Report of the Assistant Director Corporate Services (City Solicitor) to the meeting of Standards Committee to be held on 5 February.

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Subject:

Ethical Governance arrangements.

Summary statement:

Standards Committee is invited to consider the Ethical Governance Inspection regime and specifically the key lines of enquiry for a Corporate Governance Inspection by the Audit Commission.

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Assistant Director Corporate Services
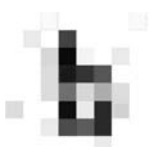(City Solicitor)

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Improvement Area:

1. **Summary**

1.1   Standards Committee is invited to consider the Ethical Governance Inspection regime and specifically the key lines of enquiry for a Corporate Governance Inspection by the Audit Commission.

2. **Background**

2.1   Corporate Governance is the framework of accountability to users, stakeholders and the wider community within which organisations take decisions and lead and control their functions to achieve their objectives. The effectiveness of Corporate Governance arrangements has a significant impact on how well an organisation meets its aims.

2.2   The Audit Commission Corporate Governance inspections assess the quality of a Council's current and planned corporate governance arrangements. Although these inspections are only undertaken rarely where a Council's service performance or corporate governance appears to be failing or at serious risk there is an expectation that all Council's will operate to the required standards identified in the inspection regime.

2.3   The Local Government Act 1999 gives the Audit Commission power to undertake a Corporate Governance Inspection to ensure a local Council's compliance with its duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". However they are undertaken rarely and only where the Commission has serious concerns about a Council's corporate governance capacity.

2.4   In addition as part of the Annual Assessment of the Council's use of resources the Audit Commission undertakes Key Lines of Enquiry ("KLOE") which address a number of issues and include those around good governance. As part of this process the Audit Commission has asked the Council to identify key officers to be the main points of contact to deal with this aspect of the KLOE and they have been identified as the Assistant Director Strategy and Performance and the Assistant Director Corporate Services (City Solicitor).

2.5   Attached at Appendix A to this report is an extract from the Corporate Governance Inspection Regime: published by the Audit Commission. The Corporate A specific Governance Inspection focuses on 4 themes:

- Community Focus
- Structures and Processes
- Risk Management and Internal Control
- Leadership, Culture and Standards of Conduct

2.6   Theme 4: Leadership, Culture and Standards of Conduct is the area which has links to the remit of the Standards Committee. Appendix A sets out the inspection focus and the components which would indicate a minimum compliance and those issues which would indicate a failure to comply.

3.   **Other considerations**

3.1   Standards Committee members are asked to consider Appendix A and specifically discuss ways in which the Standards Committee can contribute to meeting not only the minimum standards but exceeding that minimum standard in terms of the ethical governance arrangements of Bradford Council.

4.   **Financial and resource appraisal**

4.1   The issues raised in this report do not have any direct financial consequences.

5.   **Legal appraisal**

5.1   The Committee is under an obligation to have regard to the ethical conduct of the organisation to ensure that it meets the requirement of the Audit Commission in terms of both the Annual Assessment of the Council's use of Resources of the Corporate Governance Regime.

6.   **Other implications**

6.1   There are no equal right, sustainability, community safety, human rights act, trade union implications arising from this report.

7.   **Not for publication documents**

7.1   None

8.   **Recommendations**

8.1   That the Standards Committee consider the attached Appendix and discuss and agree ways in which it can contribute to achieving the standards required.

8.2   Reasons for the recommendation – to ensure there are appropriate and improving ethical governance arrangements within the Council.

9.   **Appendices**

9.1   Appendix A - Theme 4 – Leadership (KLOI)

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Corporate Governance Inspection: Key lines of enquiry 2006 – Theme 4: Leadership, culture and standards of conduct

KEY LINES OF ENQUIRY	INSPECTION FOCUS	DELIVERS ONLY MINIMUM REQUIREMENTS – ADEQUATE ARRANGEMENTS	COMPONENTS OF INADEQUATE PERFORMANCE
4.1 **Is there clear and effective leadership of the wider community and the council?**	**4.1.1** Approach to style of leadership. Coverage of the approach with regard to the leader and executive within the council and the wider community. Approach to shared responsibility for leadership between executive and other councillors at council, community and partnership levels.	Executive members and senior officers are aware of their approach to leadership and are able to adapt it to respond to the complex community and organisational environment. The approach acknowledges the role of the leader and executive within the council in setting the climate and direction for staff, and also in the wider community. It acknowledges that responsibility for leadership of the council, the community and partnerships is shared between executive and other councillors. Challenge within the elected administration is constructive, and the impact of disunity is contained.	Lack of attention to leadership style and how it is communicated. Lack of appreciation of leadership roles within the council and the wider community. Executive and members do not take joint responsibility for leadership of the council, the community or partnerships; or do not work effectively together to achieve this. There is disunity or factionalism within the administration.
	4.1.2 Understanding and implementation of responsibilities towards community, political and managerial leadership	The council recognises its responsibilities to demonstrate leadership in different ways to the community as a whole; to its electors; and within the council. It has taken steps to distinguish appropriately between the roles of councillors and of officers; and between the roles of the executive members or leader and the chief executive. Councillors and senior officers anticipate potential problems between politics and management, councillors and officers and clients and contractors	Lack of attention to the approach and style needed to address community, political and managerial leadership. Blurring of roles between the leader and the chief executive; or between councillors and officers.
	4.1.3 Quality of political leadership, including vision, clarity, and links to and acceptance by the community. Level of leadership demonstrated by councillors and of collaboration within the executive. Openness to opposition processes.	The political leadership has a vision that acknowledges both community priorities and the council's strategy, and the need to use it to motivate staff. The community is aware of the council's leadership. Councillors lead and collaborate on policy development and prioritisation, and are open to challenge from opposition, the unions, interest groups and councillors with specific or challenging views; and to advice from statutory and monitoring officers. The leadership shows some success in sticking with difficult decisions, and in maintaining focus on strategy and priorities.	Leadership lacks vision, or not inclusive of sections of the community or aligned with the council's priorities and strategies. Council not recognised as a community leader by internal and external stakeholders. Rivalry within the ruling group or indecision by the leadership results in frequent changes in direction of leadership which impact negatively on achievement. Opposition councillors and legitimate dissenting views marginalised. Leadership frequently distracted by minor operational matters or crises.

Corporate Governance Inspection: Key lines of enquiry 2006 – Theme 4: Leadership, culture and standards of conduct

KEY LINES OF ENQUIRY	INSPECTION FOCUS	DELIVERS ONLY MINIMUM REQUIREMENTS – ADEQUATE ARRANGEMENTS	COMPONENTS OF INADEQUATE PERFORMANCE
	4.1.4 Quality of managerial leadership, including monitoring or governance processes, communication and provision of information, and influence on the working culture. Level of corporate management direction given by the corporate management team, including the level of collaboration, engagement with staff, and two-way communication internally and with other stakeholders. Awareness and implementation of equal opportunities and diversity.	Managerial leadership works to ensure that governance processes are working; political priorities are explained to staff and statutory duties, professional standards and constraints to councillors; and foster a professional and respectful working culture. The corporate management team usually works collaboratively, giving direction to staff in line with the executive's priorities. Senior managers engage openly and honestly with staff. Internal communication is regular and aims to be inclusive, covering staff in remote settings, contractors and partners. The leadership has attempted to make use of feedback and coaching. Departments usually work collaboratively to achieve corporate aims. Managerial leadership is aware of the need to promote equal opportunity and diversity and there is evidence that it has taken steps to do this.	Unprofessional and personality-driven working culture, with unchallenged poor management behaviours. Evidence of rivalry within the corporate management team and between departments, undermining decision-making. Poor internal communication. Staff in remote locations isolated from corporate communication. Managerial leadership is unaware of equalities and diversity issues, or fails to address them.
	4.1.5 Openness of leadership to challenge, self-criticism and review; and arrangements to measure the effectiveness of the leadership.	The leadership is open to self-criticism, challenge and review. The council has reviewed, or is planning to review its effectiveness, via mechanisms such as staff or councillor surveys. Monitoring and review leads to demonstrably improved service and/or governance outcomes.	Leadership not self-aware and self-critical. No arrangements for monitoring and review of leadership and leadership style.
4.2 **Does the council demonstrate mutual respect and constructive engagement among councillors and staff?**	**4.2.1** Strategic approach to the culture and values of the council. Coverage of the approach across councillors, staff, partners and the community.	The council has a strategic approach to its principles and aspirations for its own culture and values, and has communicated this approach to staff and partners. The approach covers councillors and staff, work between councillors and staff, and between the council and its partners and community.	Approach to culture and values not comprehensive. Limited awareness of the impact of culture and values on achievement.
	4.2.2 Match of the council's actions with its aspirations, and evidence that this is appropriate and recognised in the wider community.	The council is having some success in meeting its aspirations, and attempts to maintain a focus on meeting community needs and achieving consensus over long-term issues. Its attempts are recognised by councillors, staff, partners and the public.	Achievement limited by confusion over style and values, or serious inherited problems.

Corporate Governance Inspection: Key lines of enquiry 2006 – Theme 4: Leadership, culture and standards of conduct

KEY LINES OF ENQUIRY	INSPECTION FOCUS	DELIVERS ONLY MINIMUM REQUIREMENTS – ADEQUATE ARRANGEMENTS	COMPONENTS OF INADEQUATE PERFORMANCE
	4.2.3 Conduct of business and role of the opposition. Clarity of roles and responsibilities for councillors and officers, and provision of training; and of business and decision-making. Levels and appropriateness of delegation to officers. Organisational culture and the nature of working relationships and levels of internal satisfaction. Approach to equalities and diversity.	The council usually conducts its business constructively, supporting and respecting the role of the opposition. Councillors and officers are aware of their respective roles and responsibilities, and there is training for those new in role or with specialist responsibilities. The executive delegates to officers appropriately, matching authority to accountability, bringing management authority closer to the front-line. There is a culture of respect across the council, with constructive and professional working relationships between councillors and officers, between senior officers and staff, and between staff in different departments. Staff satisfaction with working for the council is at an acceptable level or improving. The atmosphere is open and supportive. The culture respects the diverse nature of the council's various stakeholders, and their right to equality of opportunity.	Council business less effective because of profound political differences. Councillors and officers confused about their roles and do not take up training. Atmosphere of blame, aggression, fear or resentment. Working relationships disrespectful or unsupportive. Business and decision –making laborious and long-winded. Staff satisfaction with working for the council unacceptably low or declining. The culture works against equal opportunity and does not respect the diverse nature of the council's stakeholders.
	4.2.4 Arrangements for monitoring and review of the council's culture and values, and of progress in influencing culture.	The council has reviewed, or plans to review, its success in achieving and maintaining a constructive culture. Monitoring and review leads to demonstrably improved service and/or governance outcomes.	No monitoring or review of values and culture.
4.3 **Does the council achieve high standards of conduct?**	**4.3.1** Strategic approach to promoting and maintaining ethical standards. Code of conduct. Coverage of code of conduct across personnel and relevant issues. Sanctions and redress, and training arrangements.	The council has a strategic approach articulated within its constitution for promoting and maintaining ethical standards across the council and its operations. It communicates these widely. It assigns lead responsibility to a councillor for conduct and standards, and has a code of conduct in line with legal requirements. Codes and protocols cover standards for councillors, staff and contractors, and include whistle-blowing, anti-bullying, staff conduct, and member/officer relations. The code of conduct for councillors covers the full range of legal requirements. There are arrangements for sanctions and redress, and training for councillors is mandatory.	Lack of strategic approach to promoting and maintaining ethical standards. Codes and protocols incomplete or out of date, or not sufficiently wide-ranging. No arrangements for sanctions or training.

Corporate Governance Inspection: Key lines of enquiry 2006 – Theme 4: Leadership, culture and standards of conduct

KEY LINES OF ENQUIRY	INSPECTION FOCUS	DELIVERS ONLY MINIMUM REQUIREMENTS – ADEQUATE ARRANGEMENTS	COMPONENTS OF INADEQUATE PERFORMANCE
	4.3.2 Nature and robustness of the constitution. Transparency of reporting arrangements. Role of monitoring officer (MO) and chief executive (CE) in ethical matters. Evidence of the code being applied to working practices. Effectiveness of register of interests. Evidence of protocols for use of council resources.	The constitution is designed to reduce opportunities for misconduct and ensure that processes are accountable and properly managed. There is a 'presumption of openness', and the council has a policy on access to information. The MO and CE are allowed to raise ethical issues formally during decision-making. Ethical principles have been acknowledged in working practices. The register of interests is up to date. The council has, or is preparing, protocols for use of council resources such as IT, transport and expenses.	Constitution does not promote openness and transparency. Reports frequently kept confidential for no apparent reason. Policy on access to information unsatisfactory. Register of interests out of date; or disputed. No protocols for use of authority premises, equipment, IT etc. Poor recent record on standards and probity.
	4.3.3 Resourcing of standards committee (SC), MO and ethical activity. Terms of reference (TOR), membership, timetable and agendas of SC. Impact of MO role. Joint working of standards committee and MO.	Resources are sufficient to allow the SC and MO to function. The SC has TOR encompassing the minimum statutory requirement. Its membership is balanced and the way that it conducts business, along with active steps it and the MO take, promote higher standards. The council has taken or is taking steps to ensure that understanding of ethical issues, standards, and the roles of the SC and MO are widespread in the council. The SC and MO have mechanisms in place for referral and joint working. They have access to the CE and the leadership, and are supported by them.	Insufficient resources allocated to SC, MO and ethical activity. Narrow remit of SC, falling short of minimum statutory requirements. Unbalanced membership of SC. Lack of collective responsibility for standards across of the council, and lack of visibility of SC and MO. Ineffective working relationship between SC and MO. Confusion about councillor and officer responsibilities in respect of conduct, or recent examples of misconduct.

Corporate Governance Inspection: Key lines of enquiry 2006 – Theme 4: Leadership, culture and standards of conduct

KEY LINES OF ENQUIRY	INSPECTION FOCUS	DELIVERS ONLY MINIMUM REQUIREMENTS – ADEQUATE ARRANGEMENTS	COMPONENTS OF INADEQUATE PERFORMANCE
	4.3.4 Confidential reporting and whistle-blowing, and levels of confidence in ethical systems. Communication and understanding of ethics and values, roles and responsibilities throughout the council; and to stakeholders and the wider public. Take up of ethics and standards training by councillors. Evidence of ethical frameworks for procurement, contracting and partnership development.	The council has a confidential reporting system, supported by the CE. The council has publicised its standards, and stakeholders are aware of codes of conduct. Standards-related matters are accessible. The council monitors take up of ethics and standards training by councillors, and follows up non-attendance. It has, or is preparing, ethical frameworks for procurement, contracting, and partnership development.	Confidential reporting system not in place or not trusted by staff. Failure to deal with known ethical or behavioural problem areas. Standards not publicised. Public cynical about local politics and politicians, or council seen as not transparent or trying to hide difficult issues. Low take-up of training on ethics and standards. No ethical frameworks for procurement, contracting or partnership development.
	4.3.5 Arrangements for monitoring and review of the constitution, code of conduct, SC, ethical protocols, communication of ethical issues; and of progress made by the council in achieving and maintaining high standards of conduct.	The council reviews the operation of the constitution, code of conduct, the SC and other ethical protocols; documentation and TOR; and arrangements for communication and dissemination. The council is able to make changes and apply learning as a result, leading to demonstrably improved service and/or governance outcomes.	No monitoring or review of constitution, code of conduct, SC, ethical protocols, or communication of ethical issues. No monitoring or review of performance in achieving high standards of conduct, or of identified problems.