

## Approval of Local Code of Corporate Governance

Date: 25<sup>th</sup> March 2022

Report of: Chief Officer Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- This report presents a revised Local Code of Corporate Governance (the Code) for approval by the Committee.
- The Code will underpin the Council's governance arrangements, and in so doing will support the Council in achieving its Best City Ambition and the three key pillars of Inclusive Growth, Health and Wellbeing, and Climate Emergency.
- The principles and commitments set out in the Code meet the requirements of the CIPFA *Delivering Good Governance in Local Government: Framework (2016)* (CIPFA's Framework) which is established proper practice for local authorities.

### Recommendations

Corporate Governance and Audit Committee are requested to:

- a) approve the Local Code of Corporate Governance attached at Appendix A
- b) note the arrangements proposed for reporting annually on monitoring and compliance.

### Why is the proposal being put forward?

- 1 The existing Corporate Governance Code and Framework was adopted by this committee in April 2017. Committee asked, during their consideration of the Annual Governance Statement 2021, that the Code be reviewed.

### What impact will this proposal have?

**Wards affected:**

Have ward members been consulted?  Yes  No

- 2 The proposed Local Code of Corporate Governance, which is set out at Appendix A to this report, is based in the principles set out in the International Framework: Good Governance in the Public Sector, and reflected in CIPFA’s Framework as illustrated in the diagram below.



- 3 The International Framework notes that: “Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.”
- 4 CIPFA’s Framework sets out a series of sub principles and illustrative behaviours within each of these seven principles which together ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.
- 5 The principles set out in the Code, are very closely aligned to the CIPFA principles, and supported by a set of commitments which reflect the behaviours identified within the CIPFA Framework, whilst recognising the unique arrangements for corporate governance in place at Leeds City Council.
- 6 In particular, the Code notes that the principles and commitments as applied in Leeds will enable the authority to direct and control its activity to achieve the Best City Ambition which was adopted as part of the Budget and Policy Framework by Full Council on 23rd February 2022.
- 7 Importantly, the Code also reflects the Leeds City Council values and behaviours which are at the core of the way in which the Council seeks to deliver its ambition.
- 8 In order to ensure that the Code is reflected in practice and procedure within Leeds City Council, it will be necessary to articulate the framework of arrangements in place to deliver against each of the commitments, and the assurance that those arrangements can be demonstrated to be effectively embedded and routinely applied.
- 9 As identified in the proposed Code, the Committee (and through it the Council) is able to rely on three lines of assurance; operational, specialist / oversight, and independent. Some of this

assurance will be reported directly to the Committee through its work programme, whilst other assurance will be provided elsewhere as identified through the assurance map. Appendix B to this report provides a diagrammatic representation of the assurance map.

10 The governance framework and detailed map of assurance will be reported to Committee on an annual basis to support the Committee's approval of the Annual Governance Statement.

### **What consultation and engagement has taken place?**

11 The Code has been shared with the Chief Finance Officer, Monitoring Officer and Head of Paid Service, often referred to as the golden triangle of governance in local authorities. Each have confirmed that they are content with the proposed Code.

12 The Code has been shared with the Executive Member for Resources.

13 Article 15 of the Constitution provides that changes to the Corporate Governance Code and Framework can be approved by the Corporate Governance and Audit Committee. The Code has been circulated to Members in advance of inclusion in the Committee's agenda.

### **What are the resource implications?**

14 The arrangements set out ensure the sustainable use of the council's resources to deliver the strategic ambitions of the council.

### **What are the legal implications?**

15 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, requires a local authority to conduct a review at least once in 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

16 Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, require that the statement is an Annual Governance Statement.

17 In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". The Delivering Good Governance in Local Government: Framework (2016) is that 'proper practice'.

18 There is no legislative requirement for the inclusion of a Code of Corporate Governance in the Council's Constitution. However CIPFA's Framework recommends that local authorities

- review existing governance arrangements
- develop and maintain an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- report publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

19 The arrangements set out in this report will ensure that Leeds City Council is able to continue to meet its statutory obligation to conduct a review of internal control, and to prepare and publish its Annual Governance Statement in accordance with proper practice.

### **What are the key risks and how are they being managed?**

20 Local government organisations are vitally important to taxpayers and service users. Clear governance arrangements address risk throughout the planning and delivery of services and ensure that the council meets the highest standards and that governance arrangements are not only sound but are seen to be sound.

- 21 Poor governance can lead to poor strategic planning, unfocussed decision making, and lack of performance monitoring and management, impacting on the delivery of services and the council's ability to provide best value to citizens and communities.
- 22 Poor governance arrangements can lead to governance failures which in turn become the subject of external audit public interest reports, or rapid reviews. Governance arrangements in the public services are keenly observed and significant governance failings could attract huge public attention and reputational harm.

### **Does this proposal support the council's three Key Pillars?**

Inclusive Growth       Health and Wellbeing       Climate Emergency

- 23 Clear and embedded governance arrangements will support the council in the sustainable delivery of all of its strategic goals.

### **Options, timescales and measuring success**

#### **What other options were considered?**

- 24 In considering the proposed Code benchmarking was undertaken against core cities and the West Yorkshire group of Councils; some included a Code and Framework in their Constitution, some a code but the framework was separately reported, and some did not include any form of Code or Framework within their Constitution, although all referred to both code and framework in their Annual Governance Statement.
- 25 It is felt that the inclusion of the Code within the Leeds City Council Constitution reflects the importance of the Code in underpinning the Council's approach to governance. However, it is proposed that the evolving nature of the framework of arrangements through which the Council meets the commitments set out in the Code would be more appropriately included in an annual report to this committee, which will support the Committee's consideration of the Annual Governance Statement each year.

#### **How will success be measured?**

- 26 Assurance in relation to the Council's adherence to the Code will be included in the annual report to committee setting out the Corporate Governance Framework.
- 27 The Assurance map attached at Appendix B to this report shows the three lines of assurance as they apply to the Council's arrangements.

#### **What is the timetable for implementation?**

- 28 The approved Code will be included in the Constitution with immediate effect, reflecting introduction of the Best City Ambition.

### **Appendices**

- 29 Appendices are attached as follows:
- A. Local Code of Corporate Governance
  - B. Assurance Framework

### **Background papers**

- 30 None