve its portfolio of services. The 2007/8 plan revised the council's priorities reducing them from ten to six to give greater strategic focus.
- A summary of the performance plan is routinely sent to all residents as a supplement to the council's magazine Medway Matters. In addition the council's proactive communications activity is shaped by the priorities. 2007/8 also saw the introduction of the government's new performance framework. The council will use the flexibility these new arrangements bring to produce a council plan and resource strategy to one aligned timetable. The analytical work carried out in 2007/8 in support of LAA2 negotiations will inform the update of both the council plan and community strategy.

(b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Council has ensured that the necessary roles and responsibilities for its governance are identified and allocated so that it is clear who is accountable for decisions that are made. The Council has done this by:

- Appointing a Leader of the Council, and executive Members (Cabinet

- Members), with defined executive responsibilities
- Agreeing a scheme of delegated executive responsibilities to directors and other senior officers, and protocols that make clear the respective roles of Members and officers and ensure effective communication between them.
- Annually appointing committees to discharge the Council's regulatory responsibilities
- Annually appointing committees to discharge the Council's overview and scrutiny responsibilities
- Setting clear role definitions for chairs of committees and councillors in their different roles
- Ensuring that the Constitution is regularly reviewed
- Making the Chief Executive (the Head of Paid Service) responsible and accountable to the Council for all aspects of operational management.
- Making a senior officer (the Monitoring Officer) responsible to the authority for ensuring the lawfulness and fairness of decision-making, and that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Making a senior officer (the Section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Ensuring significant partnerships and contracts with other public bodies, voluntary and community organisations, and the private sector have clear governance accountabilities, including effective and equitable financial arrangements
- Having in place effective and comprehensive arrangements for the scrutiny of services

(c) Promoting our values and upholding high standards of Conduct and behaviour.

The Council promotes and maintains high standards of ethical conduct of members and officers through the work of its Standards Committee. The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.

The Council has done this by establishing and keeping under review:

- The Council's Constitution
- A Members' Code of Conduct
- An Officers' Code of Conduct
- A protocol governing Member/Officer Relations
- A Members' Planning Code of Good Practice
- A Members Licensing Code of Good Practice
- Monitoring Officer Protocol
- Media Guidelines
- Contract Standing Orders and Financial Regulations

The monitoring officer is responsible for the review of the constitution, and for ensuring that it is kept up to date.

Conduct of Members is monitored by the Standards Committee, which also investigates allegations of misconduct by Members. The Council's standards Committee has always had an independent chairman, and two new independent members have been recruited this year, bringing the total of independent members up to five. Extensive training sessions have been held with members of the committee to ensure that the new local assessment framework is correctly embedded, and that members follow the revised code of conduct, introduced in May 2007.

The Council takes fraud and corruption very seriously and has the following policies that aim to prevent or deal with such occurrences:

- An anti-fraud and corruption policy
- A whistle blowing policy

The outcome of complaints made under the whistle blowing policy is reported to the Audit Committee on an annual basis, in order that they can keep it under review.

(d) Taking informed and transparent decisions that are subject to effective scrutiny, and managing risk.

The Council has ensured that the decision-making process includes a rigorous risk assessment including:

- Financial, legal and staffing implications
- Diversity and racial impact assessment
- Risks, mitigations and opportunities

All reports to the Council or Cabinet are checked by the Chief Finance Officer and the Monitoring Officer for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. The Council has:

- Ensured the Cabinet make decisions in an open and transparent way and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that all decisions of regulatory committees of the Council are made in public and that information relating to those decisions is made available to the public, unless statutory rules allow otherwise
- Ensured that legal and financial implications are recognised in all reports on which decisions are based
- Recorded all decisions that are made by committees.
- Rules and procedures, which govern how decisions are made.
- Developed and maintained an effective overview and scrutiny function which encourages constructive challenge
- Maintained an effective Standards Committee and Audit Committee

The Council has continued to develop its risk management strategy to enable the Council to manage and control risks in order to maximise the quality of its service provision and uphold its reputation, making a powerful contribution to continuous service improvement and the achievement of best value. The strategy is reviewed annually.

The Council has ensured that the risk management system:

- Formally identifies and manages risks
- Involves elected Members in the risk management process
- Includes the undertaking of a risk assessment of every key or strategic decision
- Maps risks to financial and other key internal controls
- Reflects business continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually.

(e) Developing the capacity and capability of Members and officers to be effective.

The Council has ensured that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well.

The Council has done this by:

- Achievement of the Member Development Charter
- Developing leadership skills and capacity across the Council through an annual learning and development programme for staff
- Ensuring that the Chief Finance Officer and Monitoring Officer are both members of the Corporate Management Team
- Developing our approach to workforce planning
- Retaining Investor in People accreditation across all directorates
- Encouraging quality mark accreditation for services
- Maintaining and developing our personal development review system
- Cascading regular information to Members and staff by paper and electronic means, having regard to diversity issues

(f) Engaging with local people and other stakeholders to ensure robust local public accountability.

The Council is committed to increasing public involvement in decision-making and devolving power to individuals and local organisations. We have sought and responded to the views of stakeholders and the community. The Council has done this by:

- Forming and maintaining relationships with leaders of other organisations including a wholesale review of the structures and processes of the Local Strategic Partnership during 2007/8

- Maintaining effective corporate consultation methods including citizens' panel and standing focus groups with hard to reach groups
- Maintaining effective mechanisms for ongoing engagement eg Children in Care Council, Learning Disability Partnership Board, Tenants Forums
- Carrying out in depth consultation exercises as required to inform policy development and service change – eg consultation on school academy proposals, deliberative citizens' workshop on options for waste disposal
- Maintaining effective data exchange through the Corporate Research and Information Group to plan and coordinate consultation and to share findings
- Making use of local forums at ward, parish and neighbourhood level to maintain communication with all the Council's communities and other stakeholders e.g. rural liaison committee with parishes, community futures workshops in our most deprived areas to inform the development of community owned action plans, participation in Partner and Communities Together (PACT) meetings
- Maintaining and reviewing an effective complaints procedure

4. Review of effectiveness

Medway Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by Chief Officers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

(a) External Assessment

The Comprehensive Performance Assessment (CPA) direction of travel assessment for 2007 was carried out by the Audit Commission and reported in the Annual Audit and Inspection letter which was considered by both Cabinet and the Audit Committee. The report stated that the Council

- is making progress in achieving its priorities. It has improved customer access and performs well on regeneration, and combating deprivation. It has sustained improvement in adults' social care, and has improved outcomes for children's safety. Housing management performance is good delivering more affordable housing, but there are some weaknesses in community housing services. Environmental performance including recycling has improved but levels of waste collected are above average. It is making it easier to travel around Medway. Performance in reducing crime is mixed, with good improvement in reducing violence in the night-time economy. It delivers good value for money on most services. Based on a national basket of indicators the overall rate of improvement is average.

- is developing good strategic plans for improvement. It now has clearer priorities. Improvement plans are being well implemented and objectives achieved. The Council has improved performance management and is successful in securing external funding, but its approach to risk management is not yet fully effective. Its capacity to improve key services is good.

The Audit Commission's Direction of Travel report assessed the Council as "3 star, improving adequately". The report found no failures in the Council's governance arrangements and stated that "its system of internal control continue to be sound."

The External Auditors completed their CPA Use of Resources assessment during the year and awarded the Council a score of three overall. The Council's arrangements regarding internal control were assessed in 2006/2007 by the external auditor as being good – scoring 3 out of a possible 4. Recommendations in the management letter in relation to performance management are being addressed through the establishment of a new corporate performance team which was established as part of the council restructure in March 2008.

During 2007/8 children's services were judged to be adequate overall, with the rating of children's social care increasing from 1 to 2. The inspection of the Council's fostering service in January 2008 found the service overall to be good. Adult social care was judged to provide good outcomes, with promising capacity for improvement. The Benefits Service was assessed as scoring the maximum 4. There were no further service inspections in 2007/8.

In June 2008 the Audit Commission's Strategic Housing Inspection report judged that the Council provides a poor strategic housing service that has poor prospects for improvement. The score was a nil star rating. Key areas of weakness highlighted include: arrangements for customers, equality and diversity issues, out of date strategies, affordable housing, length of stay in temporary accommodation, limited access to independent advice, failure to support private sector housing including HMO's, timescales for disabled adaptations, regulation of caravan and park homes, and no systematic approach to value for money of strategic housing services.

The Local Government Ombudsman made a finding of maladministration against the Council in respect of a social care case (Re. C). Mr. C was detained in hospital under section 3 of the Mental Health Act 1983. When he was discharged in 2000 he required aftercare, and it is the responsibility of social services authorities to agree and pay for such aftercare, in consultation with the appropriate NHS body.

Mr. C had substantial funds available at that time, and Medway Council did not consider itself responsible for his care needs as it did not consider he was ordinarily resident in the area.

The Council subsequently accepted that Mr C was resident in Medway for these purposes, but believed that as Mr C had himself taken up a care place in Wigan, it had discharged its duty. It considered that Mr C may not have taken up the offer of a place offered by the Council, in which case the Council would have discharged its duty to him. It did not however make the relevant assessment in 2000 and accepted the finding of maladministration. Financial provision for this payment was made as a contingent liability for the year 2007/8. Processes were subsequently put in place to ensure that this situation could not arise in the future.

(b) Internal Assessment

An annual review of the code of corporate governance checks the control environment within the two directorates and the support department, and the results of this review has been used to inform our assessment of significant control issues for the Council.

The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It also receives reports relating to risk management and monitors the corporate risk register, as well as being responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

The terms of reference for the Audit Committee reflect best practice, CIPFA guidance and CPA requirements. The Committee is a full committee of the Council emphasising the commitment to ensuring that there are high standards of internal control within the Council. The Committee is responsible for reviewing the financial performance, risk management and both Internal and External Audit performance and their findings and recommendations.

Internal Audit is an independent and objective assurance service to the management of the Council who complete a programme of reviews throughout the year to provide an opinion on the internal control environment in the areas examined. Their reviews include examination of the main financial systems, enabling them to provide the Section 151 Officer with an overall opinion on the main financial controls in place as well as risk management, internal control and governance arrangements across the authority. In addition the Internal Audit service undertakes fraud investigation and proactive fraud detection work.

Internal Audit reports three times a year to Audit Committee summarising audits issued since the previous meeting. The Audit Committee also reviews the effectiveness of the Council's system of internal audit. The review process has highlighted a number of areas for enhanced focus regarding the governance and internal control environment and these are briefly described below. For each one, action plans have been produced and agreed, and are in the process of implementation:-

Section 106 Agreements.

Unsatisfactory arrangements were found to be in place for ensuring due contributions are identified and received. Management agreed to implement the following recommendations: -

- The proposed Planning Administration system's module for S106 agreements should be configured to hold details on all active S106 agreements and all the data required to identify due contributions.
- The S106 Officer should maintain a centralised record of payment demands issued, their payment and action taken on outstanding payments. This record should be scrutinised by her line manager at monthly intervals
- Demands for due contributions should be accompanied by instructions and a proforma enabling developers to forward their payments directly to the cashiers.

Medway Tunnel.

There is an unsatisfactory risk on controls to mitigate against the Council being successfully sued, or suffering reputational damage, due to actual or perceived negligence. The tunnel may not be maintained as cost effectively as possible. The review made a number of recommendations, and there is a plan in place for their implementation. In addition, the Council has agreed to purchase the freehold of the tunnel in consideration of a financial settlement from the Rochester Bridge Trust, the freeholder.

Leisure Events Follow-Up

Whilst there have been some improvements in the systems of control within the Events area, the Council still needs to make improvements to accounting controls for ticket sales, and the introduction of specific controls regarding hirings.

Social Services Imprest Accounts

A review of imprest accounts in the Community and Children's Services directorates found that the current level of control exerted over the administration of the imprest accounts was unsatisfactory. As a result, it was recommended that new procedures should be produced promptly and used to provide all staff with training, that some authorised signatories are removed from the list, and that training be given to staff about practices that limit successful insurance claims.

HRA procurement practices

An audit of procurement activity for the housing revenue account indicated a number of significant weaknesses in internal controls. These included a failure to keep documentation and conduct independent reviews, failure to comply with the contract procedure rules, and not keeping a list of preferred

suppliers. Contracts were not signed and the authority of the Director was not obtained. This audit was carried out against the Council's previous contracting procedures, and not against the new risk based procurement methodology which is now in place.

In addition to the audit of procurement activity, the monitoring officer conducted an investigation into procurement activities relating to the housing maintenance contract. This was as a result of a whistle blowing allegation. Her investigation concluded that unrecoverable overpayments of £35,000 were made to the contractor as a result of incorrect procurement processes. It was also found that a lack of internal controls had resulted in enhanced specifications being used for work, which resulted in an increased price to the Council. In one case, incorrect procurement had resulted in additional costs to the Council. The verification of invoices in this area is still ongoing and a further report will be taken to members this year.

Risk management has been improved in the Council. The Strategic Risk Management group provides guidance and feedback to directors and the Corporate Management Team. This is designed to ensure that risk management and the control process employed across the Council are reviewed appropriately taking account of legal and regulatory matters that may have a significant impact on risk and, any findings and recommendations of the external auditors, internal audit or other third party.

Performance management is carried out through the use of the Council's performance management framework (see appendix 1). This includes monthly performance reports to senior managers and quarterly reports to Members assessing progress and any management action required on a basket of critical success factors. LAA Outcomes are captured using the Council's data-room to which partners have access. LAA performance is monitored by the LSP operational group, thematic partnerships and the LSP Board, as well as by the Council through key performance indicator reports.

A year-end review of governance arrangements and the control environment has also been completed which included:

- The Head of Internal Audit's annual audit report presented to Audit Committee.
- Obtaining specific assurances from the Assistant Director (Partnerships and Performance) with regard to the governance arrangements in place for key partnerships.

The review highlighted the following areas for improvement:-

The detailed findings indicate that, in general, Medway's Constitution, political and management structure and decision-making processes address the requirements of the revised CIPFA/SOLACE framework and demonstrate the Council's commitment to openness and transparency. The six core principles set out in the CIPFA/SOLACE framework were assessed as "good" or "satisfactory".

The Council's own local code of corporate governance has not yet been updated to reflect the revised framework. A report recommending adoption of the new CIPFA/SOLACE framework will be considered by Audit Committee on 25 September 2008.

The Corporate Management Team is aware of the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the systems is in place. This action plan will be monitored by the Corporate Management Team to ensure that actions are taken forward. On an ongoing basis, we will be obtaining assurances from all Assistant Directors and Directors that key elements of the control framework are in place during the year in their divisions. They will also be asked to identify areas where control weaknesses have resulted in a significant issue arising for the divisions.

The Chief Finance Officer has completed a review of the effectiveness of the internal audit system and has confirmed that he is satisfied with the effectiveness of it. His report will be considered by the Audit Committee on 25 September 2008.

5. Governance: Key Areas of Focus

The review process has highlighted a number of areas for enhanced focus regarding the governance and internal control environment and these are described briefly below. For each one, action plans have been determined by a responsible officer and are under implementation or are in the process of being prepared. A summary of the key elements of these are included below:

(a) The areas for improvement identified in the corporate assessment will be addressed including:-

- Rigorous and consistent application of performance management systems
- Consistent application of risk management
- Improved links between financial and performance information as part of the overall approach to value for money
- Continuing to challenge existing spending and planned priorities to ensure that the medium term financial plan continues to be soundly based

(b) Address internal control issues highlighted by Internal Audit's work, namely:

- Social Services Imprest account
- Medway Tunnel
- Leisure Events follow up
- Monitoring of S106 Agreements
- Procurement of HRA contracts

Management action plans are in place for each of the above, and are monitored by the Audit Committee.

(c) Address internal control issues highlighted by the Monitoring Officer in her report on the housing maintenance contract.

An action plan is in place for this, and has been agreed by both the Audit Committee and Business Support Overview and Scrutiny Committee. A number of the actions have already been implemented, and this action plan also links into the procurement of HRA contracts above.

(d) The areas for improvement set out in the strategic housing inspection report will be addressed.

An improvement plan for the strategic housing services was adopted by Cabinet in June 2008. This improvement plan is monitored by a senior officer group, reporting to the Corporate Management Team. In addition, some of the key actions are monitored by the Business Support Overview & Scrutiny Committee and reports on progress will be made on a six monthly basis to the Cabinet.

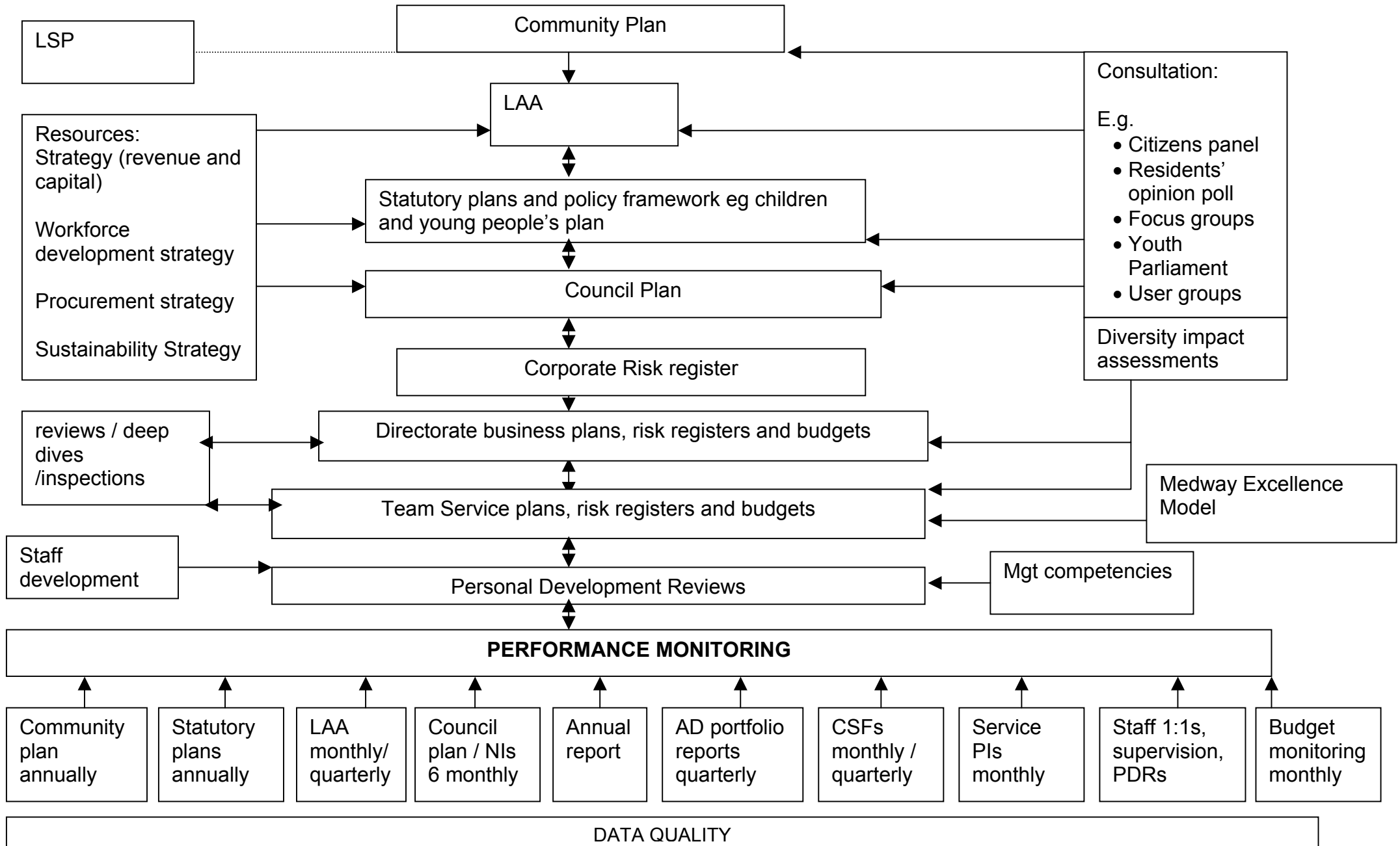
6. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year although we recognise the areas for additional focus identified in section 5. We are satisfied that these enhancements will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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Leader of the Council

.....
Chief Executive

MANAGING PERFORMANCE AT MEDWAY COUNCIL



MEDWAY COUNCIL

CODE OF GOVERNANCE

1. What we mean by Governance

- 1.1 Governance is about how the Council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 1.3 This local Code of Governance has been developed in accordance with and is consistent with the Delivering Local Governance in Local Government Framework.

2. Core Principles of Good Governance

2.1 The core governance principles of the Council are: -

- (a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- (b) Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- (c) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (d) taking informed decisions which are subject to effective scrutiny and managing risk;
- (e) developing the capacity and capability of members and officers to be effective; and
- (f) engaging with local people and other stakeholders to ensure robust public accountability

3. Applying the Core Principles of Good Governance

- 3.1 The six core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across the Council's business:

Code of Governance

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	
Supporting Principles	Specific requirements to:
Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users.	<p>Develop and promote the Council's purpose and vision</p> <p>Review on a regular basis the Council's vision for the local area and its implications for the Council's governance arrangements.</p> <p>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.</p> <p>Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.</p>
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.	<p>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.</p> <p>Put in place effective arrangements to identify and deal with failure in service delivery.</p>
Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money	<p>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 money and performance effectively.</p> <p>Measure the environmental impact of policies, plans and decisions.</p>
2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.	
Supporting Principles	Specific requirements to:
Ensuring effective leadership throughout the Council and being clear about executive and non executive functions and the roles and responsibilities of the scrutiny function.	<p>Set out clear statements of the respective roles and responsibilities of the executive and the executive's members individually and the Council's approach towards putting this into practice.</p> <p>Set out a clear statement of the</p>

	<p>respective roles and responsibilities of other Council Members, members generally and of senior officers.</p>
<p>Ensuring that a constructive working relationship exists between Council Members and Officers and that the responsibilities of Members and Officers are carried out to a high standard.</p>	<p>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 Council, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p> <p>Make a Chief Executive or equivalent responsible and accountable to the Council for all aspects of operational management.</p> <p>Develop protocols to ensure that the Leader and Chief Executive (or equivalents) negotiate their respective roles early in the relationship and that shared understanding of roles and objectives is maintained.</p> <p>Make a senior Officer (Section 151 Officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p> <p>Make a senior Officer (Monitoring Officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable Statutes and Regulations are complied with.</p>
<p>Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.</p>	<p>Develop protocols to ensure effective communication between Members and Officers in their respective roles.</p> <p>Set out the terms and conditions for remuneration of Members and Officers and an effective structure for managing the process, including an effective Remuneration Panel (if applicable)</p> <p>Ensure that effective mechanisms exist to monitor service delivery.</p>

	<p>Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p> <p>When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</p> <p>When working in partnership:</p> <ul style="list-style-type: none"> • Ensure that there is clarity about the legal status of the partnership • Ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
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3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Supporting Principles	Specific requirements to:
<p>Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<p>Ensure that the Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p> <p>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.</p> <p>Put in place arrangements to ensure that members and employees of the Council 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.</p>

<p>Ensuring that organisational values are put into practice and are effective</p>	<p>Develop and maintain values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with Members, staff, the community and partners.</p> <p>Put into place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p> <p>Develop and maintain an effective Standards Committee.</p> <p>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 Council.</p> <p>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.</p>
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4: Taking informed and transparent decisions which are subject to effective scrutiny and management risk

<p>Supporting Principles</p>	<p>Specific requirements to:</p>
<p>Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</p>	<p>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible.</p> <p>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p> <p>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.</p>

	<p>Develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a Committee.</p> <p>Ensure effective, transparent and accessible arrangements are in place for dealing with complaints.</p>
<p>Have good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	<p>Ensure those making decisions whether the Council for the Council or the Partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p> <p>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</p>
<p>Ensuring that an effective risk management system is in place.</p>	<p>Ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their jobs.</p> <p>Ensure that effective arrangements for whistleblowing are in place to which Officers, staff and all those contracting with or appointed by the Council have access.</p>
<p>Using their legal powers to the full benefit of the citizens and communities in their area.</p>	<p>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.</p> <p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on Councils by public law.</p> <p>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative</p>

	law – rationally, legality and natural justice – into their procedures and decision making processes.
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5: Developing the capacity and capability of members and officers to be effective	
Supporting Principles	Specific requirements to:
Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	<p>Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis.</p> <p>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 Council.</p>
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	<p>Assess the skills required by Members and Officers and make commitments to develop those skills to enable roles to be carried out effectively.</p> <p>Develop skills on a continuing basis to improve performance, including the ability to scrutinize and challenge and to recognise when outside expert advice is needed.</p> <p>Ensure that effective arrangements are in place for reviewing the performance of the Executives as a whole and of individual Members and agreeing an action plan, which might, for example, aim to address any training or development needs.</p>
Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	<p>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 Council.</p> <p>Ensure that structures are in place for Members and Officers to encourage participation and development.</p>

6: Engaging with local people and other stakeholders to ensure robust public accountability	
Supporting Principles	Specific requirements to:
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<p>Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationship and any changes required.</p> <p>Produce an annual report on the activity of scrutiny function.</p>
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery by the Council, in partnership or by commissioning.	<p>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.</p> <p>Hold meetings in public unless there are good reasons for confidentiality.</p> <p>Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p> <p>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including feedback mechanisms for those consultees to demonstrate what has changed as a result.</p> <p>On an annual basis, publish a council plan giving information on the Council's vision, strategic priorities and financial statements. This will align with the development of the resources strategy and ultimately the budget. In addition, publish an annual report which will give information about its outcomes,</p>

	<p>achievements and the satisfaction of service users in the previous period.</p> <p>Ensure that the Council 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 partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>
<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff.</p>	<p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</p>

4 Annual Review and Reporting

- 4.1 Each year the Council will carry out a review of their Governance arrangements to ensure compliance with this Code, the delivery of Good Governance within the local Government Framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future.
- 4.2 The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader of the Council and Chief Executive. It will be submitted to the Audit Committee for consideration and review.
- 4.3 The preparation and publication of the Governance Statement will meet the statutory requirements of the Accounts and Audit Regulations which requires authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices'. As such the Governance Statement will be prepared in accordance with the timetable in participation of financial statements in accordance with the Audit and Financial Regulations.