

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

15 JUNE 2006

REPORT OF CORPORATE MANAGEMENT TEAM

COUNCIL DECISION

Corporate - Lead Cabinet Member - Councillor Coleman

ETHICAL GOVERNANCE AUDIT - 2006/07

1. Summary

To provide Cabinet with details of suggested ethical governance audit arrangements for 2006/07.

2. Recommendations

It is recommended to Council that:-

1. The proposals relating to the 2006/07 ethical governance audit arrangements be agreed; and that
2. Subject to this, the Director of Law and Democracy, in consultation with the Chair of the Standards Committee, the Leader and the Deputy Leader, be authorised to co-ordinate the audit, including finalising and circulating the survey forms; undertaking the desk top study and arranging the IDEa light touch health check.

3. Reasons for the Recommendations/Decision(s)

Ethical governance is an essential element of the drive to encourage, develop and maintain high standards of conduct and is critical to effective service planning and quality service delivery. It is therefore crucial to each of the Community Strategy themes.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.

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RECOMMENDATIONS

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DETAIL

Ethical Governance

1. "Ethical governance is concerned about the standards of conduct of all holders of public office, including arrangements in relation to financial and commercial activities." (Hansard 1994).
2. High ethical standards are a cornerstone of good governance. Part III of the Local Government Act 2000 sought to promote confidence in local democracy by introducing new arrangements:-
 - statutory Codes of Conduct which all members have to sign up to and comply with
 - the introduction of Standards Committees in each principal authority which take the lead responsibility for ethics

- the Standards Board for England which, through independent Ethical Standards Officers, investigates allegations of breaches of the Codes of Conduct and seeks to promote ethical environments
 - the Adjudication Panel for England which, through case tribunals, hears and adjudicates on matters referred to it by the Standards Board for England.
3. The importance of the ethical agenda has led to an ethics component being included in the Audit Commission's triennial Comprehensive Performance Assessment of single tier and county councils and in its annual assessment of a Council's "use of resources".

Ethical Governance Audits

4. Ethical Governance audits help Councils to examine current procedures; examine current practices; implement the ethical framework; check and review progress; and provide a "reality check" and highlight deficiencies arising from poor systems and procedures. They can be used as an initial diagnostic tool; as an aid to implementation of the ethical framework and in ensuring a robust approach to monitoring, review and updating the framework.
5. Specifically, audits can be used to:-
- ensure that new Council arrangements are open, accountable and ethically strong
 - promote high standards of conduct
 - assist in building a "bond of trust" between Councils and communities
 - identify best practice for sharing and dissemination.
6. Importantly, such audits can inform proposals for continuous improvement and help the Standards Committee to fulfil their role in promoting and maintaining high standards of conduct and assisting Members to observe the Code of Conduct.

Stockton's Ethical Framework

7. Within this context Cabinet may recall that a "snap-shot" ethical governance survey was carried out at Stockton in 2001 following a report to the Standards Committee in December 2000.
8. Subsequently, following a report to the Committee in November 2003, followed by a report to Cabinet, a more detailed ethical governance audit was undertaken during 2003/04. The methodology was based on the then emerging IDeA toolkit.
9. The reports explained that the Council had developed a wide ranging array of audit, survey and developmental tools and was subject to a variety of inspection arrangements, which together represented a detailed set of ethical governance assessment processes.
10. A schedule was provided with the reports, highlighting the key processes which it was considered would provide helpful insights into the ethical health of the organisation, and which could be used to produce recommendations or plans for future action in order to secure continuous improvement in terms of the Authority's service planning, decision-making, service delivery and democratic processes.

11. In addition, a more detailed, extensive ethical survey of Members, Officers, key partners and the public was proposed. A copy of the intended questionnaire was provided, being an updated version of that used in 2001, with the intention that it would be varied and tailored to suit each of the proposed recipient groups.
12. Further reports were brought back to the Standards Committee and Cabinet providing details regarding the outcomes of these initiatives, together with proposed recommendations and plans for future action.

2006/07 Audit

13. For the purposes of the proposed 2006/07 audit, again, developing our previous approaches to the process, it is proposed to:-
 - utilise a range of existing or proposed processes which will provide insights into the ethical health of the organisation;
 - re-survey Members (including co-optees), Officers and key Partners (and, if practicable, the public); and to
 - report back in detail on the outcomes of the various processes and of the survey, and produce an action plan for improvement.
14. In this respect the schedule referred to at paragraph 10 of this report is being updated, in consultation with Officer colleagues and the Corporate Governance Working Group. The final version will form the basis of a desk top study, aimed at producing recommendations for future action.
15. The survey form referred to at paragraph 11 of this report is also being updated, again in discussion with Officer colleagues and the Corporate Governance Working Group. The form will be tailored to each specific audience, so that appropriate questionnaires are provided for each target group.
16. Tees Valley District Lawyers Group (which includes other Council's Monitoring Officers) have also been invited to provide their views on the methodology proposed for the audit.

Ethical Governance Toolkit

17. The ethical governance toolkit referred to in paragraph 8 of this report has been refined and published by the Standards Board for England, the Audit Commission and the IDeA, and it is proposed to use this toolkit in connection with the Authority's ethical governance audit for 2006/07.
18. The purpose of the toolkit is to help local authorities to assess how well they are meeting the ethical agenda and to improve further their arrangements. As indicated, the toolkit is jointly badged by the Standards Board for England, the IDeA and the Audit Commission. The role of the Standards Board for England has been to support the development of the tools with the Audit Commission and the IDeA.
19. The toolkit consists of four key, distinct elements, each of which is administered by either the Audit Commission or the IDeA. The list below shows these tools and the key issues they address:-

- **Self-assessment survey (Administered by the Audit Commission)**
Assesses awareness of ethical issues
 - **Full Audit (Administered by the Audit Commission)**
In-depth assessment of the Council's:-
 - compliance with the Code of Conduct
 - arrangements for local determinations and investigations
 - the roles and responsibilities of Standards Committees
 - Monitoring Officer roles and responsibilities
 - Chief Executive roles and responsibilities
 - protocols and constitution
 - arrangements for promoting confidence in local democracy
 - understanding of ethical issues and behaviours
 - **Light touch health check (Administered by the IDeA)**
A quick assessment of the following behaviours of the Council:
 - leadership
 - relationships
 - communication
 - accountability
 - management of standards
 - team working and co-operation
 - **Developmental Workshops (Administered by the Audit Commission or IDeA)**
To improve awareness and understanding of ethical issues facing the Council.
20. The benefits of using the toolkit are that it contains various elements which will enable Councils to have a better understanding of:-
- how well they are meeting the ethical agenda
 - where they can make improvements
 - how they can address issues
 - how well they are meeting relevant CPA benchmarks
 - how they can help ensure that high standards of ethical governance are sustained
21. Failure to achieve high ethical standards has consequences for Members, Officers, Councils and local government more generally, such as
- loss of credibility and confidence in individual members, councils and local democracy by the public
 - investigation, by the Standards Board for England or councils, sometimes leading to the suspension or disqualification of members
 - potential litigation and costs of defending a challenge
 - poor decision-making
22. The following are details of the time and range of people which it is recommended are involved in each part of the toolkit:-
- Self assessment survey: This should involve all elected Members, Senior Officers and staff from Democratic Services. It should take 1 to 4 days.

- Full audit: This should involve the corporate leadership, senior management and Standards Committee Members. It should take 7 to 10 days.
 - Light touch health check: This should involve Standards Committee Members, the Monitoring Officer, the Chief Executive and senior management. It should take ½ day to a full day.
 - Developmental workshops: This should involve Standards Committee Members, Councillors, the Monitoring Officer, the Chief Executive and senior management. It should take 1 day per workshop.
23. Specific financial costs will need to be discussed with the Audit Commission or the IDeA, but estimates of potential costs for each part of the toolkit have been produced as a guide, as follows:-
- Self assessment survey: circa £4,500
 - Full Audit: circa £13,000
 - Light touch health check: circa £1,500 per day
 - Developmental workshop circa £1,500 per day
24. Undertaking one element of the toolkit would clearly provide added independent valuation to the Council's ethical governance audit and as an introduction to the use of the toolkit, the light touch health check is the recommended option. However, should any significant issues arise which might benefit from the use of other elements of the toolkit, such as a dedicated development workshop, that can of course be considered at that stage. Other elements can also be considered for future audits, based on the experience of using the health check.
25. The output from using the health check will be a summary report and action plan.
26. A report regarding the proposals for the audit was presented to the Standards Committee on 25 May 2006. Details of the Committee's views will be provided for Cabinet's consideration.
27. Subject to this Cabinet is asked to consider the overall framework, methodology and the proposals for the ethical audit and to recommend the arrangements to Council. In addition Cabinet is also asked to recommend to Council that the Director of Law and Democracy be authorised, in consultation with the Chair of the Standards Committee, the Leader and the Deputy Leader, to co-ordinate the audit, including finalising the survey forms; undertaking the desk top study and arranging the IDeA health check.

FINANCIAL AND LEGAL IMPLICATIONS

Financial

28. Costs associated with the audit/survey and implementing any resulting recommendations and action plans, such as training and development, will be met from within existing budgets.

Legal

29. There are no legal implications arising directly from the report.

RISK ASSESSMENT

30. Failure to achieve high ethical standards has consequences for Members, Officers, local authorities and local government in general, and may result in loss of credibility and confidence; a poor reputation; investigation by the Standards Board, sometimes leading to sanctions against Members; potential legal challenges and ineffective, poor decision-making. Potential breaches of the Code of Conduct are assessed as a high risk for the Authority, but with ongoing measures in place to control the risk. The ethical governance audit is one of the key measures in that context.

COMMUNITY STRATEGY IMPLICATIONS

31. Ethical governance is a key feature of the requirement for local authorities to encourage, develop and maintain high standards of conduct and is critical to effective service planning and quality service delivery. This is crucial for each of the Community Strategy themes.

CONSULTATION

32. The Council's ethical governance audit arrangements have been the subject of previous reports to Members and Officers. The arrangements proposed for 2006/07 have also been discussed with Members and Officers, as well as the Standards Committee. Details of recommendations and actions arising from the various initiatives identified within the overall ethical governance audit process will be the subject of further reports.

Director of Law and Democracy

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Background Papers

Ward(s) and Ward Councillors:

Property Implications:

The Standards Board/Audit Commission/IDeA Toolkit

Not Ward specific

None