

## Report of the Strategic Director, Corporate Services to the meeting of the Governance and Audit Committee to be held on 30 November 2017.

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**Subject:**

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Code of Corporate Governance

### Summary statement:

Corporate Governance comprises the systems and processes, cultures and values by which the Council is directed and controlled and through which it engages with and leads the community.

The Code of Corporate Governance sets out how the Council will meet and demonstrate its commitment to good Corporate Governance.

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## 1. Introduction

Corporate Governance comprises the systems and processes, cultures and values by which the Council is directed and controlled and through which it engages with and leads the community.

Good governance leads to:

- Good management
- Good performance
- Good stewardship of public money
- Good public engagement
- Good outcomes for citizens and service users
- Good ethical conduct

The Code of Corporate Governance sets out how the Council will meet and demonstrate its commitment to good Corporate Governance.

## 2. Approach to preparing the Code of Corporate Governance

2.1 The Council's corporate governance framework is based upon the guidance jointly issued by SOLACE and CIPFA in their framework document 'Delivering Good Governance in Local Government' and is recommended as best practice. The framework was revised in 2016. This has required Bradford Council's Code to be updated to comply with the new framework.

2.2 The code has been drawn up following CIPFA/SOLACE's seven core principles of -

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

2.3 Against each of the principles, the Council must demonstrate its commitment and action to deliver.

2.4 The Council's Code of Corporate Governance is attached at Appendix 1.

2.5 The Council has regularly reported to the Council's Governance and Audit Committee on its compliance with the code to demonstrate how it promotes good governance across the Council. Once the new Code has been approved an

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exercise will be completed to map the Councils processes and procedure against the new code.

3. **Financial and Resource Appraisal**

There are no direct financial implications arising from this report.

4. **Risk Management**

Risk management issues are referred to in the report and annual governance statement where appropriate. Risk Management is a core element of the corporate governance framework.

5. **Legal Appraisal**

The review and update of the Council's code of corporate governance is necessary to be consistent with the principles of the CIPFA/SOLACE Framework – 'Delivering Good Governance in Local Government' issued in 2016. This framework is intended to be followed as best practice for developing and maintaining an up to date code of corporate governance. Under the Articles of the Constitution of the Council a function of the Governance and Audit Committee is to maintain an overview of the Council's Corporate Governance Framework.

6. **Other implications**

7. **Equal Rights Implications**

There are no equal rights implications

8. **Sustainability implications**

There are no direct sustainability implications

9. **Community safety implications**

There are no direct community safety implications.

10.. **Human Rights Act**

There are no direct human rights implications.

11. **Trade Union**

There are no direct Trade Union implications.

12. **Greenhouse Gas Emissions Impacts**

None

13. **Ward Implications**

None

14. **Not for publication documents**

None

15. **Recommendations**

15.1 That the Governance and Audit Committee approve the amended and updated Code of Corporate Governance to be adopted by the Council.

15.2 The Governance and Audit Committee note that the amended code will be used to help test the effectiveness of the Council's Governance Arrangements in order to inform the production of the Annual Governance Statement.

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15. **Appendices**

Appendix 1- Code of Corporate Governance

16. **Background documents**

None.

# Bradford Metropolitan District Council

## CODE OF CORPORATE GOVERNANCE

### Introduction

Corporate Governance is defined as the system by which organisations are directed and controlled. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Council is directed and controlled and through which we engage with, and where appropriate, lead the community.

Good governance is about:

- Good management
- Good performance
- Good stewardship of public money
- Good public engagement
- Good outcomes
- Good ethical conduct

The Council's corporate governance framework is based upon the guidance jointly issued by SOLACE and CIPFA in their framework document 'Delivering Good Governance in Local Government' and is recommended as best practice.

The Code is based upon the following 7 core principles:

- **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
- **Ensuring openness and comprehensive stakeholder engagement**
- **Defining outcomes in terms of sustainable economic, social, and environmental benefits**
- **Determining the interventions necessary to optimise the achievement of the intended outcomes**
- **Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- **Managing risks and performance through robust internal control and strong public financial management**
- **Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Each of these principles is an important part of Bradford Council's Corporate Governance arrangements. This statement describes how the Council will meet and demonstrate its commitment to good Corporate Governance.

### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Bradford Council is accountable for how much it spends, and for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, the Council has 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, we can demonstrate the

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appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### **Behaving with integrity: the Council will -**

- Ensure that 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
- Ensure that 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)
- Lead by example, using the above standard operating principles or values as a framework for decision making and other actions
- Demonstrate, communicate and embed 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

### **Demonstrating strong commitment to ethical values: the Council will -**

- Seek to establish, monitor and maintain the organisation's ethical standards and performance
- Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation
- Develop and maintain robust policies and procedures which place emphasis on agreed ethical values
- Ensure that external providers are required to act with integrity and in compliance with ethical standards.

### **Respecting the rule of law: the Council will -**

- Ensure that members and staff demonstrate a strong commitment to the rule of the law as well as adhere to relevant laws and regulations
- Create 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
- Strive to optimise the use of the full powers available to us for the benefit of citizens, communities and other stakeholders
- Deal with breaches of legal and regulatory provisions effectively
- Ensure that corruption and misuse of power are dealt with effectively

## **B. Ensuring openness and comprehensive stakeholder engagement**

Bradford Council is run for the public good, and we want genuine openness in our activities. We will seek to establish clear, trusted channels of communication and consultation. We want to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### **Openness: the Council will -**

- Ensure an open culture through demonstrating, documenting and communicating the Council's organisation's commitment to openness
- Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case the Council will seek to provide a justification for the reasoning for keeping a decision confidential

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- Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders, being explicit about the criteria, rationale and considerations used.
- Ensure that the impact and consequences of those decisions are clear
- Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action

### **Engaging comprehensively with institutional stakeholders: the Council will -**

- Engage effectively 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.
- Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensure 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

### **Engaging effectively with individual citizens and service users: the Council will -**

- Establish a clear policy on the type of issues on which we will consult meaningfully with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implement effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Take account of the impact of decisions on future generations of tax payers and service users

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

The long-term nature and impact of many of our responsibilities mean that we should define and plan outcomes and that these should be sustainable. Decisions should further the Council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from our 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.

### **Defining outcomes: the Council will -**

- Have a clear vision, which is an agreed formal statement of our purpose and intended outcomes containing appropriate performance indicators, which provides the basis for our overall strategy, planning and other decisions

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- Specify the intended impact on, or changes for our stakeholders including citizens and service users.
- Deliver defined outcomes on a sustainable basis within the resources that will be available
- Identify and manage risks to the achievement of outcomes
- Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available

### **Sustainable economic, social and environmental benefits: the Council will -**

- Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision
- Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the intended outcomes and short-term factors such as the political cycle or financial constraints
- Determine 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.
- Ensure fair access to services

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

The Council must achieve its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice the Council has to make to ensure intended outcomes are achieved. We need robust decision-making mechanisms to ensure that our 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 frequently to ensure that achievement of outcomes is optimised.

### **Determining interventions: the Council will -**

- Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided
- Consider 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

### **Planning interventions: the Council will -**

- Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
- Consider and monitor risks facing each partner when working collaboratively, including shared risks
- Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances



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- Establish 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
- Ensure capacity exists to generate the information required to review service quality regularly
- Prepare budgets in accordance with objectives, strategies and the medium term financial plan
- Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

### **Optimising achievement of intended outcomes: the Council will -**

- Ensure that the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensure that the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term
- Ensure that the medium term financial strategy sets the context for 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
- Ensure the achievement of 'social value' through service planning and commissioning

### **E. Developing the Council's capacity, including the capability of its leadership and the individuals within it**

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

### **Developing the entity's capacity: the Council will -**

- Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness
- Improve use of resources through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently
- Recognise the benefits of partnerships and collaborative working where added value can be achieved
- Develop and maintain an effective workforce plan to enhance the strategic allocation of resources

### **Developing the capability of the entity's leadership and other individuals: the Council will -**

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- Develop 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
- Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensure that the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads 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
- Develop the capabilities of members and senior management to achieve effective 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
  - Ensure personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
  - Ensure that there are structures in place to encourage public participation
  - Take steps to consider the leadership's own effectiveness, ensuring leaders are open to constructive feedback from peer review and inspections
  - Hold staff to account through regular performance reviews which take account of training or development needs
  - Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

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

The Council must 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 are crucial to the achievement of outcomes. Risk will 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 are 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 service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

#### **Managing risk: the Council will -**

- Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implement robust and integrated risk management arrangements, ensuring that they are working effectively

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- Ensure that responsibilities for managing individual risks are clearly allocated

### **Managing performance: the Council will -**

- Monitor service delivery effectively including planning, specification, execution and independent post implementation review
- Make 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
- Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council's performance.
- Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement
- Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

### **Robust internal control: the Council will -**

- Align the risk management strategy and policies on internal control with achieving objectives
- Evaluate and monitor risk management and internal control on a regular basis
- Ensure effective counter fraud and anti-corruption arrangements are in place
- Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensure an audit committee or equivalent group/ 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 and that its recommendations are listened to and acted upon

### **Managing data: the Council will -**

- Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensure effective arrangements are in place and operating effectively when sharing data with other bodies
- Regularly review and audit the quality and accuracy of data used in decision making and performance monitoring

### **Strong public financial management: the Council will -**

- Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

### **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 Council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

#### **Implementing good practice in transparency: the Council will -**

- Prepare reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- Strike 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

#### **Implementing good practices in reporting: the Council will -**

- Report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way
- Ensure members and senior management own the results reported
- Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results of this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate
- Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and that the statements allow for comparison with other, similar organisations

#### **Assurance and effective accountability: the Council will -**

- Ensure that recommendations for corrective action made by external audit are acted upon
- Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon
- Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations
- Gain assurance on risks associated with delivering services through third parties and ensure that this is evidenced in the annual governance statement
- Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

### MONITORING AND REVIEW

The Council has two Committees that are responsible for monitoring and reviewing the Council's Corporate Governance arrangements.

The Governance and Audit Committee is responsible for the Council's arrangements relating to:

- maintaining an overview of the Council's Corporate Governance Framework, Constitution and the partnership arrangements
- approving the Council's Statement of Accounts including the Annual Governance Statement
- approving the annual Internal Audit plan and receiving the Internal Audit Annual Report and monitoring statements throughout the year
- receiving matters of a financial nature referred by External Audit
- reviewing the adequacy of all governance arrangements
- considering the effectiveness of the risk management arrangements within the internal control environment.

The Standards Committee has responsibility for the Council's ethical framework, in particular ensuring high standards of conduct of members and reviewing relevant protocols.

- advising the Council on the adoption or revision of the Members' code of conduct. and assisting members in observing the code
- monitoring the operation of the Members' code of conduct.
- Advising, training, or arranging to train Members of Council, voting co-opted members of Committees and Panels, independent members of the Standards Committee and church and parent governors representatives on matters relating to Members' code of conduct.
- Dealing with any reports from a case tribunal or interim case tribunal ,and any report from the Monitoring Officer on any matter which is referred by an Ethical Standards Officer to the Monitoring Officer.
- Dealing with individual's cases of alleged breaches of the Code
- Dealing with complaints about an alleged failure by Members of Council

Through these Committees the Council will ensure that these arrangements are kept under continual review by:

- the work of Internal Audit
- reports prepared by managers with responsibility for aspects of this code including the Annual Governance Statement and its monitoring
- external audit opinion including their reports
- other review agencies and inspectorates
- opinion from the Council's statutory officers.

### The Annual Governance Statement

Each year the Council will publish an Annual Governance Statement. This will provide an overall review of the effectiveness of the Council's governance framework and arrangements including the system of internal control and an appraisal of the key controls in place to manage the Council's principal governance

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risks. It will examine evidence supporting compliance with the principles of the Code. The statement will also report significant governance issues arising in areas where the review has identified that further improvements need to be made.