

## Governance Review

---

### City of Edinburgh Council

23 August 2012

#### 1 Purpose of report

1.1 The purpose of this report is to:

1.1.1 update Council on progress made following Council's approval on 17 May 2012 of the Leader's motion regarding political management arrangements;

1.1.2 outline the scope and objectives of the current review of the Council's Governance arrangements: and

1.1.3 provide a progress update on proposals for development of a strategic change programme.

#### 2 Main report

##### Governance Review

2.1 The Governance Review is being undertaken following resolution by Council on 30 June 2011 that "a thorough review of the governance arrangements is required." Augmented governance arrangements were also approved by Council on 2 September 2011 in relation to the Edinburgh Tram Project. The Review has therefore been established to ensure that the Council's, political, operational strategic and programme governance arrangements are transparent, accountable, efficient and modern.

2.2 The review aims to deliver a comprehensive framework for all aspects of governance, strategy and transformation by the end of 2012 to secure the following key objectives:

- a) Clear statement of vision, values and strategic objectives aligned with the Capital Coalition Pledges;
- b) Effective, efficient and collaborative decision-making and strategic planning;
- c) Enhanced, modern and flexible risk and financial management;
- d) Robust, clear and accountable organisational frameworks; and
- e) Focus on culture change and a shared commitment to high standards of governance.

- 2.3 The review programme currently encompasses the following key elements:
- a) Political Governance;
  - b) Operational Governance;
  - c) Strategic Governance: Business Intelligence, Strategy, Outcomes and Performance;
  - d) Programme Governance: Corporate Programme Office, Service design, Transformation and Culture; and
  - e) Health and Social Care Integration.

2.4 The review programme currently includes a wide range of development work that will form a roadmap for the transformation of the Council. This will be driven and led in future by key services in Corporate Governance, including Business Intelligence, the Governance Unit and the Corporate Programme Office, collaborating closely with all council services.

2.5 The following is an outline of the scope and objectives of each element of the review with indicative timescales for consultation and reporting.

Element One – Political Governance

2.6 On 17 May 2012, the Council approved a motion by the Leader requesting a report on the outcome of a review of the council's political management arrangements to be brought to the August 2012 Council meeting for elected member consideration.

2.7 A suite of reports with detailed proposals from element one of the governance review, related to political management arrangements, are provided for consideration of members on the agenda for this council meeting, as follows:

- a) Capital Coalition Pledges: delivery and performance (aligned to element 3);
- b) Political Management Arrangements;
- c) Procedural Standing Orders for Council and Committee Meetings – Consultation; and
- d) Council Meetings – webcasting and ICT development

2.8 The consultation paper on proposed new political management arrangements was circulated to members on 19 July 2012 and consultation has been ongoing during the summer recess. There has been constructive and helpful feedback in relation to the proposals which is being considered and developed to refine the proposed model.

2.9 The opportunity has also been taken comprehensively to modernise and restructure procedural Standing Orders for meetings. The Standing Orders have also been updated to take into account changes made following approval of the current edition on 18 September 2009.

2.10 The Committee Terms of Reference and Delegated Functions are also being reviewed and updated together with the existing Scheme of Delegation to

Officers, Financial Regulations and Contract Standing Orders. A draft of the Committee Terms of Reference and Delegated Functions and Procedural Standing Orders for meetings are included as Appendices 2 and 7 of the Political Management Arrangements report for consultation and feedback. The Scheme of Delegation to officers, Financial Regulations and Contract Standing Orders will be circulated separately when available.

- 2.11 The proposed new Political Management arrangements, together with the suite of supporting documentation will be submitted to the September Council meeting, following further consultation, for determination and decision.

#### Element Two – Operational Governance

- 2.12 The review has supported a renewed focus on key areas of the Council's operational governance framework largely within the new Legal, Risk and Compliance Division and Finance. A range of development and review work is currently being undertaken across the following key areas:

- a) Scheme of Delegation to officers, Financial Regulations and Contracts Standing Orders;
- b) Arms Length External Organisations (ALEOs);
- c) Information Compliance;
- d) Procurement; and
- e) Audit and Risk.

#### Scheme of Delegation, Financial Regulations and Contracts Standing Orders

- 2.13 The existing Scheme of Delegation to officers is being fully updated to reflect new statutory provisions, the current organisational structure and areas of responsibility assigned to chief officers. The current Finance Regulations and Contracts Standing Orders are also currently being refreshed and will be circulated for consultation.
- 2.14 A report will be prepared for consideration of the Full Council meeting outlining the outcome of the consultation and proposing new Procedural Standing Orders for Council and Committee Meetings, Financial Regulations, Contracts Standing Orders and Scheme of Delegation to officers for determination on 20 September 2012.

#### Arms Length External Organisations (ALEOs)

- 2.15 A review is underway to strengthen existing governance arrangements, recognising the requirement to set out an enhanced framework for the Council's relationship with all ALEO's. The proposals will be based on core principles of transparency, accountability and integrity taking account of the Audit Scotland Toolkit and other appropriate guidance.
- 2.16 The proposed new governance framework will include the following:
- a) Ensuring effective oversight and monitoring of ALEO's;
  - b) Role of Council Committees in respect of ALEO's;

- c) Participation of CEC appointed non-executive directors within the board structure; and
  - d) The establishment of audit, nominations and remuneration committees of the company boards.
- 2.17 Consultation on the scope of the proposed ALEO governance framework will commence on 27 August 2012 and a final report with recommendations will be considered at the full council meeting on 20 September 2012.

#### Information Compliance

- 2.18 Implementation of recent public records legislation, and new monetary penalties imposed by the Information Commissioner for breaches of Data Protection, place new pressures on the Council with regard to managing its information. A co-ordinated approach is required to comply with requests for information, requirements under the S61 Code of Practice on Records Management, existing Data Protection legislation, and with new public records legislation.
- 2.19 Assessment and review of the Council's position in relation to records management and information compliance is being undertaken. Proposals to develop, strengthen and improve current arrangements will be accommodated within the review of Legal, Risk and Compliance.

#### Procurement

- 2.20 The future delivery model for the provision of procurement was considered as part of the Alternative Business Models programme. On 19 January 2012 the Council agreed to retain the procurement strategy and delivery functions in-house along with the other corporate and transactional services. The need to further develop the capacity and capability of the procurement service was acknowledged.
- 2.21 Following the January Council decision, the market for potential procurement collaboration opportunities was investigated and an opportunity was identified to bring in external expertise on a gain-share basis. On 21 March 2012, the Finance and Resources committee appointed Mott MacDonald who are currently working with the Council's Procurement team to deliver savings and enhance the Council's in-house function.

#### Audit and Risk

- 2.22 A range of service delivery options are currently being explored for the Council's audit and risk function. To oversee this work a dedicated project team is now in place to progress testing the market in relation to outsourced and co-sourced/partnership options with external providers. A formal recommendation will be made to the Finance and Resources Committee in the autumn.

#### Governance Unit

- 2.23 The Procurement function will remain within the Finance Division but audit and risk and information compliance will be managed within the Legal, Risk and

Compliance Division of Corporate Governance. As part of arrangements for management within this new division, a governance unit will be established to ensure all key areas of political and operational governance have effective support and an appropriate level of oversight.

#### Element Three – Strategic Governance: Strategy, Business Intelligence, Outcomes and Performance

- 2.24 The Council is developing a new framework for the delivery of services and a clear statement of vision, values, strategic objectives (outcomes) and priorities for the next 5 years, aligned with the Capital Coalition pledges. The framework will ensure effective strategic direction and planning across Council services to ensure wider public engagement, dialogue with citizens and a comprehensive oversight of competing service pressures.

#### Business Intelligence

- 2.25 The Business Intelligence Service is being developed through the organisational review of the Policy and Public Affairs Division. Once established, Business Intelligence will provide expert performance, information, quality, research and analytical services to deliver continuous improvement across the Council.
- 2.26 This service will lead the Achieving Excellence programme which brings together performance, quality, customer care and research improvements. The first phase of the Achieving Excellence programme ended in March 2012 and the management realignment in January 2012, now brings responsibility for the programme from Services for Communities into Corporate Governance. The programme is being updated for 2012-17 and will be reported to Council on 20 September. In particular the report in September will provide detail on:

#### Outcomes and Performance Framework

- 2.27 As outlined in the *Capital Coalition Pledges – Delivery and Performance* report, a Performance Framework is being developed to take account of political, partnership and operational outcomes identified by the Capital Coalition Pledges, the Edinburgh Partnership's Single Outcome Agreement 2012-15, and the Council's overall responsibility for delivering a wide range of services to Edinburgh. All performance measurement will be outcome-based and provide holistic information to support effective decision making.
- 2.28 This framework will deliver transparent and accountable performance information to Elected Members and the wider public. This framework will be discussed with Elected Members on 30 August and will be presented to Council in October for approval.

#### Pledges, Outcomes and Values

- 2.29 Currently the Council's values are: *putting customers first, looking after Edinburgh* and *becoming a top performing Council*. With the new pledges and outcomes comes a fresh start to redefine the values and desired culture with the Council's staff, partners and leadership. Consultation is being carried out with the public, staff, partners and elected members to evaluate attitudes and

culture from which to develop a set of shared values. Part of this exercise looks at Council values and the culture that is needed to support the framework to deliver outcomes and the themes of the Co-operative Council. The outcome of this consultation will be reported in October.

Element Four – Programme Governance: Corporate Programme Office: Service Design, Transformation and Culture

- 2.30 The Council is facing a range of challenges in relation to transformation, service re-design and service delivery alongside significant financial constraints. These very important considerations have led to wider review of more innovative approaches to the delivery of change initiatives, development work to ensure the Council's ICT Strategy is fully enabling critical change objectives and completion of the priority based planning exercise council-wide, driven and led by the Corporate Programme Office.

Priority Based Planning (PBP)

- 2.31 A priority based planning approach has been undertaken to focus on aligning the Council's resources to the agreed priority outcomes, service delivery and capital coalition pledges. This will support consultation with citizens and inform members' decision taking during the budget process.
- 2.32 PBP involved engagement with key stakeholders at all levels of the organisation through a twin-track approach, working with Directors and their service areas. This encouraged the generation of innovative ideas and ensured that the options identified were aligned to the Council's current strategic direction. In total, more than 500 options have been identified in collaboration with Directors, Heads of Service and Service Delivery Managers.
- 2.33 The output from PBP is a 5 year business plan, for consideration by members, that includes a 5 Year Financial Plan to translate options into subjective budget lines taking into account implications on workforce planning, capital programmes, commissioning strategies, procurement, risks and issues. Based on the agreed portfolio of options aligned to the budget process, a balanced programme of change, both tactical and strategic, will be developed.

Transformation Programme

- 2.34 A route map for transformational change across the organisation and a range of Council services is being developed. A programme of scoping and initiation work to bring together all current initiatives within the Council to build a clear picture of the current change landscape is underway.
- 2.35 This strategic proposal for transformation is being developed for consideration by members at the council meeting on 25 October 2012. This will be a wide-ranging programme, driven by the Corporate Programme Office, which will be prioritised and co-ordinated to reduce duplication and optimise use of resources with focus to deliver across a range of key areas:
- Consultation and engagement:
  - People and Leadership: capability building, innovation and collaboration;

- Business improvement;
- Technology; and
- Multi channel customer focused services.

2.36 The delivery of the PBP 5 year business plan and transformation programme will be included in one programme of change across the organisation. This will be reported and progressed separately in future. The Corporate Programme Office will have a critical role to ensure appropriate programme and project governance is in place to support the successful delivery of these critical areas of work following wider consideration and approval of proposals.

#### Element Five: Health and Social Care Integration

2.37 The Scottish Government is currently consulting on proposals to integrate adult health and social care services in Scotland with the aim of improving the quality and consistency of outcomes for people. The exact form which integration will take is yet to be decided and the final legislative framework will be informed by comments received as part of the consultation. However, integration is very likely to have a significant impact on how Local Authorities hold these integrated services accountable.

2.38 The governance arrangements for adult health and social care will require to be reviewed and if necessary revised once the details of integration have been finalised. The Council's response to the consultation is being drafted jointly with NHS Lothian and will be reported by the Director of Health and Social Care to Policy and Strategy Committee on 4 September 2012. Further developments and any subsequent review will be reported to the Council.

#### Conclusions

2.39 The governance review is renewing focus on and refreshing the content of the Council's existing strategy and vision, operating model and governance framework. This will support and guide the Council in future providing a firm, effective and transparent basis for working with citizens, communities, partners and stakeholders.

2.40 Close working with all service areas is in place to ensure that the review achieves a one-council approach to all elements of governance and transformation that is embedded across the organisation.

2.41 A summary of progress reporting arrangements for each element of the Governance Review and linked programmes including PBP and transformation is outlined in appendix one.

### **3 Financial Implications**

3.1 There are no financial implications as a result of this report.

### **4 Equalities impact**

4.1 There are no equalities implications as a result of this report.

## 5 Environmental impact

5.1 There are no environmental implications as a result of this report.

## 6 Recommendations

6.1 It is recommended that members:

- a) Note the scope and objectives of the review;
- b) Notes progress in each element and the proposed arrangements for progress reporting; and
- c) Notes that no final decisions will be taken on any element of the review until the Council meeting on 20 September 2012 which will reflect the consultation responses from Elected Members as provided for at paragraph 2.17.

**Sue Bruce**  
Chief Executive

---

Appendices      1. Governance Review: Summary of Reports

Contact/tel/Email      Alastair Maclean, Director of Corporate Governance.

Tel: 0131 529 4136 Email: [alastair.maclean@edinburgh.gov.uk](mailto:alastair.maclean@edinburgh.gov.uk)

Carol Campbell, Corporate Governance

Tel: 529 4822. Email: [carol.campbell@edinburgh.gov.uk](mailto:carol.campbell@edinburgh.gov.uk)

Kirsty-Louise Campbell, Corporate Governance

Tel: 0131 529 3654 Email: [kirstylouise.campbell@edinburgh.gov.uk](mailto:kirstylouise.campbell@edinburgh.gov.uk)

Wards affected      All

Single Outcome  
Agreement

Background  
Papers

**Governance Review – Summary of Reports**

<b>Element One</b>	<b><u>Political Governance</u></b>	Full Council	20 September 2012
	Procedural Standing Orders for Council and Committee Meetings	Full Council	20 September 2012
	Committee Terms of Reference and Delegated Functions		20 September 2012
<b>Element Two</b>	<b><u>Operational Governance</u></b>		
	Scheme of Delegation to Officers	Full Council	20 September 2012
	Financial Regulations	Full Council	20 September 2012
	Contracts Standing Orders	Full Council	20 September 2012
	Procurement	Finance and Resources or equivalent	Scheduled for December 2012
	Arms Length External Organisations	Full Council	20 September 2012
	Audit and Risk	Finance and Resources	Autumn 2012
<b>Element Three</b>	<b><u>Business Intelligence, Strategy, Outcomes and Performance</u></b>	Full Council	25 October 2012
<b>Element Four</b>	<b><u>Service Design, Transformation and Culture – one-council approach to change</u></b>	Full Council	25 October 2012
<b>Element Five</b>	<b><u>Health &amp; Social Care Integration</u></b>	Policy & Strategy Committee	4 September 2012