1. Introduction

Good corporate governance is an essential element in the efficient running of all organisations and is a critical element in achieving high levels of performance.

Whilst corporate governance requirements vary from sector to sector and organisation to organisation, essentially all are about the underpinning processes by which organisations are directed and controlled and the associated transparency and accountability.

Corporate governance is concerned with the structures and process for decision-making and accountability, controls and behaviour at the top of organisations. Quite simply, it describes the need for any organisation to have a clear direction and accountability and appropriate working arrangements in place to ensure that it achieves what it sets out to do. Standing orders and schemes of delegation set out the rules and guidelines for how a council conducts its business.

Councils have a statutory obligation to review annually the effectiveness of their governance arrangements. Following the review, elected members must approve an annual governance statement for inclusion in the council’s annual accounts. Some councils have established local codes of governance, which define how the council meets the principles of good governance and which identify areas for improvement and regular review.
2. Key Dimensions of Corporate Governance

The role of those who govern the organisation (elected members), as opposed to manage it (chief officers), is to:

- Make sure that clear outcomes and priorities are in place.
- Ensure the right resources are in place to achieve these outcomes and priorities and that these resources are used efficiently.
- Scrutinise and monitor the delivery of services to ensure that the council’s performance expectations are achieved.
- Ensure the way the council operates is transparent and accountable back to the communities that elected them in the first place.

That may sound obvious as any organisation should have clear outcomes and priorities. But think about it in the context of your council. You offer many services: to young children through to the very old; from waste collection and disposal to leisure and recreation. Services may be delivered by the council, or through Arms-Length External Organisations (ALEOs), Trusts and charities set up by the council, often in partnership with other public bodies, the third sector or communities themselves.

It is not easy to establish clear outcomes for all these services, and even less easy to decide priorities between them when different parts of your community may want different things and have different priorities themselves. The key role for elected members in corporate governance is to make decisions about outcomes, policy and strategy, and to scrutinise performance of services to ensure the intended outcomes are being realised.

Even when you manage to be clear about outcomes and priorities, getting the right resources in place to deliver them is frequently complicated as well. There are decisions about the particular services that need to be in place to support outcomes, but within those services there are also decisions about what kind of staff, structures and business processes need to be in place to ensure those services are deliverable. In matching resources and capacity to all that you want to achieve, you are faced with three related questions:

1. Can we get more out of the existing resources that we have?
2. Can we raise more resources, or utilise resource from other organisations and communities?

3. If neither of these are the case, how do we rethink and focus our priorities to make sure we can deliver within the resources we have available?

These questions are all about setting the direction of the council, being clear about its priorities and fitting the resources available to those priorities.
3. Corporate Governance and Scrutiny

Effective scrutiny by elected members will play an important role in the governance of your council.

You have a key role to play in scrutinising the decisions made by the council, how well delivery is taking place and whether the outcomes and priorities of the council are being achieved. Some questions you will have to consider are:

- If your group either forms the administration of the council or is part of the administration, how openly do you wish to scrutinise your own achievements and how open do you wish to be about that with the public? In short this is about balancing the benefits of openness to the public and keeping working on challenges when the full glare of public scrutiny may well slow progress.

- As importantly, how will you scrutinise and monitor those achievements? This means having proper processes in place that allow for effective scrutiny by elected members, as well as the wider public. It is important for those processes to take place on an appropriate cycle and not simply on an ad hoc basis.

- What information is available to you from the council's management about what they are doing and what that is achieving, and is it reported to you in a way that allows you to make clear judgements about whether delivery is taking place successfully or not? This means ensuring that the right information is presented to elected members about the council’s performance and that the information is relevant, accurate, reliable and timely to you.

Council’s should have arrangements that not only meet the minimum requirements set out in statute and guidance, but are an appropriate fit for local circumstances. Your council’s audit and scrutiny committees/panels will play a vital role in governance. The Roles and Responsibilities of the Elected Member at Council Level notebook explores in more detail the scrutiny and audit arrangements in place across councils.

Scrutiny of Financial Information

The financial statement, commonly known as the accounts, demonstrates how an authority has spent its
resources. Audited accounts provide the public with reliable information about the stewardship of funds and the financial position of the authority. They provide elected members with information to scrutinise the use of funds in each year, and to make budgetary decisions for the future. Effective scrutiny and approval of the accounts is a key responsibility of an elected member.

Audit Scotland published ‘An overview of local government in Scotland 2016’, which included a suite of materials to help elected members with scrutiny of financial information including a self-assessment tool and a guide to financial reporting and scrutiny.
4. Corporate Governance and Accountability

Good corporate governance also depends upon elected members taking responsibility and being held to account for decisions that they have taken, which is also a key requirement of the duty of Best Value.

Through elections and other forms of consultation and engagement, elected members are accountable to local people for the quality of local government services. This is often very challenging. If you think about some of the programmes of school rationalisation and renewal in Scotland, it is clear that most communities do not willingly sign up to having their local school taken away. If, however, in your best judgement, this has to happen, then it is critical that you are seen to be accountable for the decision that you have taken and that can often be a very uncomfortable position to defend.
5. Corporate Governance and Management

A strong and effective council requires elected members and officers to have a sound understanding of their separate, but complementary roles.

In its original study on **Roles and working relationships - are you getting it right?** the Accounts Commission found that in successful councils, elected members and senior managers share a strong public sector ethos and work well together to put their plans for the council area into action.

Common features include:

- clearly understood political and managerial structures
- professional and constructive relationships between elected members and between elected members and officers
- a shared commitment to council priorities
- constructive debate at council and committee meetings.

“Good governance... requires good working relationships, and members and officers being clear about their respective roles and responsibilities... getting these things right has a significant bearing on how well councils perform in delivering vital public services for local people and communities, and ensuring that public money is used wisely.”


As a consequence, three things are of critical importance:

1. You have to have a relationship of trust with your Chief Executive and senior officers - it is their job to advise and inform you and to implement decisions taken by members in relation to outcomes, policies and strategies. They are expert across the range of services the council delivers and it is important that you are able to take their advice on trust.

2. A key role of elected members is to set the strategic direction for the council and decide on its...
key objectives and priorities so a critical part of knowing whether the council is performing well or not is good performance information on whether those objectives and priorities are being achieved. The reporting system back to elected members, and the elected members’ role in scrutinising the performance of the council, is absolutely critical to you contributing to good corporate governance.

3. A final important element of effective corporate governance is your role in ensuring that the council’s performance is not impaired by lack of the resources necessary to deliver. There is no point in setting objectives and priorities but not then ensuring the resources are available to deliver them. The decisions about how resources are allocated between the different services and priorities of the council are critical to ensuring effective performance.

If these three elements are effectively in place, then it is more likely that you as an elected member can be satisfied that your council is indeed properly organised and properly set up to deliver.
6. Corporate Governance and Performance Management

An essential element of corporate governance is about how the council is performing and whether intended outcomes are being met.

Successful performance management within councils requires elected members to demonstrate effective political leadership alongside the managerial leadership expected of officers.

Key questions you may want to ask about the performance of your council’s services are as follows:

- Are services effective in achieving the outcomes they are supposed to achieve?
- Do people get the benefits from the services that elected members intended?
- Is the council efficient in the way it runs those services and does it use its resources to get the maximum benefits for communities and customers?
- How does the performance of services compare with those of other councils whose scale and context is like your own council, and other relevant organisations?

You also have an important role to play in ensuring that communities find out about the council’s performance in a way that is useful to them. How much of what could be reported is reported and how accessible are these reports from the point of view of members of your communities?

Some of this has to do with how the council collectively reports its performance to the people of the whole area (a statutory requirement under the Local Government in Scotland Act 2003) but some of it is also to do with your role as a ward member. What arrangements will you have in place for ensuring that your local communities have good information about the performance of the Council services in your area? The ward level is probably the level at which contact between the representatives of the council and the communities is closest, and it is well worth thinking about how you can make that relationship useful in ensuring the communities understand and are able to assess the performance of their local services.
7. Corporate Governance and Risk Management

Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective methods of controlling them or responding to them.

It is a means of maximising opportunities and minimising the costs and disruption to the council caused by undesired events.

The scale of risks facing councils varies and ranges from strategic risks to operational risks, some of which would have more significant consequences than others if they were to occur. Some examples of strategic risks that may face your council include:

1. **Strategic political risks**, associated with the failure to deliver local or Scottish government policy.

2. **Strategic economic risks**, affecting the ability of the council to meet its financial commitments, covering areas such as budgetary pressures, external economic changes, inadequate insurance cover.

3. **Strategic social risks**, relating to the effects of changes in demographic, residential or socio-economic trends on the council’s ability to deliver its objectives, covering issues such as failure to meet the needs of a disadvantaged community and the impact of demographic change.

4. **Strategic technological risks**, associated with the capacity of the council to deal with the pace and scale of technological change, or its ability to use technology to address changing demand.

5. **Strategic legislative risks**, which could include current or potential changes in national or European law, as is expected to happen when the UK exits the European Union (EU).

6. **Strategic environmental risks**, relating to the environmental consequences of progressing the council’s strategic objectives, covering issues such as noise, contamination, pollution and flood defences.
Strategic competitive risks, associated with the council’s failure to deliver Best Value.

Strategic customer/citizen risks, associated with the failure of the council to meet the current and changing needs and expectations of customers and citizens.

Examples of operational risks could be:

- the council holding a local community event; or
- a school taking its pupils on an off-site visit to a local place of interest, resulting in teachers needing to manage and balance the risks against educational value and enrichment.

Taking a sensible approach to risk management is important. It is about taking practical steps to control or respond to risks, rather than stopping any activity that might possibly lead to undesired events.

Risk management is an essential part of securing effective corporate governance – it must be integral to policy, planning and operational management and embedded into the council’s culture. Each council should have its own risk management strategy.

In summary, there are four key stages in the risk management cycle:

1. **Risk identification** – identifying the risks facing the council is crucial if informed decisions are to be made about policies and service delivery.

2. **Risk analysis** – once risks have been identified they need to be systematically and accurately assessed in terms of how likely they are to occur and what the impact would be if they did.

3. **Risk control** – where the risk is seen to be unacceptable, steps must be taken to reduce the likelihood of it occurring or the impact of it should the risk occur.

4. **Risk monitoring and review** – the effectiveness of controls needs to be kept under review, as does the nature of the risk (which can change over time).

The key roles of elected members are to:
• Oversee the effective management of risks by council officers.

• Get involved in the identification of high level strategic risks facing the council.

This will require you to:

• Gain a broad understanding of risk management and its benefits.

• Ensure that the council has an effective corporate framework for risk management – there should be a written strategy and policy in place for managing risk.

• Ensure that officers consider and document risks in all reports.

• Require that risk is formally considered at the start of major projects and re-evaluated throughout the life of the project.

• Ensure that you are aware of the key risks facing the council, how likely they are to occur, what the impact would be if they did, what controls are in place, details of action plans to strengthen controls and the date by which the action is due to be taken. Elected members more directly involved in risk management (e.g. audit committee members) are likely to receive regular reports on risk.

• Ensure that you receive appropriate advice from officers on the risk implications of any decisions that you are asked to make.

• Ensure that risk management is fully considered by any partnerships that the council is involved in.
8. Corporate Governance in Partnerships and Boards

In addition to your corporate governance responsibilities for the council, all elected members have a responsibility to ensure that any partnership the council is involved in is appropriately governed and held to account, and that its performance is robustly scrutinised.

The issues that elected members face in terms of fulfilling their governance role in the council are equally applicable to the effective corporate governance of partnerships.

As an elected member, you may join the Board of another organisation, either by direct nomination via your political leadership or through some form of open or limited competition. The organisation you join could, for instance, be a charity, a limited company or a non-departmental public body (NDPB). As with the corporate governance of councils and partnerships, the corporate governance requirements of a Board are essentially about the underpinning processes by which organisations are directed and controlled and the associated transparency and accountability. A key role of the Board is to hold the management team of the organisation to account in achieving operational goals through effective monitoring, scrutiny and due diligence.

Although you are a democratically elected representative of the community, your role on a board will invariably be no different from any person who is a member of that board. That is, it will be both non-political and non-party political. As such there is a potentially fine dividing line that you may have to draw between the ambitions, priorities and decisions of your Council, the wider community needs and the strategy and decisions of the organisation of which you are a board member.

You therefore need to be clear in your understanding of the formal role and obligations, perhaps set in statute, of the position you are filling in a Board as this will often take precedence over your obligations as an elected member, particularly in terms of difficult decisions to be taken within that organisation.

For instance, as a general guide, you would need always to avoid a situation where you are seen to be putting the interests of your council or political party ahead of those of the organisation on whose board you sit. That being said, as an elected member, your political understanding may well be much greater than some of your other colleagues on the board and, if so, may well help them come to even better decisions for that organisation.
through informed discussion and debate. Bringing the perspectives of the council onto the board to help shape strategic direction, deliver better services and improve outcomes for their communities requires good communication between elected members serving on the board and the rest of the council.

Elected members are expected to understand their roles and responsibilities both to the council and to the organisation of which they are a Board member, so that good governance and accountability are maintained. If you are in any doubt, it is always your responsibility to take advice as necessary from your council or the organisation in order for you to act appropriately.

The Standards Commission has also produced Advice for Councillors on Arm's Length External Organisations.
Checklist for Corporate Governance

To help you cover all the key elements of corporate governance, we have developed a summary checklist of the key points raised in this notebook. This will hopefully be a useful aide memoire for you.

You should:

1. Familiarise yourself with your corporate governance responsibilities for the council, its partnerships and any Board of an external organisation that you sit on.

2. Familiarise yourself with the contents of your council’s Local Code of Governance.

3. Familiarise yourself with your council’s Standing Orders/ Rules of Business and Schemes of Delegation/Schemes of Administration.

4. Read your council’s most recent annual governance statement.

5. Find out how you access performance management information about services delivered by the council (either provided directly by the council or by an ALEO/Trust etc.).

6. Familiarise yourself with your scrutiny role and the scrutiny arrangements in place across your council.

7. Familiarise yourself with your role and responsibilities for risk management and your council’s risk management strategy and procedures.

8. If you are asked to sit on the Board of an external organisation, ensure that you are clear about your roles and responsibilities as a Board member.