

Report of City Solicitor

Report to Corporate Governance and Audit Committee

Date: 7th April 2017

Subject: Approval of Corporate Governance Code and Framework

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input type="checkbox"/> No

Summary of main issues

1. Leeds City Council is required to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.
2. The review must be prepared in accordance with proper practices in relation to accounts – that proper practice has been recently revised and jointly published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as '*Delivering Good Governance in Local Government: Framework 2016*'.
3. Each local authority must therefore, set out its commitment to the principles of good governance included in the 2016 Framework; determine its own governance structures, or local code, underpinned by these principles and ensure that the arrangements operate effectively in practice.
4. The 2016 Framework applies to annual governance statements prepared to report from the financial year 2016/17 onwards. It is therefore timely to review and amend the existing Code of Corporate Governance in light of the new proper practice requirements contained in the 2016 Framework.

Recommendations

Members are asked to consider the requirements of the 2016 Framework and agree the Corporate Governance Code and Framework at Appendix 2.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval from Corporate Governance and Audit Committee to a revised Corporate Governance Code and Framework for Leeds City Council.

2. Background information

- 2.1 In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles for all public sector organisations to adopt. The commission, set up by the Chartered Institute of Public Finance and Accountancy (CIPFA) in conjunction with the Office for Public Management, advocated that a common governance standard for public services was necessary similar to the private sector's UK Corporate Governance Code.
- 2.2 As a result, the *Good Governance Standard for Public Services (2004)* established six core principles to underpin the governance arrangements for public services – this framework formed the basis of proper practice for the preparation and assessment of annual governance statements for local authorities and formed the basis for the Leeds City Council Code of Corporate Governance.
- 2.3 In July 2014 CIPFA, in association with the International Federation of Accountants (IFAC) published *the International Framework: Good Governance in the public Sector*. The international framework has superseded the 2004 standard and places the attainment of sustainable economic, societal and environmental outcomes as the key focus of governance structures and processes and stressed the importance of taking account of the impact of current decisions and actions on future generations.
- 2.4 The principles from the International Framework have been interpreted for a local government context by CIPFA and the Society of Local Authority Chief Executives (SOLACE) as '*Delivering Good Governance in Local Government: Framework 2016*'.
- 2.5 Leeds City Council continues to be required to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.
- 2.6 The review must be prepared in accordance with proper practices in relation to accounts – that proper practice being the recently published '*Delivering Good Governance in Local Government: Framework 2016*' (*the 2016 Framework*).
- 2.7 Leeds City Council must therefore review its existing arrangements, and;
- Ensure that a commitment is given to the principles of good governance included in the 2016 Framework;
 - Determine its own governance structures, or local code, underpinned by those principles and;
 - Ensure that the arrangements operate effectively in practice.
- 2.8 The Framework applies to annual governance statements prepared to report on accounts from the financial year 2016/17 onwards.

3. Main issues

- 3.1 It is timely to review and amend the existing Code of Corporate Governance in light of the new proper practice requirements contained in the 2016 Framework.
- 3.2 The 2016 Framework recognises that local government continues to develop and shape its own approach to governance, taking account of the specific environment within which individual local authorities operate.
- 3.3 However, within those flexibilities the focus of the 2016 Framework differs from previous proper practice in that now;
- There is a defined emphasis on achieving outcomes while acting in the public interest at all times and;
 - The attainment of sustainable economic, societal and environmental outcomes has been identified as a key focus of governance processes and structures.
- 3.4 The Framework also defines the principles which should underpin the governance of local authorities. Attached at Appendix 1 is a copy of *Delivering good governance in Local Government Framework 2016*. Members attention is drawn to Chapter Six of the document (page 11 of the appendix). This defines both core and sub principles of good governance and it is these which the authority needs to review and interpret within its own circumstances and ensure that the arrangements operate effectively in practice and provide an annual assessment of them (by way of the Annual Governance Statement).
- 3.5 Attached at Appendix 2 is a newly drafted document – *Leeds City Council Corporate Governance Code and Framework* which has been prepared to;
- Reflect and demonstrate those commitments;
 - Reflect the governance arrangements operating within Leeds City Council and how they contribute to the principles contained in the 2016 Framework;
 - Simplify the presentation of Council's governance arrangements and code in one document and aid understanding.
- 3.6 The main changes to the existing Code of Corporate Governance are;
- A change in the title of the document; from Code of Corporate Governance to Corporate Governance Code and Framework - clarifying that the document sets out the Council's Governance Principles and how those principles are supported and evidenced.

- Amendments to the wording of the principles as detailed in the table below;

Code of Corporate Governance Principles	Proposed new Corporate Governance Code and Framework Principles
1. Focussing on the Council's purpose and community needs;	3. Focus our resources on outcomes and ensure council tax payers and service users receive excellent value for money.
2. Having clear responsibilities and arrangements for accountability;	4. Ensure we have clear responsibilities and arrangements for transparent and effective accountability.
3. Good conduct and behaviour;	1. Behave lawfully, with integrity and in the public interest and demonstrate this through our conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;	5. Take informed and transparent decisions.
5. Developing the capacity and capability of members and officers to be effective;	7. Develop our capacity and capability to be effective.
6. Engaging with local people and other stakeholders.	2. Be open and engage with local communities, service users and our other stakeholders.
	6. Ensure that we have robust and effective audit, scrutiny, information governance, risk and financial management controls.

- A simplified more accessible format.

3.7 Members are asked to consider the requirements of the 2016 Framework and agree the Corporate Governance Code and Framework at Appendix 2.

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 The Deputy Chief Executive and Monitoring Officer have assisted in the drafting of the Corporate Governance Code and Framework and Corporate Leadership Team has been consulted on the content and are supportive of the approach taken.

4.1.2 The Deputy Leader and Executive Member for Resources has also been consulted on the document and are similarly supportive.

4.2 Equality and diversity / cohesion and integration

4.2.1 The council's arrangements for Equality and diversity / cohesion and integration are important components of our Corporate Governance arrangements and are reflected and referenced in Code and Framework at Appendix 2 (see Principle 3).

4.3 Council policies and best council plan

4.3.1 The draft Corporate Governance Code and Framework recognises the importance of the Best Council Plan in setting the ambitions for the City, that this is closely aligned with a range of associated partnership plans and that central to the Council's ambition to be the Best Council is being 'An Efficient and Enterprising Organisation'.

4.4 Resources and value for money

4.4.1 The purpose of Corporate Governance Code and Framework is to demonstrate the council's commitment to devise and deliver services to the citizens of Leeds in a way that demonstrates accountability, transparency, effectiveness and value for money, integrity, and inclusivity.

4.4.2 The council's arrangements for Resources and Value for Money are important components of our Corporate Governance arrangements and are reflected and referenced in Code and Framework at Appendix 2 (see Principles 3 and 6).

4.5 Legal implications, access to information, and call-in

4.5.1 The Article 15 (Annex 1) of the Constitution gives authority to the Corporate Governance and Audit Committee to approve the Corporate Governance Code.

4.5.2 The decision of the committee on this matter is not open for Call In as the decision it is not an Executive Function.

4.6 Risk management

4.6.1 The proposals contained in this report seek to ensure that the Council's arrangements remain up-to-date, fit for purpose and compliant with the newly introduced proper practices.

4.6.2 The council's risk management arrangements are important components of our Corporate Governance arrangements and are reflected and referenced in Corporate Governance; Code and Framework at Appendix 2 (see Principle 6).

5. Conclusions

5.1 The authority must ensure that the Annual Governance Statement is compiled in accordance with proper practices. For Annual Governance Statements produced for the 2016/17 onwards those proper practices have changed (superseding the Good Governance Standard for Public Services (2004)) and must now be undertaken in accordance with the Delivering Good Governance in Local Government Framework 2016.

5.2 This change has necessitated a review of the council's Code of Corporate Governance to ensure that the framework of governance on which the Annual

Governance Statement reports is up-to-date and fit for purpose and sufficiently references the requirements of the new proper practice.

- 5.3 The newly drafted Corporate Governance; Code and Framework incorporates elements of those proper practices that were not sufficiently referenced in the council's Code of Corporate Governance.

6. Recommendations

- 6.1 Members are asked to consider the requirements of the 2016 Framework and agree the Corporate Governance Code and Framework at Appendix 2.

7. Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.