

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	15 th March 2017
DIRECTOR	Richard Ellis
TITLE OF REPORT	Governance Review - Local Code of Corporate Governance and Action Plan
REPORT NUMBER	CG/17/021
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To present the revised Local Code of Corporate Governance which sets out how the Council will provide annual assurance against CIPFA's principles of good governance to the Audit, Risk and Scrutiny Committee; and to advise that an action plan is in place to secure improvements in the Council's governance.

2. RECOMMENDATION

That the Council –

- (a) approve the revised Local Code of Corporate Governance against which the Council will measure itself in Annual Governance Statements from 16/17 onwards (appendix A);
- (b) note the progress being made towards improving the Council's governance framework, that the workstreams within the action plan respond to CIPFA's interim assessment, and that these will be reported to the relevant committees as they are progressed (appendix B); and
- (c) to aspire towards the CIPFA Mark of Excellence in governance over the next 12-18 months.

3. FINANCIAL IMPLICATIONS

The action plan will be implemented within existing resources. This involves using existing and emerging project and programme management skills within the organisation to ensure that individual projects are progressed and implemented within agreed timescale, scope and resource.

4. OTHER IMPLICATIONS

A number of services are contributing staffing resource to the action plan, which requires input from almost all Corporate Governance services. There

will also be a need to train staff at all levels of the organisation on revisions to key governance documentation, eg delegated powers, Committee Terms of Reference, as they are agreed. This forms part of a Governance Training Programme being developed with Organisational Development.

5. BACKGROUND/MAIN ISSUES

- 5.1 SOLACE (the Society of Local Authority Chief Executives) and CIPFA (the Chartered Institute of Public Finance and Accountancy) published the new framework “*Delivering Good Governance in Local Government*” in April 2016, revising the principles which should underpin good governance and reminding local authorities that they should test their governance structures and partnerships against those principles by:
- reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
 - reporting 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 – this is a requirement under the Local Authority Accounts (Scotland) Regulations 2014 which state that authorities must 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 their published annual accounts.
- 5.2 CIPFA’s good governance principles A-G are set out within the attached Local Code of Corporate Governance (appendix A).
- 5.3 In May 2016, Council endorsed, in setting up a cross-party Governance Reference Group, a programme of work to review our governance arrangements. The CIPFA framework formed the basis of this review and a substantial amount of work has been done by officers and members to review existing arrangements and to prepare an action plan to secure improvements in governance. The recently approved Strategic Business Plan sets out the key role of good governance in improving the stewardship of the Council.
- 5.4 In June, the Audit, Risk and Scrutiny Committee will receive the annual accounts and Annual Governance Statement, and for this reason, a revised Local Code of Corporate Governance is required to measure ourselves against. A Local Code is, essentially, the governance structure in place, including individual codes, constitutional documents, and governance systems and processes. CIPFA are clear, however, that good governance cannot be achieved by rules and procedures alone – shared values that are integrated into the culture of an organisation and which are reflected in behaviour and policy, are the hallmarks of good governance. The Local Code will provide the basis of the assurance which we will give to the Audit, Risk and Scrutiny Committee on our governance application.

Governance Review Action Plan

5.5 CIPFA has conducted an interim assessment of the Council's governance arrangements, prior to a full assessment against their Mark of Excellence. This is a new accreditation scheme, and Aberdeen City Council is the first local authority in Scotland to initiate this review. The outcome of the assessment and improvements will be a stronger, more robust, system of governance, reduced likelihood of governance failure, and as a result improved public services. As this is an interim assessment, an action plan is required to place ourselves in the best position to achieve the full accreditation when CIPFA return to conduct a final assessment. Indications are that this will be within 12-18 months, but will be on a date to be determined by the Council. There will be on-going dialogue with CIPFA during this period.

5.6 The outcomes from the interim assessment are summarised below. A total score of 80% is needed in all categories to achieve the Mark of Excellence, so there is still work required to accomplish this. In overall terms, the outcome is that we are substantially achieving, with a total score of 71%.

Assessment category	Max. score	ACC score	ACC %	Outcome
A - Behaving with integrity	375	250	67%	Substantially achieved
B - Ensuring openness and stakeholder engagement	225	175	78%	Substantially achieved
C - Defining outcomes	90	80	89%	Fully achieved
D - Determining the interventions necessary	150	105	70%	Substantially achieved
E - Developing the entity's capacity	615	470	76%	Substantially achieved
F - Managing risks and performance	375	220	59%	Partially achieved
G - Implementing good practices in transparency, reporting, and audit	105	85	81%	Fully achieved
Overall	1,935	1,385	71%	Substantially achieved

- 5.7 A detailed action plan has been developed in order to:
- Compare CIPFA priorities and scores against the good governance principles
 - Document actions proposed by CIPFA alongside existing actions within the Governance Review
 - Document how we are responding to CIPFA's recommendations and actions – note that there is additional activity as part of the governance review which is unrelated to CIPFA's recommendations
 - Schedule the delivery of these actions
 - Cross-reference to the Audit Scotland report "How Councils Work: Are You Still Getting it Right?" which provides useful guidance to all local authorities on assessing their governance arrangements against the CIPFA principles.
- 5.8 Given that the Governance Review had initiated a number of improvement projects, some of which began in March 2016, the action plan proposes continuation of these tasks, plus a number of additional responses. It also accounts for discussions at the Governance Reference Group, where elected members have been consulted on the programme of work which will improve the Council's governance framework. The attached tracker (appendix B) shows where each item will be reported, and the indicative dates for doing so. For instance, the risk management plan is being reported through Audit, Risk and Scrutiny Committee, and a revised Employee Code of Conduct through Finance, Policy and Resources Committee.
- 5.9 Two major pieces of work resulting from the review are on this agenda for approval – a revised set of Standing Orders for Council and Committee meetings and a Member/Officer Relations Protocol – demonstrating the progress being made and the value of elected member support and involvement. Both have been extensively reviewed at the Governance Reference Group.

Embedding good governance

- 5.10 It will be essential in taking forward the action plan for governance improvements that high priority is given to training officers and elected members on their understanding of governance, the systems and processes which will ensure strong governance, as well as the values and behaviours required to embed good governance across the organisation. CIPFA notes in its interim assessment that the Council is striving to achieve excellence in public sector governance and has taken a lead in initiating a governance review which has strong member buy-in through the Governance Reference Group. However, CIPFA advises that this should be free from political considerations, and should be augmented by strong leadership taking good governance principles and embedding them in practice. This cannot be viewed as a "tick box" exercise, and in being assessed for the Mark of Excellence, assurance will be sought that our governance procedures, processes, systems are backed up with corporate behaviours, understanding

and compliance – demonstrating that governance is well embedded, for both members and officers, in the culture of the organisation. Shaping Aberdeen is therefore a vehicle for governance transformation and, in turn, improved stewardship.

6. IMPACT

Improving Customer Experience –

Our governance framework has customer delivery as a primary focus – both internal customers (for instance those using the committee reporting procedures and internal procurement regulations) and external partners (third party organisations, audit bodies) and external customers (members of the public accessing local decision-making structures). Ensuring that the programme of work delivers improved governance structures will benefit each of these groups.

Improving Staff Experience –

One of CIPFA’s principles is to develop the organisation’s capacity, including the capability of its leadership and the individuals within it. Staff experience will be part and parcel of this, for instance, through the Member/Officer protocol and elected member development programme, both of which will be underpinned by the “triple aim” and so have staff experience at their core.

Improving our use of Resources –

Governance is about our organisational frameworks, responsibilities, systems, processes, culture and values. Good governance happens when these things come together to make us an effective organisation, thereby ensuring that we are fulfilling our duty as an organisation to be open, transparent and accountable for spending public funds. A review of our governance framework will result in improved processes, structures and systems, and against a set of CIPFA principles which have taken account of the changing and challenging landscape for local authorities.

Corporate -

The action plan will ensure that the Council’s governance framework is robust enough to support achievement of the objectives set out within Smarter Aberdeen. It forms a key part of the Strategic Business Plan (Improving Stewardship theme), Corporate Governance Directorate Plan, Legal and Democratic Services Service Plan and the PR&D objectives of staff in that service. It will also improve governance relationships with arms-length organisations, and link with the refreshed Local Outcomes Improvement Plan in terms of public participation and engagement.

Public –

Some activities in the action plan will increase transparency for members of the public, clarifying member/officer roles and responsibilities and improving relationships with third party organisations.

7. MANAGEMENT OF RISK

All governance improvements are designed to reduce risk to the Council, as they will strengthen our systems of internal control and assurance. Assessment against CIPFA principle F demonstrates that the Council is only partially achieving in this area, and has some progress to make in order to achieve the required accreditation score. Supporting us in this is the Risk Management Project Plan which the Audit, Risk and Scrutiny Committee approved on 24th November, resulting from the review of risk management by the Good Governance Institute. Progress on this is reported via that Committee.

8. BACKGROUND PAPERS

CIPFA Report – Aberdeen City Council: Report on Improving Governance (January 2017)

Accounts Commission Report – How Councils Work (November 2016)

http://www.audit-scotland.gov.uk/uploads/docs/report/2016/hcw_roles_followup.pdf

9. REPORT AUTHOR DETAILS

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