

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Chair and Members of the Liverpool City Region
Combined Authority Scrutiny Panel

Meeting: 19 October 2016

Authority/Authorities Affected: Combined Authority/all districts

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE LEAD OFFICER - SCRUTINY

ETHICAL STANDARDS FOR PROVIDERS OF PUBLIC SERVICES

1. PURPOSE OF REPORT

The purpose of this Report is to provide the Scrutiny Panel with a summary of the initial findings of enquiries requested by the Panel in respect of the “Ethical Standards for Providers of Public Services – Guidance”, which has recently been published by the Committee on Standards in Public Life (CSPL) and to recommend a way forward.

2. RECOMMENDATIONS

The Scrutiny Panel is recommended to:

- (a) note the results of the initial enquiries report;
- (b) requests that the Combined Authority uses that research in developing its own ethical framework, recognising where it is in its own development as an organisation; and
- (c) a further report be made to the Panel in twelve months’ time on progress in developing that framework.

3. BACKGROUND

- 3.1 Members will recall from a briefing at a meeting of the Panel on 6th July 2016 that the Combined Authority (CA) had referred a piece of work to the Panel for consideration within the 2016/17 Work Programme, regarding the “Ethical Standards for Providers of Public Services” Guidance published by the Committee on Standards in Public Life in December 2015.
- 3.2 This Guidance had been presented to the Liverpool City Region Combined Authority Audit Committee on 26 January 2016 and it was proposed by the Committee that the matter be referred to the Scrutiny Panel of the CA for a piece of

work to be undertaken to establish how the Seven Principles of Public Life (Nolan Principles) are considered and applied across the Liverpool City Region and how they can be applied to the CA itself.

- 3.3 This request was considered and approved by the Combined Authority at its meeting on 15 April 2016. Thus, this Report seeks to provide the Panel with some contextual background information, present the findings of an initial fact-finding exercise carried out on the Panel's behalf across the City Region and recommends how this information can be used in developing the CAs own response to the ethical framework.
- 3.4 In June 2014, the CSPL carried out a research commission to establish how the Seven Principles of Public Life (the "Nolan Principles") – honesty, integrity, accountability, leadership, openness, selflessness and objectivity – were being embedded into public service commissioning and contracting.
- 3.5 The outcomes of this exercise were published in 2015 and the key messages which were contained within this Report were incorporated into the guidance document referred to earlier. The Guidance seeks to establish the importance of common ethical standards for all those delivering public services, building upon the foundations of the Nolan Principles. However, compliance with the guidance is not mandatory, hence it was considered helpful for the Panel to know how each of the constituent Council's approached this issue.
- 3.6 The document provides six suggested measures which could be expected of, implemented and embedded by providers of public services as follows:
 - (a) Evidence of leadership commitment to ethical standards;
 - (b) Evidence of Board and individual responsibility for ethical standards;
 - (c) Evidence of internal control and accountability measures;
 - (d) Evidence of establishing an ethical awareness and capability in recruitment, induction, progression, training and professional development;
 - (e) Evidence of appraisal, promotion and reward procedures that take account of values and ethical behaviour; and
 - (f) Evidence of commissioner-provider and user-provider dialogue.
- 3.7 At the request of the CA and in order to support the Panel in determining whether to include further work on this topic an initial fact-finding exercise has been carried out in consultation with the Heads of Audit and / or Monitoring Officers of the Authorities within the City Region, Merseytravel and the CA.
- 3.8 The results of this exercise are attached in the Appendix to this report.
- 3.9 The Panel should also be aware that the CIPFA/SOLACE Joint Working Group on Good Governance in Local Government published the revised Framework for Delivering Good Governance in Local Government ("Delivering Good Governance in Local Government 2016"). This sets the standard for good governance in local government in the UK, and a significant emphasis is placed on the importance of a defined ethical framework as a key component of principled leadership and robust governance. The revised framework applies to Annual Governance Statements prepared for the Financial Year 2016/17 onwards. It defines the principles that should underpin the governance of local government organisations as follows:

- (a) Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- (b) Principle B – Ensuring openness and comprehensive stakeholder engagement.
- (c) Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (d) Principle D – Determining the interventions to optimise the achievement of the intended outcomes.
- (e) Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- (f) Principle F – Managing risks and performance through robust internal control and strong public financial management.
- (g) Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 3.10 Furthermore, earlier this month, the CSPL published an additional report reviewing the extent to which regulators uphold the Seven Principles of Public Life – “Striking the Balance – Upholding the 7 Principles in Regulation”.
- 3.11 Having undertaken the fact finding research on behalf of the Panel there are common themes that have been identified across the constituent authorities approach in complying with the “suggested measures” referred to earlier in the report. It is suggested that the Panel recommend to the CA that it uses that research in developing its own response to the Ethical Framework.
- 3.12 It needs to be borne in mind that the constituent authorities’ response to the Ethical Framework have developed over time and that there is no “one size fits all” statutory framework around this issue. It is further recognised that the CA is a relatively new organisation and its role, responsibilities and organisational operational arrangements are still being developed. It is suggested that the CA uses the work undertaken here in developing its own framework and that a further report be brought to the Panel on progress in developing that approach in twelve months’ time. This would then be used to inform and complement work that will be included in the CA’s Strategic Internal Audit Plan on this important issue.

4. **RESOURCE IMPLICATIONS**

There are no direct issues arising from this report.

4.1 **Financial**

There are no direct issues arising from this report.

4.2 **Human Resources**

There are no direct issues arising from this report.

4.3 **Physical Assets**

There are no direct issues arising from this report.

4.4 **Information Technology**

There are no direct issues arising from this report.

5. **RISKS AND MITIGATION**

There are no direct issues arising from this report.

6. **EQUALITY AND DIVERSITY IMPLICATIONS**

There are no direct issues arising from this report.

7. **COMMUNICATION ISSUES**

There are no direct issues arising from this report.

8. **CONCLUSION**

- 8.1 An appropriate ethical framework is a key component of principled leadership and robust governance. The CSPL document “Ethical Standards for Providers of Public Services – Guidance” provides a framework of suggested measures which could be expected of, implemented and embedded by providers of public services.
- 8.2 At the request of the CA, an initial fact-finding exercise has been carried out in consultation with the Heads of Audit and / or Monitoring Officers of the Authorities within the City Region, Merseytravel and the CA. The Panel are asked to note the research that has been done here across the City region and recommend that the CA uses it when developing its own arrangements.

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Appendices:

Summary of Findings

Background Documents:

None