WATSON™

Governance Framework: Summary Report

City of Nanaimo
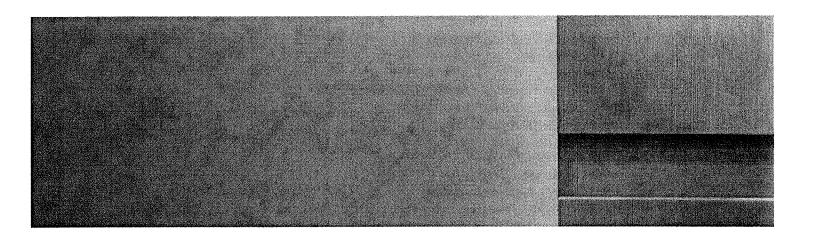## June 2013

Table of Contents

EXECUTIVE SUMMARY

In July 2012, the City of Nanaimo adopted a comprehensive Strategic Plan (2012 – 2015) that provides Council and staff with a common focus and priorities, outcomes and strategies to be pursued over the term of the plan. As part of the Strategic Plan, Council and staff adopted an operating philosophy that includes the creation of a governance framework to support effective policy-making, implementation and monitoring of strategic objectives. Council created the Governance Policy, Structure and Process Review Steering Committee (the "Steering Committee") to oversee and guide the governance project and engaged WATSON, an independent firm specializing in governance, to support the project.

To date, the governance review process has involved a comprehensive document review, one-on-one interviews with Council members and senior staff and a review of leading governance practices within the municipal context. This report is the culmination of the work to date and provides a summary of our findings, advice and recommendations.

The governance review process has revealed that the City has taken many significant steps towards good governance practices including:

- engaged in a consultative process (including Council, staff and community members) to create and adopt the Strategic Plan;

- adopted other plans, such as the Official Community Plan and Parks, Recreation and Culture Master Plan, that contain strategic guidance and performance measures;

- developed a cultural plan, a communication plan and a transportation master plan;

- created a balanced scorecard to measure and report on performance; and

- recently reviewed and revised terms of references for Committees.

Within the context of the positive steps identified above, WATSON has identified areas where the City's governance framework can be enhanced. Many of the recommendations contained in this report fall within the following general categories:

- clarify the roles and responsibilities of Council, the Mayor, individual Councillors and the City Manager;

- review and update the Committee structure to ensure alignment with the Strategic Plan, and enhance the process to appoint Committee members and method of reporting to Council;

- provide written guidance on the expected interaction between Councillors and City staff, including the protocol for information requests by individual Councillors;

- strengthen alignment between Council and staff around the long term goals in the Strategic Plan by focusing on key long term issues at Council meetings and reviewing key performance measures on a more regular basis;

- enhance the effectiveness of Council meetings through more deliberate agenda setting, an agreed-upon approach to pre-meeting information and reports and agreement on expected decorum at meetings;

- provide more guidance on the expected conduct of Councillors through the adoption of a formal Code of Conduct, including specific reference to confidentiality and conflict of interest;

- strengthen the processes by which Councillors exercise their duty as stewards of community assets by adopting written frameworks for strategic planning, financial stewardship, risk oversight and the development of leadership within the City;

- create a more positive culture and dynamic by establishing agreed-upon behaviours for Council members and senior staff together with a process to review and evaluate progress towards better functioning; and

- enhance accountability through more regular reporting on financial and other key measures, adopting a more comprehensive approach to management of City Manager performance and establishing an internal audit function.

Following receipt of this report, the Steering Committee and other available Councillors are to meet with WATSON on July 4, 2013 to review the recommendations contained in this report and provide direction to senior staff and WATSON on the development of governance framework policies and time frame to complete the required documentation.

A. INTRODUCTION

1. Background

In the spring of 2010, the City Manager developed a two-year organizational plan, Building Trust, to enhance the relationship between City staff and Council and prepare the City for a strategic planning exercise.

In July 2012, after five months of extensive community consultation, the City adopted a comprehensive Strategic Plan (2012 – 2015). As part of their commitment in the Strategic Plan to be an excellent municipal government, Council and staff adopted an operating philosophy (Operating Philosophy) that includes the creation of a governance framework to support effective policy-making, implementation and monitoring of strategic objectives. The City created the Steering Committee to oversee and guide the governance framework project and engaged WATSON, an independent firm specializing in governance, to support the review.

2. Objective

The purpose of the project is to ensure that the City's governance framework provides a solid foundation upon which the City can perform at a high level as an organization.

3. Process

WATSON began the governance review process by conducting a comprehensive document review, including governing legislation, the City's Bylaws, the Strategic Plan, planNanaimo, existing governance policies (including advisory committee terms of reference) and recent Council meeting agendas and minutes. WATSON also conducted one-on-one interviews with 14 individuals, including the Mayor, Councillors and the City's senior leadership team to gather their perspectives on the City's governance policy, structure and processes.

Taking into account all of the above, together with our expertise in governance, WATSON has prepared this interim report to provide the Steering Committee with our observations and recommendations on next steps to enhance the City's governance framework.

4. This Report

First, to place this review in context, this report contains a brief summary of the meaning of governance. The balance of the report sets out a summary of our observations and recommendations, divided into seven theme areas, reflecting key components of good governance. A summary of the recommendations is provided in Appendix "A".

The purpose of this report is to provide the basis for a discussion with the Steering Committee on proposed steps to enhance Nanaimo's governance framework.

5. Next Steps

Following receipt of this report by the Steering Committee, the next step will be for the Steering Committee and other available Councillors to meet with WATSON on July 4, 2013 to review the recommendations contained in this report and provide direction to senior City staff and WATSON on the development of governance framework policies and time frame to complete the required documentation.

B. WORKING DEFINITION OF "GOVERNANCE"

1. Meaning of Governance

Because this review is about governance, it is helpful that there be a working definition of governance as a foundation to the discussion and recommendations set out in this report.

The word "governance" has a long history and derives from the Greek word meaning "to steer". The governing body of an organization is responsible to set direction, oversee progress towards stated goals and ensure accountability. The governing body delegates responsibility to management to carry out the activities necessary to achieve the desired direction and monitors management's performance.

In a municipal government setting, Council oversees the activities of the City but is not involved in the day-to-day running of it. Council employs staff to administer the activities of the City. The City Manager is the most senior member of staff and is responsible to Council for carrying out Council decisions, ensuring policy is followed and managing the operations. Council may also delegate certain responsibilities to special purpose committees that include Councillors and in some cases, members of the public.

WATSON

COUNCIL

- Set Strategy
- Provide policy framework
- Allocate financial resources
- Manage risks
- Monitor performance

ADMINISTRATION
City Manager
Senior Leadership Team
Staff

- Implement strategy and policy
- Ensure compliance

2. Components of Effective Governance

While governance is not "one size fits all", there are certain components of good governance that are applicable across all types of organizations. These include:

- Clear roles and responsibilities defined in writing
- Constructive relationships among governors and between governors and staff
- Alignment on vision and strategy
- Effective decision-making processes
- Ethical conduct
- Focus on key areas of responsibility
- A positive culture and dynamic across the organization
- Accountability

3. Benefits of Effective Governance

Good governance contributes to better decision-making, better productivity and engagement, and enhances the level of confidence that members of the public have in government. Good governance builds trust internally, among Councillors, between Council

and staff and between the Mayor and the City Manager, and assists in recruiting and retaining top talent. Finally, good governance ensures Council is as effective as possible in carrying out its legislative responsibilities.

4. Governance Framework

Good governance doesn't just happen. High performing organizations create an explicit approach to good governance by establishing a framework that addresses each component of effective governance outlined above. A governance framework:

- defines the division of power through the allocation of clear roles and responsibilities;

- sets out processes used to make decisions and direct and manage an organization's operations and activities;

- includes policies to guide positive culture and behaviour; and

- establishes mechanisms to achieve accountability between the governing body, management and stakeholders.

It is the governing body's responsibility to ensure that good governance exists within an organization.

In the government setting, local government does not have the conventions and structures that are associated with higher levels of government, such as the Westminster system, and therefore it is particularly important for local governments to clearly articulate their approach to governance to provide clarity for all involved.

C. Nanaimo Overview

1. Legislation

The City of Nanaimo was incorporated on December 24, 1874. Today, all municipalities are provided with legislative authority under the *Local Government Act*, RSBC 1996, Chapter 323 and the *Community Charter*, SBC 2003, Chapter 26 (the *"Charter"*). The *Local Government Act* provides for the creation of municipalities and the *Charter* provides the Council with broad powers to govern the municipality. While the *Charter* is extensive, points of note include the following:

- Section 154(1) authorizes a municipal council to delegate its powers, duties and functions to a council member, a council committee, an officer or employee, or to

another body established by council. This broad authority is balanced with accountability to the public by including specific limitations on delegation and, in certain cases, reconsideration mechanisms;

- Part 4, Division 6, sets out ethical standards for elected officials and addresses such items as conflict of interest, inside influence, outside influence, exceptions from conflict restrictions, gifts, contracts, and use of insider information;

- all meetings of council and its committees, commissions and other subsidiary bodies are to be open to the public (Division 3, Part 4) although certain items may be discussed in private (Section 90);

- Section 117 (duty to respect confidentiality) requires a council member or former council member, unless specifically authorized by council, to keep in confidence:

  o any record held in confidence by the municipality until the municipality authorizes its release; and

  o information considered in a lawfully closed council meeting or council committee meeting, until council discusses the information at an open meeting.

  Confidentiality must be maintained until the municipality makes the information public; and

- Section 124 requires each council to establish procedures for the conduct of its business.

Other topic-specific legislation, including statutes regulating the environment, land use and financial authority are relevant to local governments. Some statutes of general application cover issues such as privacy and access to information, limitations on court actions, and statutory interpretation.

2. Bylaws and Resolutions

Council decisions are authorized by bylaw or resolution and the *Charter* provides that certain items may only be authorized by bylaw. For example, Council is required to adopt a procedure bylaw that specifies how it will adopt other bylaws, pass resolutions and conduct its business generally.

Nanaimo has adopted a number of Bylaws as required by the *Charter*:

- Council Procedure Bylaw No. 7060 (2007) which governs proceedings of Council, Commissions, Standing Committees, Select Committees, the Committee of the Whole and Advisory Bodies;

- Delegation of Council Powers Bylaw No. 7148 (2012) which delegates all of the Council executive and administrative powers to the Committee of the Whole; and

- Officers Appointment and Delegation Bylaw No. 7031 (2006) which delegates certain powers, duties and functions of Council to the City's officers and employees.

3. Terms of Reference

Terms of reference for advisory committees are either delineated in a bylaw (e.g., Water Supply Advisory Committee Bylaw 2009 No. 7088) or approved by resolution (e.g., the Steering Committee).

D. GOVERNANCE FRAMEWORK

Set out below is a discussion of each component of effective governance, together with WATSON's observations regarding the current status of that component at the City and recommendations for consideration.

1. Roles and Responsibilities

> *The roles and responsibilities of all key parties involved in governing the City of Nanaimo are defined in writing.*

Many parties are involved in governing a municipality, including Councillors, the Council, the Mayor and the City Manager. In order that all parties work together in an efficient and effective way, it is essential that there be an understanding and agreement of their respective roles. Each party needs to ensure that he, she or it is fulfilling the role properly. Tensions often arise when there is confusion as to the parties' respective roles. Also, there may be a tendency for a party to overstep appropriate boundaries if the roles are not clear.

Underpinning the various roles described below is the basic dichotomy between the role of elected Councillors and the administration. Elected representatives are responsible for strategy and policy whereas administration is responsible for advice, implementation and operations.

Interviewees are well aware of the roles and responsibilities of each party to governance as set out in the *Charter*. However, it is clear from the interviews that there are mixed views with respect to how well some of these roles are being carried out and how well the various roles interact.

While the *Charter* provides some guidance on the roles and responsibilities of the various parties involved in governance of a municipality, the descriptions are not fulsome and the *Charter* does not effectively link the various bodies in terms of their working relationships and accountability. Our overall recommendation is that, as part of the governance framework, Council adopt terms of reference for key positions that include the statutory responsibilities plus more detailed guidance on each area of responsibility. Each position is discussed below.

1.1 Council

Council, as the governing body, is responsible for bringing overall leadership to the municipality. Council's role is to develop and adopt the municipality's vision and strategic objectives, ensure adequate resources, and provide oversight to ensure effective performance and accountability. The *Charter* gives Council broad responsibilities to meet community needs and a broad level of authority to discharge these obligations.

There is growing recognition internationally that councils should place considerable emphasis on the importance of long-term strategic plans, typically linked to goals of wellbeing and sustainability, and prepared in consultation with a broad range of stakeholders. It is seen as desirable to make councils more policy and future focused, committed to the ongoing pursuit of agreed community objectives and to sound management of assets, finances and human resources.

As an effective governing body, Council's specific responsibilities include:

- developing and adopting the City's vision and strategic objectives;
- setting policy;
- approving and monitoring operational and financial plans and budgets;
- making decisions on key issues;
- appointing administrative officials;
- evaluating and compensating the municipality's chief administrative officer (the City Manager);
- monitoring the City's progress against long term goals;
- ensuring a sound and sustainable organization;
- overseeing risk; and
- reporting to stakeholders.

Council has authority to delegate certain of its responsibilities to the City Manager, commissions and/or committees, which in turn requires the creation of terms of reference for those individuals or entities and accountability mechanisms.

Our interviews indicated that, while there is an understanding of Council's broad role, there is not a common understanding among all Councillors as to the various components of Council's governance responsibilities nor is there a collective understanding of how these responsibilities are carried out. In our view, it would be helpful to articulate in more detail the specific governance responsibilities of Council.

Recommendation

1. Create a charter that sets out explicitly the areas of Council responsibility. The charter should include Council responsibilities set out in the *Charter* together with Council's general responsibilities to ensure a sound, sustainable organization.

1.2 Mayor

Section 116(1) of the *Charter* provides that the Mayor is the head and chief executive officer of the City. Section 116(2) of the *Charter* provides that in addition to the Mayor's responsibilities as a Councillor (Section 115), the Mayor has additional powers, including to:

- provide leadership to Council, including by recommending bylaws, resolutions and other measures;
- communicate information to Council;
- preside at Council meetings;
- provide, on behalf of Council, general direction to municipal officers respecting implementation of municipal policies, programs and other directions of Council;
- establish standing committees;
- suspend municipal officers and employees; and
- reflect the will of Council and to carry out other duties on behalf of Council.

The Mayor also carries out civic and ceremonial duties associated with the Mayor's Office.

The Mayor is the Chair of Council meetings. The chair of any governing body plays a key role in the effectiveness of the governing body, ensuring the right issues are on the agenda, the right information is put before the governing body, the conversation at meetings is robust and includes full participation, the governing body's points of view are conveyed to

the chief executive (which in the context of a municipal corporation is the city manager) and that the governing body is kept abreast of issues of concern to the chief executive.

Our interviews indicate that while the general responsibilities of the Mayor are understood, it was not clear to all interviewees how the Mayor should carry out all responsibilities. For example, it was not clear to interviewees how active a role the Mayor should be expected to take with respect to managing the flow of Council meetings, including refocusing debate which has wandered off topic or managing aggressive behaviour.

Recommendation

2.   Create a position description for the Mayor's position that provides more detailed guidance on the Mayor's responsibilities.

1.3 Individual Councillors

The responsibilities of individual Councillors are set out in Section 115 of the *Charter* and include to:

- consider the well-being and interests of the City and its community;
- contribute to the development and evaluation of the policies and programs of the City respecting its services and other activities;
- participate in Council meetings and Committee meetings; and
- carry out other duties assigned by Council, the *Charter* or any other applicable legislation.

Councillors have two broad categories of responsibilities: a "corporate" responsibility as a member of the governing Council, with a fiduciary duty to act in the best interest of the municipal corporation, and an "individual" responsibility as an elected representative of the citizens of Nanaimo.

In fulfilling their role, Councillors should:

- understand and consider the views of the community;
- facilitate communication between Council and the community;
- debate issues in an open, honest and informed manner to assist the decision-making process;
- keep the "whole-of-municipality" in mind when considering issues and focus on the strategic goals adopted by Council;

- respect and uphold the municipality's internal processes;
- work together in an open, honest and respectful way; and
- model leadership and good governance.

All interviewees indicated an understanding of the role and responsibilities of individual Councillors, but there was a divergence of views on the actual performance and execution of these roles and responsibilities. Areas of concern (that should be clarified in terms of reference for the position) include:

- the delineation between the role of Councillor as governor versus the role of staff;
- conflicts of interest;
- standards of conduct in meetings;
- relations with staff; and
- preparation and attendance at meetings.

In order for individual Councillors to be aware of their responsibilities, and to be held accountable for them, it would be helpful to create a written position description for individual Councillors that provides guidance on the Councillor's statutory responsibilities, legal duties associated with the office, and performance expectations as agreed by Council.

Recommendation

3. Create a position description for the Councillor position that provides guidance for individual Councillors on their individual roles and responsibilities and includes reference to:

    a)   the delineation between the role of Councillor as governor versus the role of staff;
    b)   conflicts of interest;
    c)   standards of conduct in meetings;
    d)   relations with staff; and
    e)   preparation and attendance at meetings.

1.4 City Manager

The City Manager is the chief administrative officer of the municipality and, pursuant to the *Charter*, his powers, duties and functions include:

- overall management of the operations of the City;

- ensuring the policies, programs and other directions of the Council are implemented; and

- advising and informing the Council on the operation and affairs of the City.

Interviewees were generally in agreement as to the City Manager's responsibilities under the *Charter* but had mixed views as to how those responsibilities were or should be carried out in practice.

Under the Officers Appointment and Delegation Bylaw 2006 No 7031, Council assigned the City Manager responsibility as the chief administrative officer of the City. This is a "bare bones" delegation of authority and is supplemented by a City Manager Job Description, last reviewed and updated in December 2011, that sets out generic responsibilities of the position and the required knowledge, skills and abilities. There is a City Manager performance evaluation process (discussed further in Section 8.2 below) that is administered once per Council term or more often on request.

While the generic job description sets out the City Manager's responsibilities at a high level, it would be useful for the City Manager and Council to annually agree to the City Manager's priority goals and objectives for the coming year. This will help to create a common understanding of the relative roles of Council and the City Manager and provide a more focused basis for evaluating the City Manager's performance (discussed further in Section 8.2 below).

Recommendation

4. Revise the City Manager performance evaluation process to include the creation of annual goals and objectives for the City Manager. These goals and objectives would typically be proposed by the City Manager, discussed and refined by Council and then agreed to mutually. They would also provide the foundation for an annual performance evaluation of the City Manager (discussed further in Section 8.2 below).

1.5 Committees

In the municipal context, specialized Committees or Commissions are often a vehicle to involve the members of the community in community planning decisions, policy development and advice. When setting up a Committee, it is considered best practice to clarify in writing: its purpose; composition and quorum; accountability; duties and responsibilities; meeting practices; reporting requirements and staff support.

The underpinning of an effective Committee is to ensure that it has the right composition –
individuals with the skills and experience to successfully carry out the Committee's
mandate.

In the case of the City, Committees are established by Council resolution. Each Committee
has written terms of reference that addresses mandate, objectives, meetings and
membership. Each Committee is required to produce an annual workplan or report. If a
Committee makes recommendations, they are brought forward to Council.

The majority of Committee terms of reference were adopted in recent years; however,
many were created prior to the adoption of the Strategic Plan and may need to be revised
in light of the goals set out in the Strategic Plan. The current Council Procedure Bylaw
provides some guidance on Committee meeting procedure but does not provide any
guidance on the appointment process or the framework for reporting to Council.

Some interviewees were of the view that Councillors were not always appointed to
Committees that complemented their skill set. There were diverse views on the role of
Councillors on Committees, including "we're there as the liaison for Council", "we're the
conduit for Council", "we provide oversight to Committees" and "we're there to impart
Council's perspective".

Recommendations

5. Review the Committee structure with a view to determining whether current
    Committees remain relevant to the City's current activities and Strategic Plan.
    Sunset those Committees that are no longer relevant.

6. Reformat all Committee terms of reference to a standard format that
    addresses: purpose, composition and quorum, accountability, duties and
    responsibilities, meeting practices, reporting requirements and City staff
    support.

7. Within the overall governance framework for the City, include a Committee
    framework that identifies the various types of Committees that can be
    established by Council (along with Commissions and Boards) and how they
    relate to Council's decision-making authority.

8. Develop a process to govern the appointment of Committee members. Ensure
    the process:

a)   includes a consideration of the ideal skills and experience required for Committee members, based on the Committee's mandate;

b)   seeks to match the needs of the Committee with the skills and experience of Councillors or community members; and

c)   includes a transparent, skills-based application and appointment process for community members.

9.   Ensure all Committee members receive orientation and training around their role and their Committee's role in the context of City-wide governance.

2.   Constructive Relationships

> *There are effective working relationships within and between Council and Administration.*

Constructive relationships among Council members, between Council and staff and between the Mayor and the City Manager are fundamental to a high performing organization. The governance framework should support constructive relationships by providing clear roles and responsibilities and by expressly articulating the expectations of the relationships. In addition, there needs to be open and honest communications and goodwill on the part of all parties.

2.1 Mayor and Councillors

An effective working relationship between the Mayor and Councillors will assist in all working together to achieve the goals set out in the municipality's strategic plan. It also enhances the credibility of the municipality, sending a signal that the municipality is healthy and well governed.

While the Mayor does not control Councillors in any way, the Mayor should manage the work of the Council as set out in the *Charter*. Some important aspects of the Mayor/Councillor relationship include the following:

- the Mayor is the leader of Council and this role should be respected by Councillors;

- the Mayor should be proactive in managing Council meetings to ensure they are efficient and effective;

- the Mayor should facilitate an inclusive approach to decision-making and involvement in Council activities;

- the Mayor should assist Councillors to get their issues considered by Council in an appropriate and orderly way;

- the Mayor should ensure that Councillors are kept informed of material issues between Council meetings; and

- the Mayor should attempt to ensure smooth working relationships between Councillors.

2.2 Among Councillors

An effective relationship between Councillors is essential for effective governance. It allows the type of robust debate that underpins good decision-making, establishes credibility with the public and creates a positive working environment. Conversely, a negative relationship erodes credibility externally and internally, reduces staff morale, and decreases the effectiveness of oversight and decision-making.

To support a constructive relationship, Councillors should:

- treat each other with respect;

- argue about issues, not individuals; and

- advance opposing points of view in a way that does not attack an individual Councillor or staff.

Our interviews indicate that there is a degree of tension among various Councillors. This is a cause of concern for Councillors and staff alike.

2.3 Council and Administration

The fundamental difference between the role of Council and administration is one of governance versus management. It is therefore useful to review these classic definitions.

Governance is … the set of responsibilities and practices, policies and procedures used to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability.

Management is … the process of planning, organizing, directing and controlling organizational resources (human, financial, physical and informational) in the pursuit of organizational goals.

While Council reigns supreme in the legal hierarchy, in order for the municipality overall to be successful there must be an approach of "shared leadership". While this does not mean

an overlap of roles, it does mean that neither party can perform well unless the other is performing well and supporting the other.

Features of an effective relationship between Council and administration include:

- mutual understanding, acceptance and respect for each others' roles;

- a preparedness to identify, discuss and resolve issues as and when they arise;

- on the part of administration, a respect for a commitment to democratic governance and the primacy of Council in decision-making; and

- on the part of Council, respect for the information, advice and recommendations brought forth by the administration.

Councillors do not have individual authority to direct administration. Council acts collectively and the City Manager is accountable to Council as a whole. Staff members are responsible to the City Manager through the hierarchy of management.

It is inappropriate for Councillors to make requests directly of staff. Although Councillors have the responsibility to request all information they believe they need in order to make informed decisions, requests for information should be directed through the Mayor and City Manager. Staff should make sure that information provided to Council is accurate, timely and understandable. Amendments to reports should be clearly indicated so that Council members who have reviewed earlier versions can quickly identify changes.

Where there may be disagreements or areas of concern between Council and administration, these should be addressed as part of an *in camera* meeting and should not be aired in a public forum. Doing so discredits both the Council and the City.

2.4 Mayor and City Manager

A successful working partnership between the Mayor and the City Manager is at the heart of the Council-administration partnership. This important relationship assists in the smooth running of Council and the municipality. Together, through good communication, the Mayor and City Manager must anticipate issues and bring them to Council in a timely way. They work together to create agendas, ensure the right information is put before Council and ensure that Council wishes are carried out.

There are some key factors in establishing a constructive relationship between the Mayor and City Manager, as set out below:

- frequent and open communications;

- keep the other informed about important issues;

- respect for each other's role;

- reciprocity – either party is comfortable calling the other;

- close but not personal;

- key interpersonal qualities such as competence, authenticity, good at listening, credible and respect for the other's office; and

- recognition that the relationship serves to support Council and administration, not to support concentration of power in the relationship.

Recommendations

10. Ensure the role descriptions for individual Councillors, the Mayor and City Manager identify applicable working relationships and emphasize the importance of constructive relationships.

11. Prepare written guidelines that provide guidance on the appropriate level of interaction between Councillors and individual staff members. The guidelines should provide guidance on how Councillors should handle concerns about the City Manager or staff performance.

12. Prepare written guidelines that set out the protocol for information requests by individual Councillors (e.g., through the Mayor and the City Manager, by request at a Council meeting).

13. Consider hiring an employee of Council whose job is to process information requests from Councillors. While the employee works with the City Manager to process requests, the employee answers to Council, rather than the City Manager.

3. Alignment on Vision and Goals

> *There is a clear vision and strategic plan that guides the work of Councillors and administration.*

Effective governance requires that all participants are pulling in the same direction. Creating such alignment is typically achieved through the creation of a strategic plan that produces a vision and consequent goals that reflect the input from all stakeholders. Once

the strategic plan is adopted, it is Council's job to ensure that the City's operating and capital plans, policies and decisions, all support achievement of the plan.

While Councillors are entitled to bring forward motions to Council on any matter, Councillors should keep in mind the obligation to use the community's resources effectively and efficiently. Once Council has approved a long-term strategic plan, it is counter-productive for Councillors to bring forward items that will require staff to divert resources from the agreed-upon plan to investigate or adopt new ideas or initiatives. Often, just investigating a new issue can require significant time, effort and money. Needless to say, this can be a significant distraction for staff. Instead, Councillors should keep focused on the priority issues identified in the Strategic Plan and ensure that the most important issues are being driven forward.

The Strategic Plan and consequent operational and financial plans should contain quantifiable performance measures that help the City define and measure progress toward stated goals. These measures typically cascade through the organization and inform the focus of the City Manager and his/her staff.

While the Nanaimo Strategic Plan was adopted by a unanimous vote of the Councillors, Council decision-making since adoption of the Strategic Plan highlights that there is not clear alignment on the strategic direction of the City. There does not appear to be alignment on the role and use of the Strategic Plan in achieving goals. There is a sense that something "meets the Strategic Plan, so we must do it" or Council is advised by City staff that something fits into the Strategic Plan and some Councillors are left wondering how.

Recommendations

14. Revisit the Strategic Plan to ensure alignment between and among Council on key issues, and alignment between Council and City staff.

15. To ensure progress against the Strategic Plan, ensure enough of Council's time is dedicated to discussing and making decisions relating to the priority issues in the Strategic Plan. Proactively schedule these items into future agendas (a "forward agenda") to ensure they receive the focus they deserve.

16. Review and establish key performance measures for the Strategic Plan and ensure staff reports regularly on progress against those measures. (see also Section 8.1 below).

4. Effective Decision-Making Processes

Council's decision-making processes are effective and efficient.

4.1 Council Meetings

a) Agenda

A productive meeting starts with a focused agenda and appropriate information to support Council discussion and decision-making. A common challenge for many governing bodies is how to avoid over-packed agendas with little meaningful dialogue on key issues. Council meeting agendas should be purposeful (focused on key issues) and Council meetings should be effective and productive.

In terms of scheduling items on the agenda, the most important items should be placed at the beginning of the agenda when Councillors are fresh and likely to be the most engaged. Information provided for each agenda item should be concise and help Councillors focus on the issues they will have to consider at the meeting. Information should be provided sufficiently in advance to allow Councillors adequate time to review the material.

Presentations at Council meetings should be kept to a minimum and should only highlight the information provided in the pre-reading package so as to leave more time for Council discussion. The Mayor plays an important role in managing the meeting – ensuring that Councillors have robust debate on the issues, but also drive towards consensus.

Once Council has made a decision, City staff should be directed to carry out the decision. Council should be wary of reconsidering issues that have been previously decided. While it is certainly open to Council to reverse an earlier decision, Council should consider the financial and human resources cost when staff is directed to change course. Council should also consider whether such reconsideration could have a negative impact on Council's reputation, both internally and externally. Once a matter has been decided, it is not typically revisited unless there are extreme extenuating circumstances.

Council Procedure Bylaw No. 7060 sets out many of the mechanics related to Council meetings, including the time and place of meetings, the 'Order of Proceedings and Business' and 'Rules of Conduct and Debate'.

Interviewees were satisfied with the meeting schedule and did not provide much comment on the substantive matters dealt with on the agenda. However, several interviewees

expressed the view that there is considerable room for improvement in how meetings are managed. Examples were given of debates that dragged on, with the same points or arguments being raised repeatedly or the conversation drifting from the topic at hand to other, unrelated topics. Some interviewees were of the view that some Councillors might be unwilling to speak up for fear of being bullied by other Councillors in the meeting. Some Councillors were concerned that items of new business effectively caused some agenda items to be postponed. Some interviewees raised concerns that the public question and answer period at the end of Council meetings, which is designed to be limited to agenda items only, has become a forum for 'rants' on unrelated items.

As Chair of Council meetings, the Mayor plays a critical role in the effectiveness of Council as a governing body. The Mayor's role to "preside" at meetings is set out in the *Charter* and the Council Procedure Bylaw provides some guidance on procedural matters at meetings. However, there is not much guidance for the Mayor and it would be helpful for the governance framework to provide more guidance on expected decorum of Councillors and the role of the Mayor in relation to presiding at meetings, including the action to be taken when Councillors break the rules of decorum. This could be provided through enhancing the current Council Procedure Bylaw or including it in a separate document.

Recommendations

17. Enhance the Council Procedure Bylaw (or establish another governance framework document) to outline more specifically the expected decorum of Councillors and the role of the Mayor in relation to presiding at meetings, including action to be taken when Councillors break the rules of decorum.

18. For the annual agenda of topics, consider adopting a "forward agenda" whereby Council, in consultation with City staff, identify in advance the regular and key topics to be the focus of specific Council meetings in the upcoming year.

19. For the regular agenda, ensure that the order of business corresponds with the most important topics, placing those that are most significant at the beginning when Councillors are fresh and leaving routine reports to later.

20. Restrict the public question and answer period to interacting with media as contemplated by Section 20.1 of the Council Procedure Bylaw. In addition to the 10 minute limit for delegations to speak at Council meetings, develop guidelines for speakers at the public question and answer period.

b)   Information

The Council report is the formal means for providing advice to Councillors, giving them relevant data, issues, options and advice that will assist them in considering the matter at hand and make a decision. Advice needs to be well researched, accurate, and mindful of the political environment in which the City is operating. It should not be biased or deliberately oriented to the political views or values of the officer(s) writing the report, or the Councillors reading it. Its content should provide factual information and cover the range of policy, financial and other implications, as well as stating the consultative processes which have occurred, or are intended to occur.

The City Manager is accountable for all Council reports although other staff within the administration often author the reports. Complex issues often impact on the responsibilities of more than one department, and advice should always reflect this and take account of the whole organization. The administration should develop ways to ensure that all appropriate views are canvassed.

Ideally, for issues that require a decision, pre-reading information would include a one- or two-page summary that covers set topics such as:

- Issue
- Background
- Fit with Strategic Plan
- Fit with Official Community Plan, if applicable
- Fit with Parks, Recreation and Culture Master Plan, if applicable
- Financial implications
- Staffing implications
- Risk profile
- *Options considered*
- Recommendation
- Formal resolution that Council will be asked to approve

Some interviewees felt there was not enough detail in the pre-reading materials; others thought there was too much. Some Councillors felt there were occasions when they were not provided with all information necessary for decision-making or were provided with "late" information. Some examples were given where Councillors received updated

information packages where it was difficult to identify what information had changed from the previous version.

Recommendations

21. Review forms of City staff reports and consider revising the standardized form of reporting to Council to include the items set out above.

22. Ensure that materials are provided sufficiently in advance in order for Councillors to prepare.

23. For lengthier materials, ensure there is an executive summary that outlines the key items referenced above.

24. If Councillors have seen previous copies of materials, provide Councillors with black lined copies so they can easily identify revisions to the materials.

c)   *In Camera* and Other "Meetings"

There is an inconsistent understanding of what *in camera* meetings should be used for. There is a view that Council holds too many *in camera* meetings and therefore is not sufficiently transparent to the community.

There is also confusion as to what constitutes a "meeting". For example, is a "lunch and learn" a meeting? Does a group of Councillors going for a drink after a Council meeting also constitute a meeting? Many interviewees described an agenda review run by the City Manager prior to each Council meeting. Some are of the view that this is a meeting that must be open to the public, while others believe this is an important tool to allow City staff to walk Councillors through technical issues, without Councillors engaging in a debate or voting on matters.

Recommendations

25. Review the use of *in camera* meetings to ensure compliance with applicable legislation and guidance from the Ombudsperson.

26. Discuss as a group and decide on how Council wants to approach *in camera* meetings and then create a written policy relating to *in camera* meetings.

27. Review the use of agenda review meetings to ensure compliance with applicable legislation and guidance from the Ombudsperson.

d) Council Meeting Venue

Some interviewees commented that the set-up of the Shaw Auditorium results in a strange environment for Council debates. Councillors sit beside each other and cannot see each other, but Councillors look straight at City staff in attendance at the Council Meeting. The end result is that Councillors appear to be debating with City staff, or at a minimum, talking directly to City staff and asking for clarifications on matters, rather than debating amongst themselves. Conversely, meetings held in a boardroom function better as the Councillors can see one another around the boardroom table when they are discussing issues.

Recommendation

28. Consider whether the seating arrangements in the Shaw Auditorium can be changed so that Councillors are not perceived to be debating with City staff. Alternatively, consider an alternate venue for Council meetings.

4.2 Delegation

Delegation is part of Council's decision-making process. It represents the policy of the Council to entrust certain types of decisions to Committees or officers. Committees are discussed in Section 4.3 below. All delegations should be made in the context of a Council policy that should provide guidance to the delegate to make decisions that are consistent with the desired policy outcomes of Council. In this way, Council retains accountability for the decision even while it delegates the actual taking of that decision and therefore should have mechanisms to monitor performance by the delegated bodies.[1] Delegations should be documented and reviewed from time to time to ensure they are up to date.

Under an effective system of delegation:

- delegations of authority should be clear;

- delegation other than general delegation to administration should be supported by a comprehensive policy framework;

- Council should review delegations once a term;

- decisions made under delegated authority should be reported to Council on a regular basis; and

---

[1] Delegations to the City Manager are monitored through City Manager performance management (as referenced in Section 8.2) and delegations to Committees are monitored through regular reporting as referenced in Section 4.3).

- Council should maintain a register of delegations.

Given the extent of Council decision-making, Council should focus primarily on policy and strategic decisions and delegate more of the operational or day-to-day decisions to administration.

The City has passed two delegation bylaws:

- Bylaw 7148, A Bylaw to Provide for the Delegation of Council Executive and Administrative Powers delegates all of Council's executive and administrative powers to the "Committee of the Whole"; and

- Bylaw 7031, Officers Appointment and Delegation Bylaw delegates certain powers, duties and responsibilities to certain officers of the City.

Under Section 143 of the *Charter*, Council is authorized to establish and appoint a commission to operate services, undertake operation and enforcement in relation to the Council's exercise of its authority to regulate, prohibit and impose requirements, or manage property and licences held by the municipality. The City has created commissions under this provision including the Athletic Commission (Bylaw 7019), and the Parks, Recreation and Culture Commission (Bylaw 7020).

Recommendations

29. Review delegated authorities and ensure they are consistent with Council's overall governance framework.

30. Ensure that those having delegated authority report regularly to Council so Council can effectively monitor their performance.

4.3 Committee Functioning and Decision-Making

The starting point for Committee effectiveness is to ensure the competency of Committee members. As set out above, where Councillors are appointed to Committees, Council should endeavour to match Councillor interest and skills with the Committee needs.

As to Committee functioning, our interviews revealed considerable concern around general Committee functioning. For example, while materials for Monday Council meetings are delivered to Councillors the Thursday afternoon prior to the meeting, materials for Committee meetings are not delivered on a similar schedule. We were told that for some Committee meetings, the materials are delivered the day before the meeting or on the day of the meeting.

Concerns were shared about the frequency of some Committee meetings (not enough), inefficiency of some Committee meetings and attendance issues (particularly by Councillors) at some Committee meetings. We also heard that Committees had inconsistent procedures relating to debate and public attendance ("is it allowed?"). Some interviewees observed that the standard of minute-taking at Committee meetings varies and, as a result, the level of reporting to Council by the Committees is not consistent.

Guidance with respect to Committee procedures is currently set out partially in the Advisory Committee Terms of Reference (adopted 2010-JAN-25) and partially in the Council Procedure Bylaw. In terms of reporting to Council, the Terms of Reference provide that the Committee *may* report to Council on any area within its mandate.

It would be useful to create a stand-alone document (e.g., Committee Operating Guidelines) that provides detailed guidance on Committee operations for all Committees including: Accountability and Mandate; Composition and Term; Appointment and Re-appointment; Standards of Conduct; Orientation and Education; Meetings (including Frequency, Agenda, Notice, Information, Quorum; Minutes and Location); Reporting Requirements; Committee Chair Role and Responsibilities; Staff Support; External Advisors; Budget; Expense Reimbursement; and Responsibilities on End of Term.

It is important for all Committee members to receive a comprehensive orientation to ensure they are aware of how the Committee fits within the City's decision-making process and the extent of the Committee's accountability.

Recommendations

31. Consider creating separate Committee Operating Guidelines that outlines: Accountability and Mandate; Composition and Term; Appointment and Re-appointment; Standards of Conduct; Orientation and Education; Meetings (including Frequency, Agenda, Notice, Information, Quorum; Minutes and Location); Reporting Requirements; Committee Chair Role and Responsibilities; Staff Support; External Advisors; Budget; Expense Reimbursement; and Responsibilities on End of Term.

32. Ensure there is written guidance on the preparation and timing of delivery of pre-reading materials for Committees.

33. Consider adopting a standard template for minute-taking at Committee meetings and a standard protocol for approving minutes and providing them to Council.

34. For advisory Committees, consider implementing a standardized form of Committee reporting to Council, including:

   a) a summary of Committee meeting dates;
   b) issues addressed by the Committee since the last Committee report;
   c) submissions to Council, if any; and
   d) issues to be addressed by the Committee in the future.

35. For Committees that have been delegated responsibility to make decisions, consider implementing a standardized form of Committee reporting to Council, including:

   a) a summary of Committee meeting dates;
   b) statistics appropriate to its mandate;
   c) items of note – i.e., issues that may require Council attention from a strategic perspective; and
   d) policy recommendations – any policy recommendations arising from its decisions.

36. Where Committees are bringing forward items for decision by Council, ensure the information provided is be in accordance with Council requirements (as outlined in Section 4.1(b) above).

5. Ethical Conduct and Conflict of Interest

The City operates within an ethical framework and addresses conflicts of interest.

Governing bodies have become increasingly diligent about delineating their commitment to integrity and ethical business conduct, including appropriately addressing conflict of interest situations. The governing body's responsibility is to set the "tone at the top" and ensure that the organization operates within an ethical framework. The governing body does this by:

- approving a code of ethical conduct (Code of Conduct) that sets out the expectations with respect to ethical conduct and conflicts of interest;

- exhibiting the desired ethical conduct; and

- ensuring there is a process within the organization that allows employees to raise ethical issues (e.g., typically known as "whistleblower" provisions).

In the local government context, Councillors are expected to conduct themselves in a manner that demonstrates a commitment to the highest standards of personal integrity,

and in ways that respect the trust placed upon them by constituents and other stakeholders. Part 4, Division 6 of the *Charter* sets out ethical standards for elected local government officials and provides guidance on conflict of interest situations. For example, under the *Charter*, Councillors have the responsibility to *"consider the well-being and interests of the municipality and its community"* (s.115 (a)) and *"keep in confidence any record held in confidence by the municipality and information considered in any part of a council meeting or council committee meeting that was lawfully closed to the public..." (s. 117 (1)(a) and (b))*.

Nanaimo's orientation for new Councillors touches on the roles and responsibility of the Mayor and Councillors and there are Conflict of Interest Guidelines for Councillors and a Conflict of Interest Code for Municipal Employees.

Although aspects of governance appear to be addressed during Council orientation and these various documents, the documents are not comprehensive, there is no single document that outlines the Councillors' responsibilities and approach to ethical conduct and conflict of interest as expected in today's governance environment and no linkage to the *Charter*.

It is common for governing bodies to establish detailed processes that set out how conflicts will be handled. A good policy will set out the kinds of conflicts that can present and a clear process for dealing with conflicts, including, at a minimum, disclosure and recusal. It is also quite common for governing bodies to require their members to sign an annual declaration that discloses any conflicts, whether real, perceived or potential.

With respect to special interest groups, Councillors must take care to ensure that their duty to consider issues fairly and properly is not compromised by participating in advocacy practices that are outside the bounds of appropriate and lawful behaviour. When engaging in community consultation, it is important that Councillors get "community" views and not just those of a few vocal parties. Decisions must be made for the whole community, including the silent majority.

Suggested best practices with respect to special interest groups include:

- documenting meetings with proponents;
- conducting meetings in official locations;
- having other people present, rather than meeting alone;
- inviting members of special interest groups to meet with all Councillors;

WATSON™

- providing copies of information to all Councillors;

- asking for positions to be put in writing, to be shared with all Councillors; and

- disclosing to fellow Councillors the advocacy activities on behalf of particular special interest groups in which the Councillor has been engaged.

From our interviews, it appeared that it would be useful to have enhanced guidance for Councillors on the standards of ethical conduct. Areas to be addressed would include: the need to support Council decisions once made, the need to keep confidential matters confidential and an awareness of how personal behaviour affects the City's reputation.

Recommendations

37.   Adopt a Code of Conduct that incorporates the responsibilities regarding ethical conduct set out in the *Charter* and clearly articulates:

   a)   the conduct expected of individual Councillors;
   b)   confidentiality provisions;
   c)   conflict of interest guidelines;
   d)   the consequences of failing to abide by the Code of Conduct.

38.   Ensure that each Councillor reads and signs an annual declaration acknowledging that he/she understands the content of the Code of Conduct and agrees to abide by it.

39.   Develop a communications strategy that articulates guidelines for communications between Councillors and the media and Councillors and staff. For example, an individual Councillor who opposed a motion at a Council meeting may speak to the media, but should clarify that his/her opposition to a particular motion is his/her personal view only and not the view of Council as a whole.

6.   Stewardship of Community Assets

Council exercises its stewardship of community assets through planning, financial management, risk oversight and ensuring competent executive leadership.

Stewardship is the acceptance or assignment of responsibility to shepherd and safeguard the valuables of others. In the case of local government, it refers to Council's responsibility to steward the community's physical, financial and human resources. It involves the

responsible planning and management of resources and embodies the concept of sustainability.

6.1 Planning and Strategy Setting

Strategic planning is a process that helps organizations identify their desired future state and how they will achieve the vision. Strategic planning is intended to get the organization thinking strategically with a long-term perspective, while business planning builds from the strategic planning process and provides clarification of shorter-term actions necessary to achieve the desired future.

In the local government context, strategic planning involves extensive consultation with the community and leads to a future vision and overarching goals to get there. As mentioned above, a key component of effective governance is alignment among all parties on the vision and key goals and alignment throughout the organization. Council approves complementary plans (e.g., community plan, transportation plan, strategic plan) and annual plans and budgets that support the overarching plans. Council must establish key measures to monitor progress against the plans and ensure that progress is monitored and adjustments to the plan(s) made as appropriate.

While the City has a number of significant written plans (e.g., Strategic Plan, planNanaimo (Official Community Plan), Nanaimo Cultural Plan (under development), City of Nanaimo Communication Plan (under development) and Transportation Master Plan (under development)) there is no overarching planning framework to set out how the various plans correspond to each other and relevant regional plans (e.g., Solid Waste Management Plan).

Recommendation

40. As part of the overall governance framework, articulate a strategic planning framework that outlines Council's long-term approach to strategic planning – how plans are developed, how the various plans relate to each other, how performance benchmarks are created and how performance is monitored.

6.2 Financial Management

Council is responsible for financial management of the municipality, including long term financial planning, budgeting and monitoring financial performance. In order to carry out this task, Council relies on:

- financial advice and reporting from administration;

- input from internal audit, if applicable; and

- the external audit report.

Council's involvement in financial planning includes developing a long-term financial plan that complements the Strategic Plan, setting the annual budget and monitoring progress against plans. Council exercises its responsibility for the financial viability of the municipality through monitoring the municipality's financial position on a regular basis. The annual audited financial statements reflect Council's stewardship of the municipality's financial resources over the previous year. Some municipalities designate a number of Councillors to provide leadership on financial issues, although all Councillors remain accountable for this stewardship responsibility.

In Nanaimo, staff currently prepares quarterly financial statements that are reviewed internally to monitor progress. These are not currently provided to Council as part of the regular reporting process but this could easily be done. Staff is in the process of developing its balanced scorecard reporting mechanism (see further discussion under Section 8.1 below) which includes financial measures.

Staff may wish to consider preparing a quarterly report for Council, providing an update on financial performance, as well as the other performance measures set out in the balanced scorecard.

Recommendation

41. As part of the overall governance framework, articulate Council's responsibility for financial and operational stewardship and outline how Council exercises this responsibility.

42. Consider introducing quarterly reporting to Council on financial and operational matters, using the balanced scorecard format.

6.3 Risk Management Oversight

Risk management is the identification, assessment, and prioritization of risks (*the effect of uncertainty on objectives*, whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events. Contemporary risk management focuses not only on risks in terms of what is done, but also on risk in terms of lost opportunities. This ties risk management closely to strategic planning.

While taking measured and informed risks is an important element of any organization's strategy, governing bodies continue to place great importance on risk management oversight. Governing bodies approach risk in broader terms than financial and accounting risks to ensure consideration of factors that could threaten the organization's operations or reputation.

The governing body is expected to play an important role in risk management oversight in the following ways.

- The governing body is responsible to set the organization's risk parameters, thresholds and boundaries. This discussion typically takes place as part of the strategic planning discussion.

- It is incumbent on the governing body to understand the entity's major risk exposures and that there are sufficient internal controls and appropriate mitigation plans for major risks.

- The governing body ensures that there is in-depth risk analysis and quantification for all major investments or strategic decisions prior to decisions being made.

In the public sector context (and increasingly in the private sector context) damage to organizational reputation is seen to be as significant as financial or physical risk. It is recognized that activities or actions that may seem inconsequential to individuals may have significant negative consequences for the organization, if seen in a negative light by key stakeholders. It is for this reason that organizations place great importance on codes of ethical conduct – to ensure that individuals are aware of their responsibilities and how to avoid causing reputational damage by their individual actions.

Council currently addresses the oversight of risk on a case by case basis, in the context of issues that come to Council for decision. A recent example is the issue of the Colliery Dam that was recently before Council. The City has also has in place an Emergency Management Program that is designed to manage risks from major emergencies and disasters that may affect the City. However, there is no overarching risk management oversight framework whereby Council can systematically identify the municipality's main risks and administration's plans and systems used to monitor, mitigate and manage risk.

Recommendations

43. Create a framework for risk oversight that can be used at the Council level to support an annual review of the City's risk profile and risk mitigation strategies.

44. Ensure that the City's Code of Conduct addresses conduct that may cause potential reputational damage to the City.

6.4 Ensuring Competent Leadership

It is widely recognized today that a key component of effective organizational performance is having the right talent and skills in key positions. Therefore, it is incumbent on governing bodies to actively oversee the organization's approach to ensuring competent leadership on an ongoing basis. The governing body is expected to play an important role with respect to human capital management in the following ways:

- approving an organization-wide approach to employee performance management, including a compensation philosophy;

- planning for leadership succession, for the chief administrative officer and other key leadership positions;

- ensuring potential future leaders are identified and developed; and

- understanding the strength and depth of the leadership talent within the organization and whether there are any leadership gaps in the context of the organization's strategy.

Administration is currently involved in a process to identify high potential employees with a view to succession planning. However, there is currently no express process or policy in place to suggest that Nanaimo Council exercises proactive stewardship of the City's human resources.

Recommendation

45. As part of the governance framework, establish a Council policy on stewardship of the City's human resources, including Council's role in ensuring the City has an appropriate approach to managing human resources (performance management and compensation philosophy), planning for leadership succession and ensuring potential future leaders are identified and developed.

7. Positive Culture and Dynamic

Council operates within, and sets, a positive culture for its work and the work of the City.

Culture is the body of accumulated beliefs, assumptions, attitudes, values and experience of an organization that collectively manifest in decorum, protocol, norms, prevailing decision processes and the concentration of power and privilege.[2] Every organization has a culture and it is imperative for the players to understand their culture and whether there are any norms that may be holding them back from carrying out their responsibilities in the most effective manner. For any group to work effectively together, there must be a culture of openness, debate, trust and mutual respect. Whenever a group is composed of individuals from different backgrounds, as is the case of a municipal council, extra effort must be made to help the members act in a collegial way. While Councillors may come at issues from different positions, if there is a sense of collegiality and positive culture, there will be more likelihood of honest, robust discussion and debate, and consideration of others' points of view which, at the end of the day, will lead to better decision-making.

Research shows that groups develop a better culture and are more engaged when there are clear policies that outline their individual roles and responsibilities and decision-making processes.

The benefits of a positive culture include better decisions, the ability to attract talent, creative problem solving, anticipation of future issues and ethical conduct.

Councillors 'set the tone at the top' in terms of culture, by the way they act among themselves and the way they act in relation to the City Manager, staff and the public. Councillors can achieve a positive culture by:

- understanding the different but complementary roles of Councillors versus administration;

- building positive relationships with all parties;

- modelling appropriate behaviour;

- establishing a clear governance framework, with clear roles and responsibilities;

- incorporating appropriate consultation into decision-making;

- delegating responsibilities appropriately and providing adequate oversight;

- approving codes of ethical behaviour and conflict of interest guidelines; and

- periodic and critical review of behaviour and performance against the standards required by the culture.

---

[2] *The Anatomy of Board Culture*, European Business Review

Feedback from the interviews suggests that there is significant tension between some members of Council and between certain members of Council and administration and this has had an overall negative effect on the City's ability to be "high performing" as contemplated in the Operating Philosophy. Examples cited include:

- distrust by some Councillors of information provided by staff;

- a feeling by some Councillors that staff were undermining their authority and responsibilities and were "running the show" without regard for Council's role;

- negative (described as sarcastic) comments made by some Councillors to staff during open Council meetings;

- unprofessional and sarcastic tone in correspondence between staff and Council members;

- unproductive meetings caused by Councillors who wandered off topic or continually tried to reopen issues previously decided; and

- name calling among Councillors, and in some cases, physical altercations among Councillors or between Councillors and staff members.

As a result of this behaviour, City staff reported feeling demoralized and some Councillors reported feeling marginalized.

Without passing judgement on the root causes of these issues, the behaviour described above and the consequent negative dynamic across the organization completely undermines any attempt at "good governance" and has negative implications for the City's decision-making ability and its ability to gain or keep the respect of external parties with whom it deals, such as Nanaimo Port Authority, Vancouver Island University and Snuneymuxw First Nations. In fact, it could be considered a substantial reputational risk for the City.

In our experience, when seeking to improve team effectiveness, organizations often attribute dysfunction to interpersonal relationships. Although misaligned values and behaviours can dramatically affect organizational performance and must be addressed, many organizations benefit tremendously from clearly defined responsibilities, accountabilities and decision-making processes. Once established and applied, not only do group dynamics improve, organizations also dramatically change the decision-making quality and effectiveness. In our view, there is clearly an opportunity for Councillors, and Councillors and staff, to work in a more productive way together. The first step is to enhance the governance framework as suggested in this report.

Processes to deal with this seeming negative culture are outside the scope of our assignment, but in our view must be addressed, since a positive culture and dynamic is fundamental to being able to achieve good governance. There should be a process for Council and staff to articulate the values and behaviours that are expected to govern their activities and interaction, and finally, a mechanism to review and evaluate progress towards better functioning.

Recommendations

46. Create a comprehensive governance framework, incorporating the various recommendations set out in this report.

47. Engage in a process to establish agreed-upon values and behaviours for Council and senior staff, together with a process to review and evaluate progress towards better functioning.

8. Accountability

> *The City accounts to stakeholders for its activities and has systems to support such accountability.*

Accountability is an obligation to answer for the execution of one's assigned responsibilities. In the municipal context, Councillors are accountable to the public for their handling of the City's affairs and the City's performance.

The basic ingredients of successful accountability relationships are:

- clearly established goals;
- standards and measures (performance measures) to measure performance;
- systems to measure and report on performance; and
- processes to consider performance reports and make adjustments if required.

Accountability mechanisms support Council in two ways: first, they provide feedback to Council so Council may consider performance to date and make adjustments as required; second, they provide verification of performance that can be used to report to stakeholders on what has been achieved.

It is useful to consider accountability in context of the relationships between people or organizations involved. Key accountability systems are outlined below.

8.1 Organizational Performance Management

In the case of organizational performance, Council is accountable for monitoring the City's performance against the approved operational and financial plans and goals. In order for Council to adequately monitor performance, there must be key performance measures and a systemic, regular reporting system that provides relevant and timely information relevant to the stated measures.

In respect of organizational performance measurement, the City has two streams which can be found on the City's website:

- The City is creating a Balanced Scorecard to measure overall City performance (http://www.nanaimo.ca/PerformanceMeasurement/BalancedScorecard). The Balanced Scorecard has set up a number of targets to reflect performance in the areas of Customer, Employee, Environmental, Financial, Service & Programs and Social. Many of the targets are yet to be determined.

- In respect of the Strategic Plan, the City has created a reporting platform called "Taking Responsibility" that lists the strategies set out in the Strategic Plan and provides updates by way of commentary.

In terms of measuring progress against the Strategic Plan, some interviewees were of the view that the Strategic Plan could contain more specific performance measures and there should be regular reporting to Council against those measures.

Recommendations

48. Incorporate in the City's governance framework a formal requirement for quarterly reporting to the Council on key performance measures.

49. Confirm the organizational performance measures (in both the Balanced Scorecard and Taking Responsibility) to ensure they are agreed to be the salient measures.

50. Consider a dashboard for reporting – so Councillors can see 'at a glance' what initiatives are on track and which are at risk.

51. Ensure that reports on progress include recommendations for adjustments, or at least a discussion point, if key targets are not being met.

8.2 City Manager Performance Management

The City Manager is appointed by Council and directly accountable to Council. As such, Council is accountable for setting the City Manager's performance plan and monitoring performance. It should be noted that this responsibility belongs to Council, sitting as Council, and is not the responsibility of individual Councillors.

After approving the strategic, operational and financial plans, performance management in relation to the City Manager is the Council's main lever for directing and monitoring the City's strategic focus. The City Manager performance management process is:

- the mechanism through which Council and the City Manager become aligned on the City Manager's main focus and performance goals for the coming year;

- an opportunity for Council and the City Manager to discuss the City Manager's performance and where he or she may need to change focus, behaviour or develop new capabilities; and

- a process to collect sound, objective data to inform Council's assessment of the City Manager's past performance and link it to compensation decisions.

It is important that expectations of the City Manager are clear and agreed between Council and the City Manager at the start of a period. If this is not done, there may be different expectations of the City Manager and at the end of the period Councillors may feel that the City Manager has not performed, leading to problems in trust and relationships.

The current process at the City of Nanaimo is a formal performance evaluation once per Council term or on request, based on the generic job responsibilities set out in the City Manager's job description. There is currently no process for the Council and City Manager to agree on annual goals and objectives. The process is led by the City's Human Resources Director.

While it is a positive that there is a City Manager performance management process in place, in our view, the process could be enhanced by making the process annual and grounding the process on agreed-upon annual goals and objectives for the City Manager. Annual goals and objectives are typically proposed by the City Manager and linked to the City's strategic and business goals, plus other factors linked to leadership and personal development. The goals and objectives are then discussed, refined, and agreed-upon by Council. In this way, Council and the City Manager are better able to stay aligned on the direction of the City and functioning as between Council and staff.

Recommendations

52. Consider revising the City Manager performance evaluation process to include annual goals and objectives and an annual feedback and review process. Enhancements to the current process should be developed and agreed to by both Council and the City Manager.

53. Ensure that the City Manager performance management process incorporates the following elements:

   a) An outline of the process, including clarity around the roles and responsibilities of parties involved in the process
   b) A timeline outlining when key steps in the process are completed
   c) An opportunity for Council and the City Manager to set the City Manager's goals and objectives at the beginning of the period
   d) A process to obtain objective feedback on the City Manager's performance against the agreed-upon goals
   e) A process for Councillors as a group to review the feedback and determine key messages to be delivered to the City Manager
   f) A process for the City Manager to receive and respond to the evaluation feedback.

54. If there is any concern about the process being managed internally (i.e., by the Human Resources Director), consider having the process managed externally.

8.3 Internal Controls and Management Information System

Internal control is the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to:

- reliability of financial reporting;

- effectiveness and efficiency of operations; and

- compliance with applicable laws and regulations.

The governing body is expected to play an important role with respect to internal control and management information systems in the following ways:

- Governing bodies satisfy themselves that management has implemented appropriate internal control policies and procedures, including processes to monitor the effectiveness of the controls.

- As part of the annual risk review, the governing body identifies areas of material risk with respect to the organization's internal control framework.

Governing bodies typically satisfy themselves as to the areas outlined above through independent reviews conducted by external audit[3] and internal audit.[4] Municipalities are required to produce audited financial statements and as such, an external audit is conducted on an annual basis. It would be considered best practice for Council to meet with the external auditor *in camera*, without administration present, to ask questions and discuss any issues that the external auditor wishes to raise with Council. Internal audit is typically an internal function with a requirement to report directly to Council to ensure transparency and independence.

Currently, Nanaimo engages an external auditor to conduct the statutory audit. The external auditor meets with Council annually to review their report. There is currently no internal audit function within the City. In our view, given some of the questions raised by Council with respect to City functioning and value for money, Council should consider adding an internal audit function to the City.

Recommendations

55. Consider establishing an internal audit function within the City.

56. Set out in writing Council's involvement with the external and internal audit functions.

8.4 Consultation

An important expression of accountability is the extent to which local government makes itself aware of stakeholders' opinions on matters that affect them. Good consultation requires that processes are in place which give those affected by decisions the opportunity to express their opinions and provide information to the decision-makers prior to the decision being taken.

A local government can best address this accountability through the development and utilization of a consultation policy. Key elements of a consultation policy include:

---

[3] External audit typically involves an objective independent examination of the organization's financial statements and provides reasonable assurance that the financial statements are presented fairly and give a true picture in accordance with the organization's financial reporting framework.

[4] Internal audit is an independent, objective assurance and consulting activity designed to improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal audit activities may also include value-for-money audits and compliance audits.

- Purpose – why consultation is important to City functioning

- Inclusiveness, accessibility and diversity – all affected parties will be consulted

- Method – the method of consultation will be proportionate to the issue under consideration

- Provision of Information – consultation is on the basis of informed comment

- Timing – the consultation will take place early enough in the decision-making process

- Responsiveness and Feedback – consultation will be transparent and open

- Evaluation – consultation processes will be evaluated for effectiveness

- Resourcing – consultation processes will be adequately resourced

Nanaimo incorporates consultation as part of its planning process. For example, the City engaged in extensive consultation with respect to the Official Community Plan, the Transportation Master Plan and the Strategic Plan.

In addition to specific consultation initiatives, it would be appropriate for the City's governance framework to include a commitment to consultation (proportionate to the issues under consideration) as part of Council's accountability to stakeholders.

Recommendation

57. Adopt a Consultation Policy, outlining Council's commitment to consultation as part of its accountability to stakeholders.

8.5 Reporting

Our interviews underscore that all Councillors place great importance on accountability to the public and transparency. The City has taken initiatives, such as e-town hall meetings to more fully engage the community with Council. The City's website is user-friendly and enables residents of Nanaimo to access a variety of information, including Council meeting agendas, minutes and videos.

One common theme from our interviews was that in the name of transparency, confidential information is often leaked to the media. Leaking confidential information is not an appropriate format for transparency (and in fact expressly prohibited in the *Charter*).

It would be useful for Council to agree on a Communications Policy that sets out Council's approach to communications and the role of individual Councillors. It would also be

appropriate to clarify in a Code of Conduct that disclosure of confidential information is prohibited.

Recommendations

58. Adopt a Communications Policy as part of Council's governance framework. Ensure the policy addresses the rules and procedures associated with confidential information.

59. Ensure the Councillor's Code of Conduct includes specific reference to the handling of confidential information.

E. CONCLUSIONS AND NEXT STEPS

It is evident from WATSON's review that, in order to support the Operating Philosophy in the Strategic Plan, the City would benefit from a more comprehensive approach to governance, supported by a written governance framework. The framework will build on the systems and processes currently in place and include the additional elements set out in this report.

The elements of the recommended framework include:

1. Roles and Responsibilities
   a) Position descriptions that provide guidance on the respective roles and responsibilities for:
      i. Council
      ii. individual Councillors
      iii. the Mayor
      iv. the City Manager (including delegation of authority)
   b) Committee operating guidelines that provide guidance on establishing Committees, their operations and accountability to Council
   c) Charters for each Committee or Commission established by Council
2. Constructive Working Relationships
   a) An overview of key relationships and considerations that support constructive relations
      i. Mayor and Councillors
      ii. Among Councillors
      iii. Council and Administration
      iv. Mayor and City Manager

WATSON

3. Alignment Against a Common Vision and Goals

   a) The process used to develop the City's Strategic Plan and the relationship between the Strategic Plan, the City's operational and capital plans and budgets, and other City initiatives; reference to setting key performance measures in relation to operational and capital plans

   b) The process used to annually review and update the Strategic Plan (if applicable)

4. Decision Making Processes

   a) Delegations of authority and the process for reporting and accountability

   b) Annual Calendar – the process to set the annual calendar of governance responsibilities and other key strategic issues

   c) Meeting guidelines, including guidelines on

      i. Setting meeting agendas
      ii. Preparing information to support agenda items
      iii. *In camera* meetings
      iv. The Mayor's role in 'presiding' over meetings

5. Ethical Conduct and Conflict of Interest

   a) Policy related to standards of ethical conduct

   b) Policy related to conflicts of interest and how to handle them

6. Key Areas of Community Stewardship

   a) Financial management

   b) Risk Management

   c) Leadership

7. Accountability

   a) Organizational Performance Management – the process used by Council to oversee and monitor city performance

   b) City Manager Performance Management – the process used by Council to oversee and monitor the City's Manager's performance

   c) Committee reporting processes

   d) Independent Review processes

      i. External Audit
      ii. Internal Audit

   e) Consultation Policy

   f) Reporting

Following review of this report by the Steering Committee and Council, next steps would include:

- adoption of the recommendations in this report;

- direction to senior City staff to create the required governance framework documentation, with support from WATSON pursuant to WATSON's original proposal.

WATSON

APPENDIX A: SUMMARY OF RECOMMENDATIONS

Roles and Responsibilities	
1.	Create a charter that sets out explicitly the areas of Council responsibility. The charter should include Council responsibilities set out in the Charter together with Council's general responsibilities to ensure a sound, sustainable organization.
2.	Create a position description for the Mayor's position that provides more detailed guidance on the Mayor's responsibilities.
3.	Create a position description for the Councillor position that provides guidance for individual Councillors on their individual roles and responsibilities.
4.	Revise the City Manager performance evaluation process to include the creation of annual goals and objectives for the City Manager.
5.	Review the Committee structure with a view to determining whether current Committees remain relevant to the City's current activities and Strategic Plan. Sunset those Committees that are no longer relevant.
6.	Reformat all Committee terms of reference to a standard format that addresses: purpose, composition and quorum, accountability, duties and responsibilities, meeting practices, reporting requirements and City staff support.
7.	Within the overall governance framework for the City, include a Committee framework that identifies the various types of Committees that can be established by Council (along with Commissions and Boards) and how they relate to Council's decision-making authority.
8.	Develop a process to govern the appointment of Committee members.
9.	Ensure all Committee members receive orientation and training around their role and their Committee's role in the context of City-wide governance.
Constructive relationships	
10.	Ensure the role descriptions for individual Councillors, the Mayor and the City Manager identify applicable working relationships and emphasize the importance of constructive relationships.
11.	Prepare written guidelines that provide guidance on the appropriate level of interaction between Councillors and individual staff members. The guidelines should provide guidance on how Councillors should handle concerns about the City Manager or staff performance.

12.	Prepare written guidelines that set out the protocol for information requests by individual Councillors (e.g., through the Mayor and the City Manager, by request at a Council meeting).
13.	Consider hiring an employee of Council whose job is to process information requests from Councillors. While the employee works with the City Manager to process requests, the employee answers to Council, rather than the City Manager.

Alignment on Vision and Goals

14.	Revisit the Strategic Plan to ensure alignment between and among Councillors on key issues, and alignment between Council and City staff.
15.	To ensure progress against the Strategic Plan, ensure enough of Council's time is dedicated to discussing and making decisions relating to the priority issues in the Strategic Plan. Proactively schedule these items into future agendas (a "forward agenda") to ensure they receive the focus they deserve.
16.	Review and establish key performance measures for the Strategic Plan and ensure staff reports regularly on progress against those measures.

Effective Decision - Making Process

17.	Enhance the Council Procedure Bylaw (or establish another governance framework document) to outline more specifically the expected decorum of Councillors and the role of the Mayor in relation to presiding at meetings, including action to be taken when Councillors break the rules of decorum.
18.	For the annual agenda of topics, consider adopting a "forward agenda".
19.	For the regular agenda, ensure that the order of business corresponds with the most important topics, placing those that are most significant at the beginning when Councillors are fresh and leaving routine reports to later.
20.	Restrict the public question and answer period to interacting with media as contemplated by Section 20.1 of the Council Procedure Bylaw. In addition to the 10 minute limit for delegations to speak at Council meetings, develop guidelines for speakers at the public question and answer period.
21.	Review forms of City staff reports and consider revising the standardized form of reporting to Council.
22.	Ensure that materials are provided sufficiently in advance in order for Councillors to prepare.
23.	For lengthier materials, ensure there is an executive summary that outlines the key items referenced above.

WATSON™

24.	If Councillors have seen previous copies of materials, provide Councillors with black lined copies so they can easily find the revisions to the materials.
25.	Review the use of *in camera* meetings to ensure compliance with applicable legislation and guidance from the Ombudsperson.
26.	Discuss as a group and decide on how Council wants to approach *in camera* meetings and then create a written policy relating to *in camera* meetings.
27.	Review the use of agenda reviews to ensure compliance with applicable legislation and guidance from the Ombudsperson.
28.	Consider whether the seating arrangements in the Shaw Auditorium can be changed so that Councillors are not perceived to be debating with City staff. Alternatively, consider an alternate venue for Council meetings.
29.	Review delegated authorities and ensure they are consistent with Council's overall governance framework.
30.	Ensure that those having delegated authority report regularly to Council so Council can effectively monitor their performance.
31.	Consider creating separate Committee Operating Guidelines.
32.	Ensure there is written guidance on the preparation and timing of delivery of pre-reading materials for Committees.
33.	Consider adopting a standard template for minute-taking at Committee meetings and a standard protocol for approving minutes and providing them to Council.
34.	For advisory Committees, consider implementing a standardized form of Committee reporting to Council, including: a) a summary of Committee meeting dates; b) issues addressed by the Committee since the last Committee report; c) submission to Council, if any; and d) issues to be addressed by the Committee in the future.
35.	For Committees who have been delegated responsibility to make decisions, consider implementing a standardized form of Committee reporting to Council, including: a) a summary of Committee meeting dates; b) statistics appropriate to its mandate; c) items of note – i.e., issues that may require Council attention from a strategic perspective; and d) policy recommendations – any policy recommendations arising from its decisions.
36.	Where Committees are bringing forward items for decision by Council, ensure the information provided is in accordance with Council requirements.

Ethical Conduct and Conflict of Interest	
37.	Adopt a Code of Conduct that incorporates the responsibilities regarding ethical conduct set out in the *Charter* and clearly articulates: a) the conduct expected of individual Councillors; b) *confidentiality provisions;* c) conflict of interest guidelines; and d) the consequences of failing to abide by the Code of Conduct.
38.	Ensure that each Councillor reads and signs an annual declaration acknowledging that he/she understands the content of the Code of Conduct and agrees to abide by it.
39.	Develop a communications strategy that articulates guidelines for communications between Councillors and the media and Councillors and staff.
Stewardship of Community Assets	
40.	As part of the overall governance framework, articulate a strategic planning framework that outlines Council's long-term approach to strategic planning.
41.	As part of the overall governance framework, articulate Council's responsibility for financial and operational stewardship and outline how Council exercises this responsibility.
42.	Consider introducing quarterly reporting to Council on financial and operational matters, using the balanced scorecard format.
43.	Create a framework for risk oversight that can be used at the Council level to support an annual review of the City's risk profile and risk mitigation strategies.
44.	Ensure that the City's Code of Conduct addresses conduct that may cause potential reputational damage to the City.
45.	As part of the governance framework, establish a Council policy on stewardship of the City's human resources, including Council's role in ensuring the City has an appropriate approach to managing human resources, planning for leadership succession and ensuring potential future leaders are identified and developed.
Positive Culture and Dynamic	
46.	Create a comprehensive governance framework, incorporating the various recommendations set out in this report.

WATSON™

47.	Engage in a process to establish agreed-upon values and behaviours for Council and senior staff, together with a process to review and evaluate progress towards better functioning.
Accountability	
48.	Incorporate in the City's governance framework a formal requirement for quarterly reporting to the Council on key performance measures.
49.	Confirm the organizational performance measures (in both the Balanced Scorecard and Taking Responsibility) to ensure they are agreed to be the salient measures.
50.	Consider a dashboard for reporting – so Councillors can see 'at a glance' what initiatives are on track and which are at risk.
51.	Ensure that reports on progress include recommendations for adjustments, or at least a discussion point, if key targets are not being met.
52.	Consider revising the City Manager performance evaluation process to include annual goals and objectives and an annual feedback and review process. Enhancements to the current process should be developed and agreed to by both Council and the City Manager.
53.	Ensure that the City Manager performance management process incorporates the following elements: a) An outline of the process, including clarity around the roles and responsibilities of parties involved in the process b) A timeline outlining when key steps in the process are completed c) An opportunity for Council and the City Manager to set the City Manager's goals and objectives at the beginning of the period d) A process to obtain objective feedback on the City Manager's performance against the agreed-upon goals e) A process for Councillors as a group to review the feedback and determine key messages to be delivered to the City Manager f) A process for the City Manager to receive and respond to the evaluation feedback
54.	If there is any concern about the process being managed internally (i.e., by the Human Resources Director), consider having the process managed externally.
55.	Consider establishing an internal audit function within the City.
56.	Set out in writing Council's involvement with the external and internal audit functions.

57.	Adopt a Consultation Policy, outlining Council's commitment to consultation as part of its accountability to stakeholders.
58.	Adopt a Communications Policy as part of Council's governance framework.
59.	Ensure the Councillor's Code of Conduct includes specific reference to the handling of confidential information.