



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
CABINET
AUDIT COMMITTEE
STANDARDS COMMITTEE

31ST MARCH, 2008
2ND APRIL, 2008
14TH MAY, 2008

REVIEW OF CORPORATE GOVERNANCE FRAMEWORK

REPORT OF THE DIRECTOR OF RESOURCES

1. PURPOSE OF REPORT

To review and update the Authority's Corporate Governance Framework .

2. SUMMARY

In June, 2007 CIPFA / SOLACE published new guidance recommending six core principles of good governance and recommended that Authorities review and update their corporate governance arrangements.

Leicester's Corporate Governance Framework and annual review process is now over 5 years old and, although well embedded, needs to be reviewed to ensure it is up to date and compliant with best practice including CIPFA/SOLACE's 2007 guidance.

The timing for this review is a good fit for the authority and allows an opportunity to effectively use the corporate governance principles to translate the 25year vision for the city into a set of strategic priorities. This will create a framework for joining together the city ambition with the corporate plan, service plans and the medium Term financial plan which includes the strategic use of capital.

It is proposed to build on the existing assurance framework by adding the requirement for an annual corporate self-analysis as to whether the Authority is complying with the 6 principles, using the methodology shown in **Appendix 1**.

It is proposed that this review be conducted by Corporate Directors' Board and Cabinet taking into account the views of Audit and Standards Committees.

3. RECOMMENDATIONS

Audit and Standards Committees are recommended to:

- i) Note the proposals for updating the Authority's Corporate Governance Framework in line with CIPFA/SOLACE's 2007 guidance and submit comments to Cabinet for consideration;

Cabinet is recommended to:

- i) Review and update the Authority's Corporate Governance Framework as proposed in this report; and
- ii) Agree the use of the Corporate Governance Framework as a tool to support the delivery of the corporate plan and underpinning service delivery plans and to ensure alignment with the medium financial planning strategy including the use of capital.

4. REPORT

4.1 The Authority's current Corporate Governance Code

Leicester's Corporate Governance Code is well advanced: in May, 2002, the Council adopted a Code which was seen to be consistent with the principles and reflected the requirements of the CIPFA/SOLACE Framework "Corporate Governance in Local Government: A Keystone for Community Governance", published in 2001. A copy of the Code is available on the Council's website.

4.2 New CIPFA/SOLACE Framework and Guidance

In June, 2007 CIPFA, in association with SOLACE, and with support from key Local Government organisations across the UK published "Delivering Good Governance in Local Government" which updates the 2001 guidance. The Audit Commission has been closely involved in developing the revised framework and has formally endorsed it.

There have been significant reforms to local government since the first CIPFA/SOLACE governance framework was published in 2001, including the introduction of the executive and scrutiny functions which were designed to improve local accountability and engagement.

The framework reflects the Commission's own definition of corporate governance as:

"... about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."

Corporate Governance has also been more succinctly defined as "the system by which organisations are directed and controlled".

Every Council operates through a governance framework; the more effective the framework the more effective the Council will be as a community leader and deliverer of services. The pending Comprehensive Performance Assessment is likely to comment on the Council's governance arrangements.

4.3 Principles of Good Governance

The new CIPFA/SOLACE Framework/Guidance identifies six core principles of good Governance which have been taken from "The Good Governance Standard for Public Services (2004)" developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and have been adapted for Local Government purposes. The six core principles are as follows:

- i. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- ii. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- iii. Promoting values for the Authority and demonstrating the values and good Governance through upholding high standards of conduct and behaviour;
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- v. Developing the capacity and capability of members and officers to be effective;
- vi. Engaging with local people and other stakeholders to ensure robust public accountability.

4.4 Proposed review

Councils are urged to test their structures against the principles by:

- * Reviewing existing governance arrangements against the Framework;
- * Developing and maintaining an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness;
- * Preparing a governance statement in order to report publicly on the extent to which the Council complies with its Code and this should be done on an annual basis, including how the Council has monitored the effectiveness of governance arrangements in the year, and on any planned changes in the coming period.

Authorities have been invited to review to what extent Corporate Governance arrangements need to be updated so as to reflect CIPFA/SOLACE's new guidance. Authorities are asked to:

- * Consider the extent to which the Authority complies with the principles and requirements of good Governance set out in the new CIPFA/SOLACE Framework.

- * Identify systems, processes and documentation that provide evidence of compliance.
- * Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified.
- * Identify the issues that have not been addressed adequately in the Authority and consider how they should be addressed.
- * Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

An initial assessment has been made as to whether the Authority's current Code falls far short of what is required under CIPFA/SOLACE's new guidance.

Leicester is well advanced and has a Corporate Governance system and Framework in place which can be fairly easily built on to comply with the 2007 guidance.

All the systems, policies and procedures identified as building blocks for an effective Corporate Governance Framework are already included in the Council's current Corporate Governance Framework. The current Framework consists of the following Key Policies and Procedures, lead officers being shown for each:

Key Policy and Procedure	Lead Officer
Consultation strategy	Director of Partnership, Performance & Policy
Performance management framework	Director of Partnership, Performance & Policy
Project Management	Service Director – Property Services
Members' Code of Conduct and Political Conventions and Members Support framework	Service Director - Democratic Services
The Council's Constitution	Service Director – Legal Services
Information Governance	"
Communication strategy	Service Director – Information
Partnership policies	Director of Partnership, Performance & Policy
Effective Human Resources Policies	Service Director – HR and Equalities
Whistleblowing	Service Director – HR and Equalities
Code of Conduct (officers)	Service Director – HR and Equalities
EMAS	Corporate Director of Regeneration and Culture
Procurement strategy	Chief Finance Officer
Contract Procedure Rules	Service Director – Legal Services
Anti-fraud and corruption	Chief Finance Officer
Risk management strategy	Chief Finance Officer
Effective administration of financial Affairs (Finance Procedure Rules And associated guidance)	Chief Finance Officer
Health and safety policy	Service Director – HR and Equalities
Safeguarding children	Corporate Director of Children and Young People

There have now been 5 corporate annual reviews, each being scrutinised via Internal Audit. The most recent audit of the annual review for 2006/7 is now complete and the results published, the overall picture being positive.

As a reminder, each year the review is carried out by Corporate Directors' Board, Audit Committee, Standards Committee and finalised by Cabinet before the Corporate Annual Assurance Statement is signed by the Chief Executive and Leader.

However, there is a need to develop the Corporate Governance Framework to incorporate the more strategic elements of the 2007 CIPFA/SOLACE guidance: these deal with the Authority's purpose and vision, its community leadership role etc and any review will require analysis and self review at a political level.

It is proposed to add to the Framework the requirement to carry out a corporate self-analysis as to whether the Authority is complying with the six core principles of good governance identified in the CIPFA/SOLACE framework and guidance. It is proposed to overlay the existing process and framework by carrying out this analysis and using the methodology shown in **Appendix 1**.

For each of the principles there is a need to consider:

- * Where are we now?
- * Action planned.
- * Responsibility / timescale.

When approved, this will be added to the Framework and used for the 2007/8 and subsequent annual reviews.

The Director of Partnership, Performance and Policy will be the lead officer for this purpose.

It is proposed to use this framework and the principals embedded within it to facilitate dialogue including Cabinet, the corporate Board, senior officers, wider groupings of elected members and taking into account the views of Audit and Standards Committees. This will also build on the engagement work facilitated thus far to shape the 25year vision into the next steps. It will also facilitate the development of a corporate plan that is focused on delivering improved service outcomes with the engagement of elected members , staff and stakeholders .

4.5 Annual Governance Statement

From 2007/08 onwards, the preparation of an annual governance statement will meet the requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit Regulations (Amendment)(England) Regulations 2006, for the production of a Statement on Internal Control (SIC) in accordance with proper practices.

The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of an authority's activities, including in particular those designed to ensure that:

- the Authority's policies are implemented in practice
- high-quality services are delivered efficiently and effectively
- the Authority's values and ethical standards are met
- laws and regulations are complied with
- required processes are adhered to
- financial statements and other published performance information are accurate and reliable
- human, financial, environmental and other resources are managed efficiently and effectively.

It therefore covers all the areas previously covered by the SIC. However, it also covers performance issues.

Regulation 4(4) of the Accounts and Audit Regulations 2003, (as amended by the Accounts and Audit Regulations (Amendment)(England) Regulations 2006) requires that the governance statement is included with the Authority's statement of accounts. However, it is the Commission's view that, given the strong corporate focus of the governance statement described above, the most appropriate place for publishing the statement is the annual report, where the Authority prepares one.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

5.2 Legal Implications

These are covered in the report.

6. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	Yes	
Policy	Yes	
Sustainable and Environmental	Yes	
Crime and Disorder	Yes	
Human Rights Act	Yes	
Elderly/People on Low Income	Yes	

7. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

CIPFA / SOLACE guidance including "Delivering Good Governance in Local Government", June, 2007.

8. CONSULTATIONS

All lead officers within the current Corporate Governance Framework.

Corporate Directors

Chief Executive

Internal Audit (Laurie Goldberg x29 7402 and Sangita Ganesh x29 7494)

District Audit (Trevor Croote x 39 3089)

9. REPORT AUTHOR

Peter Nicholls, Service Director – Legal Services, x6302

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

GOOD GOVERNANCE IN LOCAL GOVERNMENT – LEICESTER CITY COUNCIL

SUPPORTING PRINCIPLES		LOCAL AUTHORITY REQUIREMENTS	
1. Focusing on the purposes of the Authority and on outcomes for the community and creating and implementing a vision for the local area.			
1.1 Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.		(a) Develop and promote the Authority's purpose and vision. (b) Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements. (c) Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners. (d) Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance.	
1.2 Ensuring that users receive a high quality of service whether directly or in partnership or by commissioning.		(a) 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. (b) Put in place effective arrangements to identify and deal with failure in service delivery.	
1.3 Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money.		(a) 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. Measure the environmental impact of policies, plans and decisions.	
WHERE ARE WE NOW?	ACTION PLANNED	RESPONSIBILITY	TIMESCALE
2. members and officers working together to achieve a common purpose with clearly defined functions and roles			
2.1 Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions and the roles and responsibilities of the scrutiny function.		(a) Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Authority's approach towards putting this into practice. (b) Set out a clear statement of the respective roles and responsibilities of other Authority members, members generally and senior officers.	
2.2 Ensuring that a constructive working relationship exists between Authority members and officers and that the responsibilities of members and officers are carried out to a high standard.		(a) Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority, taking account of relevant legislation and ensure that it is monitored and updated when required. (b) Make a Chief Executive or equivalent responsible and accountable to	

	<p>the Authority for all aspects of operational management.</p> <p>(c) Develop protocols to ensure that the Leader and Chief Executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p> <p>(d) Make a senior officer (the S151 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 controls.</p> <p>(e) Make a senior officer (usually the Monitoring Officer) responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statues are regulations are complied with.</p>		
<p>2.3 Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other.</p>	<p>(a) Develop protocols to ensure effective communication between members and officers in their respective roles.</p> <p>(b) 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>(c) Ensure that effective mechanisms exist to monitor service delivery.</p> <p>(d) Ensure that the organisation’s 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>(e) 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>(d) 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. 		
<p>WHERE ARE WE NOW?</p>	<p>ACTION PLANNED</p>	<p>RESPONSIBILITY</p>	<p>TIMESCALE</p>
<p>3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</p>			
<p>3.1 Ensuring Authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</p>	<p>(a) Ensure that the Authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p> <p>(b) Ensure that standards of conduct and personal behaviour expected of</p>		

	<p>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>(c) Put in place arrangements to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>		
3.2 Ensuring that organisational values are put into practice and are effective.	<p>(a) Develop and maintain shared 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>(b) Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p> <p>(c) Develop and maintain an effective standards committee.</p> <p>(d) Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationship within the Authority.</p> <p>(e) 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>		
WHERE ARE WE NOW?	ACTION PLANNING	RESPONSIBILITY	TIMESCALE
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.			
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	<p>(a) Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall and that of any organisation for which it is responsible.</p> <p>(b) 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>(c) 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>(d) Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such</p>		

	<p>a committee. (e) Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>		
4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	<p>(a) Ensure that those making decisions whether for the Authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. (b) 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>		
4.3 Ensuring that an effective risk management system is in place.	<p>(a) Ensure that risk management is embedded into the culture of the Authority, with members and managers at all levels recognising that risk management is part of their jobs. (b) Ensure that effective arrangements for whistle blowing are in place to which officers, staff and all those contracting with or appointed by the Authority have access.</p>		
4.4 Using their legal powers to the full benefit of the citizens and communities in their area.	<p>(a) Actively recognising the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to full benefit of their communities. (b) Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on Authorities by public law. (c) 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 law - rationally, legally and natural justice. - into their procedures and decision making processes.</p>		
WHERE ARE WE NOW?	ACTION PLANNED	RESPONSIBILITY	TIMESCALE
5. Developing the capacity and capability of members and officers to be effective.			
5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	<p>(a) Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. (b) Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles</p>		

	are properly understood throughout the Authority.		
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	<p>(a) Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</p> <p>(b) Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p> <p>(c) Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.</p>		
5.3 Encourage new talent for membership of the Authority so that best use can be made of individual's skills and resources in balancing continuity and renewal.	<p>(a) Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.</p> <p>(b) Ensure that career structures are in place for members and officers to encourage participation and development.</p>		
WHERE ARE WE NOW?	ACTION PLANNED	RESPONSIBILITY	TIMESCALE
6. Engaging with local people and other stakeholders to ensure robust public accountability			
6.1 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>(a) Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>(b) Consider those institutional stakeholders to whom the Authority is accountable and assess the effectiveness of the relationships and any changes required.</p> <p>(c) Produce an annual report on the activity of the scrutiny function.</p>		
6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority, in partnership or by commissioning.	<p>(a) 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>(b) Hold meetings in public unless there are good reasons for confidentiality.</p> <p>(c) Ensure that arrangements are in place to enable the Authority 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>(d) Establish a clear policy on the types of issues they will meaningfully</p>		

	<p>consult on or engaged with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</p> <p>(e) On an annual basis publish a performance plan giving information on the Authority's vision, strategy plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p> <p>(f) Ensure that the Authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>		
6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	(a) Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.		
WHERE ARE WE NOW?	ACTION PLANNED	RESPONSIBILITY	TIMESCALE

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