

# Standards Committee

Date: **Friday, 19th October, 2007**

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Time: **2.00 p.m.**

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Place: **The Council Chamber, Brockington, 35  
Hafod Road, Hereford**

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Notes: Please note the **time, date** and **venue** of the meeting.

*For any further information please contact:*

*Heather Donaldson, Democratic Services*

**Tel: 01432 261829;**

**Email: [hdonaldson@herefordshire.gov.uk](mailto:hdonaldson@herefordshire.gov.uk)**

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**County of Herefordshire  
District Council**



# AGENDA

## for the Meeting of the Standards Committee

To: Robert Rogers(Independent Member)(Chairman)

Councillors John Stone and Beris Williams  
 David Stevens (Independent Member)  
 Richard Gething (Parish and Town Council Representative)  
 John Hardwick (Parish and Town Council Representative)

	Pages
1. <b>APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
2. <b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest by members in respect of items on the agenda.	
3. <b>MINUTES</b> To approve and sign the minutes of the meeting held on 06 July 2007 ( <i>Document to follow</i> ).	
4. <b>APPLICATIONS FOR DISPENSATIONS RECEIVED FROM PARISH AND TOWN COUNCILS</b> To consider applications for dispensations received from parish and town councils.  <b>Wards: County Wide</b>	5 - 8
5. <b>THE COUNCIL'S PROTOCOLS AND CODES OF CONDUCT</b> To revise the Council's various protocols and codes of conduct, following the adoption of the new Code of Conduct for Local Authorities on 27 <sup>th</sup> July, 2007.  <b>Wards: County Wide</b>	
6. <b>SPECIAL AUDIT INVESTIGATION AND FINANCIAL GOVERNANCE</b> To receive an oral update from the Head of Legal and Democratic Services on the attached reports in respect of a recent special audit investigation, and matters of financial governance.  <b>Wards: County Wide</b>	9 - 30
7. <b>TRAINING UPDATE</b> To receive an oral report on training for Herefordshire Councillors and Parish and Town Councillors, and to consider the attached letter from the Standards Board for England.  <b>Wards: County Wide</b>	

**8. SIXTH ANNUAL ASSEMBLY OF STANDARDS COMMITTEES**

To receive an oral report from members who attended the Annual Assembly of Standards Committees held in Birmingham on 15<sup>th</sup> and 16<sup>th</sup> October, 2007.

**Wards: County Wide**

**9. STANDARDS BOARD FOR ENGLAND - BULLETIN 35**

31 - 40

To note the latest SBE Bulletin.

**Wards: County Wide**

**EXCLUSION OF THE PUBLIC AND PRESS**

**In the opinion of the Proper Officer, the following item will not be, or is likely not to be, open to the public and press at the time it is considered.**

**RECOMMENDATION:** that under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act, as indicated below

**10. DETERMINATIONS BY THE STANDARDS BOARD FOR ENGLAND**

To update the Committee about determinations by the Standards Board for England concerning Herefordshire (*Document to follow*).

**Wards: County Wide**

**This item discloses information which is subject to an obligation or confidentiality.**

**11. APPLICATION FOR A DISPENSATION RECEIVED FROM A PARISH COUNCIL**

41 - 42

To consider an application for a dispensation received from a parish council.

**Wards: Mortimer**

**This item discloses information which is subject to an obligation or confidentiality.**

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- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. A list of the background papers to a report is given at the end of each report. A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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# **COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL**

**BROCKINGTON, 35 HAFOD ROAD, HEREFORD.**

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**DISPENSATIONS TO TOWN AND PARISH COUNCILS****Report By: Head of Legal and Democratic Services****Purpose**

1. To consider two applications for dispensations received from:
  - Bridstow Parish Council
  - Colwall Parish Council; and
  - Yarkhill Parish Council.

**Financial Implications**

2. None

**Background**

3. Under the Code of Conduct, town and parish councillors are prohibited from participating in matters in which they have a prejudicial interest. In the normal course of events this would not prejudice the proper working of their councils. There are instances, however, when the number of councillors who would be prohibited from participating will impede the transaction of business.
4. The Relevant Authorities (Standards Committee) (Dispensations) Regulations 2002 give Standards Committees the power to grant dispensations in circumstances where the number of councillors that are prohibited from participating in the business of the council exceeds 50% of those who are entitled or required to participate.
5. In each case, the councillor must request the dispensation in writing, setting out why the dispensation is desirable. The Standards Committee must then decide whether, in all the circumstances, it is appropriate to grant the dispensation.
6. The 2002 regulations also specify two circumstances where a dispensation may not be granted; first, in respect of participation in business conducted more than 4 years after the date on which the dispensation was granted; and, secondly in relation to prejudicial interests concerning attendance at a scrutiny committee meeting which is scrutinising the activity of any other committee to which the member belongs, or for executive members in relation to their own portfolios.

**Bridstow Parish Council**

7. On 21 April 2006, the Standards Committee granted all seven members of Bridstow Parish Council a dispensation in relation to Bridstow Village Hall, on the basis that the Parish Council is the Custodian Trustee of the Hall. The dispensation will expire on 21 April 2010. Following the May 2007 Elections, two members who were granted a dispensation are no longer Parish Councillors. They are Mr. Paul Stevens and Mrs. Joan Robertshaw. Mr. Clive Beddows has joined the Parish Council, and the dispensation request is in relation to him.

**Colwall Parish Council**

8. All fifteen members of Colwall Parish Council have requested a dispensation for the maximum period of four years, in relation to the Parish Council's position as Trustee of the Walwyn Meadow Trust. The Trust land consists of Colwall Library, a children's play area and a grassed amenities area. The dispensation would enable them to discuss maintenance and improvements matters relating to the land. Their quorum for full Council is five, and for the Village Amenities Committee, four. The members are:

Mrs N. Carless	Mr. N. Bowring
Mr. J. Mills	Mr. J. Cooney
Mr. P. Browning	Mrs. E. Hayes
Mrs. H. Stace	Dr. T. Hunt
Mr. S. Hockett	Mr. W. Leaper
Mr. N. Abbotts	Mr. J. Morris
Mr B. Ashton	Mrs G. Prideau-Jackson
Mr J. Beard	

**Yarkhill Parish Council**

9. Three out of six members of Yarkhill Parish Council are Trustees of Yarkhill Village Hall. On 20 October 2006, the Standards Committee granted two of these members, namely Jim Rawsthorne and Terry Godsall, a dispensation to enable them to discuss hall matters. Following the May 2007 elections, a new member, Robert Aspey, requires a dispensation for the same reason. Their quorum is three.

**RECOMMENDATION**

**THAT the Committee grants:**

- (a) the member of Bridstow Parish Council named in the report, a dispensation in respect of Bridstow Village Hall;**
- (b) the fifteen members of Colwall Parish Council named in the report, a dispensation in respect of the Walwyn Meadow Trust;**

- (c) **the member of Yarkhill Parish Council named in the report, a dispensation in relation to Yarkhill Village Hall**

**BACKGROUND PAPERS**

- Letter from the Clerk to Bridstow Parish Council dated 23 July 2007
- Application from the Clerk to Colwall Parish Council dated 26 July 2007
- Application from the Clerk to Yarkhill Parish Council dated 20 July 2007



## REPORT

**BY: DIRECTOR OF RESOURCES**  
**TO: CORPORATE MANAGEMENT BOARD**  
**SUBJECT: SPECIAL AUDIT INVESTIGATION**  
**DATE: 7<sup>TH</sup> SEPTEMBER 2007**

### BACKGROUND

1. A special audit investigation is one that falls outside the planned programme of audit work, usually to assist an investigating officer establish the facts of a matter before deciding what if any course of action needs to be taken.
2. A protocol has been established for making sure any weaknesses in the internal control environment identified as a result of special audit investigations are reported to:
  - CMB for action as appropriate; and
  - the Audit & Corporate Governance Committee.
3. This report has been prepared in line with the agreed reporting protocol.

### DETAILS

4. Audit Services recently carried out a review of a senior officer's travelling and subsistence claims. The review was requested by the Director of Resources in order to inform the overall investigation into serious allegations made about the senior officer. The review was subsequently extended to include travelling and subsistence claims made by the senior officer's direct reports.
5. The review identified non-compliance with the Council's existing policies for:
  - claiming and reimbursement of travelling and subsistence expenses;
  - employee conduct;
  - declaration of gifts and hospitality.
6. The attached table sets out the key audit findings and the actions necessary to ensure the integrity of the Council's internal control environment across all Directorates.

7. The actions outlined in the attached table will strengthen the existing internal control arrangements for travel and subsistence claims and employee conduct. Whilst it is important that our policies and codes are as clear and as concise as possible, it is just as important employees are aware of and are reminded of the standard of behaviour expected of them and what is an allowable expenses claim. This process begins with employee induction and continues through effective supervision and management. To this end, Corporate Management Board should also ensure that:
- the induction process is effective [**ACTION: Head of HR**];
  - the communications process continually reinforces the message about standards in public office in an appropriate way (e.g. building on the Values work) [**ACTION: Head of Communications**];
  - access to the Council's policies and codes via the Intranet is easy; [**ACTION: Acting Head of ICT**]; and
  - compliance with the Council's code of conduct and financial regulations is a non-negotiable [**ALL**].
8. It is worth noting that the functionality required from the IT platform supporting Herefordshire Connects will assist in managing compliance with these and many other Council policies. This in turn points to the fact that most if not all our existing policies and procedures will need an overhaul as part of that programme.
9. Finding non-compliance with internal controls in one part of the Council raises the concern about compliance elsewhere. Routine audit activity planned for this year will be prioritised to provide the Director of Resources (and the Audit Commission) with speedy assurance that similar problems do not exist in other areas. The audit sample will be drawn from travel and subsistence claims paid to employees on the Key Managers list since 1 April 2006. The audit fieldwork will be completed by early September.
10. CMB are advised that the external auditor may wish to comment on the non-compliance issues highlighted by this special audit as part of the Annual Governance Report for 2006/07 and the 2007 Use of Resources assessment.

**SONIA REES**  
**DIRECTOR OF RESOURCES**  
**10<sup>TH</sup> AUGUST 2007**

<b>Audit finding</b>	<b>Internal control mechanism</b>	<b>Suggested action</b>	<b>Responsible officer(s)</b>	<b>Date</b>
Claims paid and pending for entertaining suppliers, Council employees and Council contractors.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the required standard of conduct on giving hospitality are clear.	Head of HR	Sept 2007
Claims paid and pending for alcoholic beverages for meetings with suppliers, employees and contractors during office hours.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the required standard of behaviour in relation to consumption of alcohol during office hours and whilst representing the Council after office hours is clear.	Head of HR	Sept 2007
Claims paid for mileage following business meetings at which significant amounts of alcohol were purchased.	Code of Conduct for Employees	Review the Code of Conduct for Employees to ensure the Council's expectations on the standard of behaviour regarding working under the influence of alcohol is clear.	Head of HR	Sept 2007
Claims paid and pending for overnight accommodation costs within the Council's area without prior authorisation or clear business need.	Travel & Subsistence Policy Terms and Conditions of Employment	Revise guidance on travelling claims to require separate confirmation by attaching a signed memorandum that the line manager certifies overnight stays within the Council's area.  Payroll to reject all claims for overnight stays in the Council's areas that are not accompanied by separate written authorisation by Head of Service and Director.	Head of HR	Sept 2007
Failure to supply VAT receipts for over half of the claims made.	Terms and Conditions of Employment	Payroll to reject all claims that do not have the correct supporting documentation.	Payroll Manager	Immediate

Audit finding	Internal control mechanism	Suggested action	Responsible officer(s)	Date
Failure to submit claims in a timely manner.	Travel & Subsistence Policy	<p>Revise guidance on travelling claims to require monthly submission of travel and expenses claims within a month of the period they relate to.</p> <p>Payroll to reject claims that are received after the deadline indicated in the Councils' Travel &amp; Subsistence Policy.</p>	Head of HR	Sept 2007
Claims authorised for payment although incomplete and in contravention of the Council's policies.	<p>Travel &amp; Subsistence Policy</p> <p>Travel &amp; Subsistence Claim Form</p>	<p>Payroll to reject claims that are incomplete and in contravention of the Council's policies unless all exceptions are individually certified by the relevant Head of Service and Director in writing.</p> <p>Travel &amp; Subsistence Claim Form to be reviewed to ensure the disclaimer the claimant and authorising officer make on signing the form is clear that failure to comply with the Council's policies on travel &amp; subsistence could lead to disciplinary action.</p>	<p>Head of HR</p> <p>Head of Benefit &amp; Exchequer Services</p>	Sept 2007



<b>Audit finding</b>	<b>Internal control mechanism</b>	<b>Suggested action</b>	<b>Responsible officer(s)</b>	<b>Date</b>
Failure to declare hospitality received in line with the Council's policies.	Code of Conduct for Employees	Reminders from the Head of Legal & Democratic Services to all Key Managers to be issued biannually. Head of Legal & Democratic Services to confirm 100% return rate to include nil returns.	Head of Legal & Democratic Services	Sept 2007
		Biannual assurance statements to be extended to all Key Managers and to include confirmation that systems are in place to promote compliance with the Council's policies on the declaration of gifts and hospitality offered whether accepted or not.	Audit Services Manager	Sept 2007
Discrepancies between claims for overnight stays and subsequent declarations of hospitality.	Travel & Subsistence Policy Code of Conduct for Employees	Audit Services Manager to ensure test checks are carried out as part of planned audit work on travel & subsistence.	Audit Services Manager	Sept 2007
Questionable value to the Council of a three-day conference attended by an agency & contracted member of staff in Paris that was run by a Council supplier. Costs reimbursed included travel, accommodation and entertaining expenses.	Travel & Subsistence Policy	Travel & Subsistence policy to be revised to so that all overseas trips are authorised at Director level.	Head of HR.	Sept 2007
Claims for travel and subsistence expenses made by Council contractors not itemised in detail in their invoices.	Contract arrangements.	Contractors should support charges for travel and subsistence included in their invoices with a completed travel and subsistence claim form where the contract allows for reimbursement of costs as incurred.	Key Managers.	Sept 2007



## **SPECIAL REPORT**

**BY: DIRECTOR OF RESOURCES**

**TO: CABINET**

**SUBJECT: FINANCIAL GOVERNANCE IN ICT & CUSTOMER SERVICES**

**DATE: 20<sup>TH</sup> SEPTEMBER 2007**

### **BACKGROUND**

1. The financial governance arrangements within ICT & Customer Services have given cause for concern for some time. The risks identified by both Audit Services and Financial Services have been reported on an ongoing basis in line with the Council's agreed audit and financial management reporting arrangements.
2. A recent special audit investigation into travel and subsistence expenses within ICT & Customer Services concluded there were serious weaknesses in compliance with agreed internal control arrangements (see attached). An audit review on the use of contractors within ICT & Customer Services has recently been drawn to a close. The audit conclusion is that systems and procedures as evidenced were **unsound** (major risks identified; fundamental improvements required).
3. These latest findings, coupled with those previously reported, now makes the financial governance arrangements within ICT & Customer Services a serious concern. A special report from the Director of Resources to senior management, Cabinet and the Audit & Corporate Governance Committee is the appropriate course of action given the circumstances. This approach has been discussed fully with senior management colleagues and is supported by them. It has also been discussed with the Audit Commission.
4. The purpose of this report is therefore to:
  - Summarise the key issues of concern in relation to the financial governance arrangements within ICT & Customer Services;
  - Outline the actions taken and planned by senior management to address the issues identified;
  - Describe the potential implications for the Council's corporate financial standing and reputation; and
  - Recommend an action plan to demonstrate a strong corporate response to the issues identified in this report.

5. The scope of this report is to disclose significant non-compliance issues within the ICT & Customer Services division revealed as a result of recent audit activity. Offering an opinion on whether the contractual arrangements entered into represent best value or not, or whether a different procurement decision would have resulted had the correct procedures been followed, is beyond the scope of this report. A further technical and financial appraisal would be required to assess these issues.

## **FINANCIAL GOVERNANCE ARRANGEMENTS IN ICT & CUSTOMER SERVICES**

### **Context**

6. The ICT & Customer Services division was the only service division to have dedicated financial management support when the Council's senior management arrangements were re-organised in May 2005. The service-based accountant managed a small finance team reporting directly to the service manager.
7. The key risks with this type of arrangement are that the accountant 'goes native' or is unable / unwilling to access appropriate professional support. This can result in poor quality financial advice to the Council as a corporate body. These risks, if realised, can be exacerbated if the service maintains its own financial ledger system and as a result manages the prime accounting records.
8. Senior management has recognised the risks that can be associated with devolved financial management support arrangements. Adult & Community Services transferred their finance team to the Resources Directorate in November 2005. Senior management agreed restructuring proposals to consolidate financial administration and financial management support activities in the Resources Directorate in early 2006.
9. Senior management decided to transfer the service-based finance team in the ICT & Customer Services division to the Resources Directorate when the service-based accountant resigned their position in early 2006. This decision was in line with the strategy senior management had agreed to consolidate financial support activities as outlined in the preceding paragraph and was fully supported by the Director of Corporate & Customer Services. Despite clear instructions from senior management, the transfer proved difficult and time consuming to achieve. Interim arrangements were largely unsuccessful despite significant support from senior management. A satisfactory arrangement has recently been established.
10. A very sensitive and confidential HR issue emerged in August 2006 that was not resolved until November 2006. Serious allegations relating to compliance with contracting procedures within ICT & Customer Services were made in March 2007. It is not within the scope of this report to comment on the HR aspects of either of these issues. It is however

important to recognise that these events made it very difficult for senior management to address the issues highlighted in formal audit and financial management reports in as timely a fashion as might otherwise have been reasonable to expect.

11. The next two sub-sections of this report deal with the financial management and financial governance concerns within ICT & Customer Services in turn.

### **Financial management concerns**

12. Financial year-end processes for 2005/06 revealed a significant over spend on the ICT Trading Account that was mitigated by use of accumulated surpluses.
13. Cabinet approved the Council's first comprehensive financial strategy in July 2006 as a working document setting out the financial parameters for detailed service and budget planning for 2007/08 and beyond. Concerns about ICT & Customer Services budgets were noted in the draft strategy as an ICT strategy was in development.
14. Significant improvements in the quality of routine financial management reports were delivered in 2006/07. It was still proving difficult however to establish an accurate financial picture of the whole ICT & Customer Services operation and thus the forecast outturn for the year. These concerns were highlighted in the routine Integrated Performance Reports (IPRs) during the latter half of 2006/07.
15. Greater clarity on the financial implications of the Customer Services strategy was established as part of the detailed service and budget planning work for 2007/08. Council agreed an additional £500k investment in March 2007 for 2007/08 and 2008/09 as the financial model developed by Financial Services indicated that cashable benefits would cover the temporary additional base budget provision in following years.
16. It was not possible to replicate this progress for the ICT budgets – either in terms of the budget for day-to-day operations or future investment requirements. The financial risks were noted in supporting papers as the Council set the budget for 2007/08 in March 2007.
17. Financial year-end processes for 2006/07 highlighted an over spend position on the revenue budget for ICT & Customer Services. By this stage, Acting Head of ICT & Customer Services arrangements were in place and progress in relation to both the financial management and governance issues began to gather momentum.
18. A further concern for 2006/07 is that the external auditor has queried the accounting treatment of payments made to the Community Network Upgrade (CNU) project contractor. These transactions have fed through automatically from the subsidiary financial system in ICT to the corporate

financial system with capital cost codes attached. The Statement of Accounts for 2006/07 approved by the Audit & Corporate Governance Committee in June 2007 reflected the information available.

19. The external auditor challenged some £1.4m of these payments as part of his work reviewing the Statement of Accounts for 2006/07 on the basis he believed they were revenue items. Financial Services reviewed the challenge and as a result the figure has reduced to £1.224m.
20. Further work carried out by Financial Services has identified £509k of capital expenditure funded by revenue contribution that will now be capitalised to mitigate the impact on the closing balance on the General Fund for 2006/07. The net effect is a reduction in the General Fund balance of £715k, compounding the financial pressures that are emerging during the course of the current Performance Improvement Cycle. Work is ongoing to check that the allocation of project expenditure between the revenue and capital accounts is in line with expectations at the time a decision to proceed with the CNU was made.
21. Moving on to the current financial year, Cabinet will consider the month 4 IPR for 2007/08 on 20<sup>th</sup> September 2007. It notes the recent progress in establishing a forecast outturn for 2007/08 for ICT & Customer Services. An over spend is currently anticipated but work is in hand to reduce it further. The IPR also highlights the potentially significant budget issue in respect of the CNU project referred to in the preceding paragraph.

### **Financial governance concerns**

22. The Back Office Project for ICT & Customer Services led to the introduction of a separate financial management and procurement system for the ICT division. A new technology platform was chosen and interfaced to the Council's corporate financial management system.
23. The value of transactions passing from the ICT back office system to the corporate financial management system was assessed as material in the context of the Council's overall financial accounts. The ICT back office system was therefore classified as a fundamental system requiring annual audit review to provide assurance to management and the external auditor that the information used to prepare the Statement of Accounts was complete and accurate.
24. Audit Services reviewed the ICT back office system as part of their planned audit work for 2005/06. A **satisfactory** (minimal risk; a few areas identified where changes would be beneficial) audit opinion was issued on the following basis:
  - The system was still being implemented and an action plan was in place to bring it up to the expected standard;

- A number of technical problems prevented full testing of system controls but temporary manual controls were satisfactory; and
  - The ICT back office system came with good controls and there was no reason to assume that the full implementation would not be successful.
25. The next planned audit of the ICT back office system began in mid 2006/07. Audit Services noted little progress with the action plan agreed following the first review. Further audit testing highlighted significant concerns relating to budget management and payment processes within the ICT back office system and reconciliations to the corporate financial management system. The audit opinion for this review was **unsatisfactory** (unacceptable risk identified; changes should be made) with three critical recommendations. A further action plan was agreed with management. Follow-up work has been carried out to check progress and address queries raised by the external auditor. Progress was again found wanting and Financial Services needed to provide urgent support to resolve the issues impeding year-end procedures.
26. The Audit & Corporate Governance Committee approved the internal audit plan for 2006/07 in April 2006. An audit review of the use of contractors in ICT was agreed as part of an overall plan to assess financial governance arrangements across the Council.
27. The audit team followed agreed protocols in discussing the details of the audit with management. A start in April 2007 was eventually agreed. The police investigation into the anonymous allegations made about contracting arrangements within ICT & Customer Services in March 2007 led to a further delay in starting this audit review. The audit team was unable to access the necessary documentation until late May / early June. The scope of the planned audit was extended by the Director of Resources to encompass the anonymous allegations. The audit review took longer than planned because the audit trail was not complete or easy to follow.
28. The audit review of the use of contractors in ICT has been drawn to a close. The audit opinion accompanying the draft report is **unsound** (major risks identified; fundamental improvements are required). The key findings, based on the information available at the time the audit review was drawn to a close, are summarised as follows:
- The reports supporting the formal decisions in early 2005 on the ICT back office and Community Network Upgrade projects did not contain a robust options and financial appraisal;
  - There was insufficient evidence to demonstrate that the procurement process in respect of these two projects was robust;

- There was insufficient evidence to confirm that the project management and reporting arrangements for these two projects complied with the PRINCE 2 framework and standards;
  - There was insufficient evidence to confirm that financial management arrangements for these two projects complied with the Council's agreed policies and procedures;
  - There was insufficient evidence to confirm that formal approval was sought to award the contracts for the ICT back office and CNU projects to a contractor other than the one supplying the lowest tender;
  - There was limited evidence to suggest that procedures were in place to ensure that all contracts with an estimated value under £50k were let in accordance with the Council's agreed procedures; and
  - There was evidence to show that the external consultant employed to advise on the CNU project procurement process had concerns that the approach adopted was robust.
29. The evidence currently available to Audit Services shows that the ICT division refuted the concerns noted by the consultant employed to advise on the CNU procurement. The consultant modified some of their comments and withdrew the remainder accepting they were raising concerns outside the scope of their contract with the Council. Audit Services has interviewed the consultant as part of their review work. The consultant has confirmed their concerns about the way in which the CNU procurement process was managed.
30. It is important to note that the audit findings summarised above have been drawn from the information currently available. Audit Services has encountered difficulties in piecing together the evidence for this review as the information that is available is not of the standard expected and there are gaps (e.g. lack of returned tenders for the CNU project). There does need to be a clear audit trail in place for all Council activities that is readily accessible when needed.
31. Audit Services have found it difficult to establish the exact cost of the ICT back office project from the records available. A detailed analysis of source documents plus reconstruction of time sheets would be needed to produce an accurate statement of costs. It is thought that the cost is significantly more than that indicated at the outset. The ongoing annual cost of the ICT back office system is one of the budget pressures being highlighted in formal budget monitoring reports for the current financial year, along with budget issues relating to the contract that supports the CNU project.
32. The audit opinion covering the ICT back office and CNU projects is **unsound** (major risks identified; fundamental improvements are required). The Director of Corporate & Customer Services has already initiated a



review of the CNU contract and has asked for support from Financial Services and Legal Services with this.

33. The accompanying report on the findings of an audit review highlighting internal control weaknesses relating to travel and subsistence claims within ICT & Customer Services is another important piece of context in preparing proposals for a corporate response to the issues identified in this report.
34. Putting the findings of both reviews together, based on the audit evidence available at the present time, the procurement processes for the ICT back office project and the CNU project were flawed.
35. Senior management's attention has also been drawn to the fact that audit fieldwork on other planned audits to test the Council's financial governance arrangements is under way. Senior management has been strongly advised to check their arrangements for complying with financial and non-financial delegations outlined in the Council's constitution in advance of that review reaching their area.

#### **ACTIONS TAKEN / PLANNED BY SENIOR MANAGEMENT**

36. It is worth stressing again that the circumstances surrounding ICT and Customer Services have been extremely challenging for senior management.
37. The Director of Corporate and Customer Services has sought to ensure appropriate responses to internal audit reviews and has assisted in agreeing arrangements for follow-up work.
38. The Director of Corporate and Customer Services will be preparing an action plan in response to the audit review on the use of contractors within ICT & Customer Services.
39. Work on clarifying the gross expenditure budget for the ICT & Customer Services division and appropriate recharging methodologies continues.
40. The Corporate Management Board has unanimously agreed to implement the action plan in the attached travel and expenses report with immediate effect.
41. The Corporate Management Board has discussed and unanimously supports the approach set out in this report and the action plan attached to it.

#### **IMPLICATIONS FOR THE COUNCIL'S FINANCIAL STANDING AND REPUTATION**

42. The Audit Commission will shortly be sending their draft Annual Governance report to senior management for comment prior to presenting it to the Audit & Corporate Governance Committee on 21<sup>st</sup> September 2007. This routine report covers two main issues:
- the external audit opinion on the Statement of Accounts; and
  - the external audit opinion on the Council's arrangements for securing economy, efficiency and effectiveness.
43. The Audit Commission has to report their audit opinion by the 30<sup>th</sup> September of each year.
44. Given the issues identified in this report, it is unlikely that this year's Annual Governance report will be as positive in overall terms as in previous years. There may be adverse comment on the need to alter the Statement of Accounts for 2006/07 and the Council's arrangements for securing economy, efficiency and effectiveness.
45. The issues identified in this report may also be reflected in the external auditors' Use of Resources judgement for 2007. The financial management concerns may reflect in comments under the Financial Management, Financial Reporting and Financial Standing headings. The financial governance issues may reflect in the external auditor's comments on Internal Control. An adverse opinion on the arrangements for securing economy, efficiency and effectiveness could feature in the Value for Money assessment.
46. The ability to maintain the current 3 out of 4 score overall for Use of Resources hangs in the balance. This could have significant reputational impact for the Council in terms of the Comprehensive Performance Assessment / Comprehensive Area Assessment process, especially given the outcome of recent service inspections and our Direction of Travel assessment. It is difficult to convince auditors and inspectors that services are good or better still excellent if the corporate governance arrangements that support them are found or are felt to be wanting. Perceptions matter and senior management will need to work hard to limit the damage.

## **CORPORATE RESPONSE**

47. The Director of Corporate & Customer services will be responding to the audit recommendations contained in the audit reviews referred to in this report in line with agreed protocols. The key findings of the audit reviews and action plans will be reported to Audit & Corporate Governance Committee, also in line with agreed reporting arrangements.
48. Given the seriousness of the issues identified in this report, a corporate response is needed to supplement that within the Corporate & Customer Services Directorate. It is imperative that senior management and Cabinet

works as one to secure and enhance the integrity of the Council's financial governance arrangements, and that the corporate action plan is supported by the Audit & Corporate Governance Committee, Cabinet, and the Strategic Monitoring Committee.

49. The reputational implications with the Audit Commission of failing to agree and implement a robust corporate action plan are set out above. The attached table sets out the issues that need to be addressed and recommends appropriate action to enable positive assurance to be given in respect of the Director of Resources' responsibilities as Chief Financial Officer for the administration of the Council's financial affairs and providing advice (Appendix 17 of the Council's Constitution refers).

## **CONCLUSIONS**

50. The scope of this report is to disclose significant non-compliance issues within the ICT & Customer Services division revealed as a result of recent audit activity and make recommendations on remedial action. Offering an opinion on whether the contractual arrangements entered into represent best value or not, or whether a different procurement decision would have resulted had the correct procedures been followed, is not within the scope of this report. A further technical and financial appraisal would be required to assess these issues.
51. The financial governance issues summarised in this report are serious and significant in both financial and reputational terms. The Council has ambitious plans for improvements in service delivery and value for money. It needs to demonstrate that its corporate governance framework is effective and that it provides a sound basis for such service improvement. It needs to take clear and decisive action where those arrangements are found wanting.
52. As Chief Financial Officer, it is the Director of Resources' responsibility to ensure that the issues highlighted in this report are reported in an appropriate manner to the Audit & Corporate Governance Committee, Cabinet and the Strategic Monitoring Committee if necessary. It is pleasing to be able to confirm senior management's support for this approach and commitment to prioritise the recommendations in this report. My report also incorporates comments made by the Council's Monitoring Officer.

## **RECOMMENDATIONS**

- 53. The Chief Financial Officer's advice, as supported by senior management colleagues, is that:**
- **The Director of Corporate & Customer Services should urgently complete the re-assessment of the CNU contract she has initiated;**

- **Financial governance compliance testing is prioritised in line with the timetable indicated in the attached action plan; and**
- **Implementation of the attached recovery plan is prioritised in line with the timetable indicated within it.**

**SONIA REES  
DIRECTOR OF RESOURCES  
13<sup>TH</sup> SEPTEMBER 2007**

	<b>Issue to address</b>	<b>Comments</b>	<b>Suggested corporate response</b>	<b>Responsible officer(s)</b>	<b>Date</b>
1.	Regular review on the progress implementing this corporate response.	The plan needs to be implemented effectively and to timetable.	CMB to monitor on a monthly basis and report to Cabinet. Report to each Audit & Corporate Governance Committee meeting.	CMB DoR	Ongoing
2.	Ensure the corporate response to the travel and expenses audit review is implemented effectively and to timescale.	Recommendations on the corporate response to the travel and subsistence audit review are relevant to this action plan, e.g. reviewing induction training.	CMB to consolidate the corporate responses to the travel and subsistence review and the corporate response to this report into one action plan.	DoR MO	Following discussion at CMB on 7.9.07
3.	Work to establish the cost of existing ICT and Customer Services operations and future investment needs to be urgently concluded to inform the Performance Improvement Cycle.	The audit and financial management reports have been highlighting the budget issues, quantifying them where possible to do so.	Director of C&CS to lead with support from Financial Services.	DC&CS HoFS	30.09.07
4.	Permanent managerial arrangements for ICT and Customer Services need to be established.	Much progress has been made by the Acting Head of Service.	CMB to discuss and agree proposals from DC&CS.	DC&CS CMB	October 2007

	<b>Issue to address</b>	<b>Comments</b>	<b>Suggested corporate response</b>	<b>Responsible officer(s)</b>	<b>Date</b>
5.	Review approach to and arrangements for the delivery of project management services. All post implementation reviews must include a technical and financial appraisal.	CMB has discussed this issue on a number of occasions. Need to conclude as part of the Performance Improvement Cycle.	CMB to discuss and agree proposals from DC&CS.	DC&CS CMB	October 2007
6.	Review of the financial and legal elements of the Council's constitution to ensure clarity and consistency.	The Council's Constitution is not as clear as it could be, nor as robust as it could be in support of the Section 151 Officer's and Monitoring Officers' statutory roles compared to exemplar authorities.	Working group to carry out a review and make recommendations in the first instance to CMB. Need to report to Audit and Corporate Governance Committee and other appropriate decision-making and scrutiny functions prior to being agreed at Council.	DoR HoLDS HoFS CIA HoBES HoHT	Council in November 2007
7.	Council's Constitution and Financial Regulations to be reviewed to ensure the requirement to secure financial and legal advice on all formal reports is explicit.	CMB needs to rigorously police the reports produced in their areas to ensure Financial Services has completed and signed off the financial implications and Legal Services has signed off the legal implications. This will ensure financial and legal advice is available to support all decisions.	CMB to insist on the highest standard in all aspects of report writing, including financial and legal implications. CMB to ensure there are no exceptions to the policy of all formal reports being cleared by the Head of Paid Services, the Monitoring Officer and the Section 151 Officer.	All report authors	Council in November 2007
8.	Audit Services and the Monitoring Officer need to be granted access to staff, records and feeder systems if required to fulfil their statutory obligations.	Key Managers responsible for feeder systems must ensure appropriate licence arrangements are in place in the event access is requested. Key Managers must assist with training if needed.	Incorporate into the review of the Constitution.  Re-affirm current provision in the Council's Constitution on audit access.	DoR HoLDS HoFS CIA HoBES HoHT	Council in November 2007

	<b>Issue to address</b>	<b>Comments</b>	<b>Suggested corporate response</b>	<b>Responsible officer(s)</b>	<b>Date</b>
9.	Improve the quality of working papers/files recording business activity.	Important in terms of: <ul style="list-style-type: none"> <li>• new data quality standards;</li> <li>• service continuity planning; and</li> <li>• ability to demonstrate a clear audit trail.</li> </ul>	Guidance on the standards of record keeping needs to be devised.	Information Manager CIA	December 2007
10.	Improve standards of internal control for fundamental systems.	Demonstrates a rigorous approach to improving financial and legal governance.	Minimum acceptable standard is satisfactory – this is a non-negotiable.	CMB HoHR CIA	Allow 3 months' notice for improvement
11.	Improving financial governance in ICT and Customer Services.	A top priority – needs to achieve the minimum standard of satisfactory for the fundamental systems and sign-off that action plans have been implemented for other reviews.	DC&CS to implement agreed action plans for the FMS system in ICT, travel and expenses and use of contractors audit reviews.	DC&CS DoR	January 2008
12.	Complete work in progress on internal recharging mechanisms to the agreed timetable.	This is important to ensure compliance with the Best Value Accounting Code of Practice (BVACOP) and to promote clarity and transparency in the recharging process.	Actions identified and agreed in a report to CMB on 16th August from the SMT SLA working group.	Anne Heath, Chair of SMT SLA Working Group, reporting to CMB.	March 2008
13.	All financial administration and financial management resources transfer to the Resources Directorate as soon as practical.	This principle has been previously agreed by CMB. Further progress will be demanded by the Herefordshire Connects programme. The main opportunities for minimising risk and maximising efficiencies lie within the Children and Young People's Directorate.	Identification and planning for transfer of resources to be considered by the ISS Board with exceptions reported to the Herefordshire Connects Programme Board for decision.	Mike Toney, Chair of ISS Board, reporting to Herefordshire Connects Partnership Board.	March 2008

	<b>Issue to address</b>	<b>Comments</b>	<b>Suggested corporate response</b>	<b>Responsible officer(s)</b>	<b>Date</b>
14.	Ensuring members receive complete advice from the Monitoring Officer and S.151 Officer on the legal implications and financial implications of all policy proposals.	Need to ensure the Leader and his Cabinet is fully supported by the three statutory officers identified, plus other officers as appropriate. This approach will also help improve the quality of reports, as advice to the executive is complete.	Liaison meetings with the Leader to include the Monitoring Officer and S.151 Officer to be diarised at no more than quarterly intervals.	Chief Executive DoR MO / HoLDS	Immediate effect
15.	Promote compliance with corporate financial governance arrangements by reviewing management practices and accountabilities.	Need to reinforce the importance of robust financial governance arrangements – responsibilities to stakeholders, personal protection for individual employees and organisational reputation.	Make compliance with corporate financial arrangements a non-negotiable. CMB to carry out immediate checks on contracting arrangements and authorised signatory lists.	CMB DoR	Immediate effect
16.	Enhance Key Manager's financial skills and knowledge of the Council's approved corporate governance framework, ensuring the message is constantly reinforced through effective training.	Better understanding of financial management and governance issues will improve compliance with corporate financial governance arrangements.	Make attendance on training courses a pre-requisite to getting a "licence to practise" as a manager. Attendance at refresher training courses will also be mandatory.	HoHR HoFS MO CIA	Immediate effect
17.	Ensure all capital and revenue budget proposals are identified through agreed service and financial planning processes.	Ensures resources allocated in line with longer-term priorities and encourages corporacy and effective forward planning. Also encourages service managers to prepare a robust business and financial case in support of their proposals that is evidence based.	Ensure in-year budget proposals are only brought forward in exceptional circumstances.	CMB	Immediate effect



	<b>Issue to address</b>	<b>Comments</b>	<b>Suggested corporate response</b>	<b>Responsible officer(s)</b>	<b>Date</b>
18.	Enhance Audit Services' capacity.	Early action to enhance the capacity of the Audit Services team will demonstrate commitment to strengthening corporate governance.	CMB to agree restructure proposals identified during the PIC process costing £45k. This can be met from the existing base budget for the Resources Directorate.	CMB DoR	Immediate effect
19.	Enhance strategic procurement capacity to ensure compliance with the Council's contracting policies and procedures.	Early action to enhance strategic procurement capacity will demonstrate commitment to strengthening corporate governance.	CMB to agree additional resources to centralise monitoring of contract procedures within Resources. This can be met from the existing base budget for the Resources Directorate.	CMB DoR	Immediate effect
20.	Check that issues highlighted in ICT and Customer Services are not repeated elsewhere.	Audit Services to re-focus planned activity to provide early assurance that this set of circumstances is not prevalent.	CMB needs to be prepared to respond quickly to Audit Services.	CMB	Immediate effect
21.	Ensure budget is in place before committing expenditure.	Financial Services will continue to reflect the financial implications of formal decisions in the Council's budgets – a further reason for ensuring that the financial implications section of all reports is complete and detailed. This does not absolve Key Managers from ensuring the budget is in place before entering into a financial commitment.	CMB to re-inforce the message that Key Managers need to work closely with Financial Services colleagues to ensure all appropriate permissions to spend are in place before letting a contract.	All	Immediate effect

CIA = Chief Internal Auditor  
DoR = Director of Resources  
HoLDS = Head of Legal and Democratic Services  
HoHR = Head of Human Resources  
HoPS = Head of Paid Services  
MO = Monitoring Officer

DC&CS = Director of Corporate & Customer Services  
HoFS = Head of Financial Services  
HoBES = Head of Benefit and Exchequer Services  
HoHT = Head of Highways & Transportation



# THE BULLETIN #35

**September 2007**

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## Contact

Enquiries line: 0845 078 8181  
Minicom: 0161 817 5449  
[www.standardsboard.gov.uk](http://www.standardsboard.gov.uk)  
email: [bulletin@standardsboard.gov.uk](mailto:bulletin@standardsboard.gov.uk)

## Welcome to Issue 35 of the *Bulletin*.

With the expected move towards a locally based ethical framework from April 2008, this edition of the *Bulletin* looks at some of the likely effects for authorities, and provides an update on the recent local filter pilot projects. For the majority of authorities, the resource implications of the new system look likely to be relatively small.

The Standards Board for England welcomes the move to a locally based framework. We believe that this will reinforce the importance of high standards at a local level, with standards committees taking the lead in ensuring that the Code is upheld. Specifications of the role for independent members of standards committees are also explored in this issue of the *Bulletin*.

The next edition of the *Bulletin* will be in December 2007, as we will be producing a short series of newsletters in the autumn to coincide with our sixth Annual Assembly. These newsletters will be distributed to delegates or will be available from our dedicated website: [www.annualassembly.co.uk](http://www.annualassembly.co.uk).

The Annual Assembly is now fully booked. It will be a key event for standards committees and those who work with the Code of Conduct, and presentations from many of the sessions will be available on the conference website following the event.

**David Prince**  
Chief Executive



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## Amendments to the Local Government Act 2000

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The *Local Government and Public Involvement in Health Bill* is currently before the House of Lords, and is expected to receive Royal Assent in the autumn.

An important amendment to the *Local Government Act 2000* is to enable the Code of Conduct to cover some conduct in a private capacity. It will cover conduct which has led to a criminal conviction.

This amendment seeks to address the High Court's decision last year in *Livingstone v Adjudication Panel for England*. Prior to this decision, it was understood that a member could breach the Code through their conduct in a private capacity. The High Court decided that Section 52 of the Act required members to comply with the Code in their official capacity only, and that it could not govern the private conduct of members.

Until the amendment becomes law, private capacity conduct cannot be covered by the Code. Despite the wording in paragraph 2(3) of the Code, only if a member's alleged misconduct is linked to the functions of their office will any conduct in their private capacity currently be covered, even if it results in a conviction.

### Lobby groups and single-issue campaigns

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The 2007 Code of Conduct is less restrictive than the Code of 2001 for members who are elected on a particular ticket, who participate in campaigns or are members of lobby groups. Some members who were prevented by the 2001 Code of Conduct from voting on a matter important to them or their lobby group will not have a prejudicial interest under the revised 2007 Code.

The Code of Conduct requires members to declare a personal interest in any matter that relates to an interest they must include in their register of interests - so they are required to declare a personal interest if they are a member of a group that lobbies or campaigns about an issue that comes up for discussion or decision at their authority.

Members may not have a personal interest in the related discussion or decision of their authority if they merely campaigned on an issue as an individual, perhaps during their election campaign, and they are not a member of a relevant lobby group. As a result, they could not have a prejudicial interest in the matter. Members should still consider the general test for personal and prejudicial interests and whether there is any other reason outside of the Code why they should not participate in the decision, including bias.

Of particular relevance to members of lobby or campaign groups, the revised Code provides an exception to having a prejudicial interest in the following circumstances:

- where the decision does not affect the financial position of a member or their interests
- or
- does not relate to a licensing or regulatory matter brought by them or a person or body in which they have a personal interest

For example, a member will not have a prejudicial interest in a developer's planning proposal against which they and their lobby group campaigned if they or any other person or body in which they have a personal interest are not affected financially by the matter.

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It is not relevant for the purposes of the Code that the planning proposal will impact on the aims of the lobby or campaign group that the member belongs to. The Code is focused on the actions of individuals and as such is about preventing improper personal advantage. Under the 2001 Code, the indirect impact on campaign groups was a relevant factor in deciding whether or not a prejudicial interest arose, even if members were achieving no personal gain. Under the revised Code, however, the focus is now on financial impacts and improper personal gain. For further information on personal and prejudicial interests, please see our publication *The Code of Conduct – Guide for members*, available from our website at [www.standardsboard.gov.uk](http://www.standardsboard.gov.uk)

### **‘To Higher Standards’ – Annual Review published**

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The continuing development of the Standards Board’s new role as a strategic regulator, how the new arrangements for a locally based ethical system are taking shape and the introduction of a new, less restrictive Code of Conduct are the main themes addressed in our *Annual Review 2006-07*.

The review focuses on the progress that has been made in preparing for a shift in ownership of the ethical conduct regime to a local level. The majority of cases are now being dealt with locally and the introduction of a system of local assessment of complaints is on course to come into effect in April 2008.

In our new role we are committed to defining what people can expect the standards regime to deliver. This includes the role of monitoring officers and standards committees, and providing support and guidance to local authorities to help them operate effectively.

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The review also details our achievements over the 2006-07 financial year, which included:

- The majority of our recommendations were implemented by government, leading to the introduction of an improved, less restrictive Code of Conduct
- The initial assessment time for complaints was nine working days
- The Fifth Annual Assembly of Standards Committees was sold out, with an overall satisfaction rate of 91%
- The Standards Board’s move to Manchester was successfully completed

Copies of the Annual Review are now available on our website at [www.standardsboard.gov.uk/Publications](http://www.standardsboard.gov.uk/Publications)

Our Annual Report 2006-07 will be laid in Parliament in autumn 2007 and will be available in hard copy shortly afterwards.

### **Positive support for the Code of Conduct**

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An overwhelming majority of local authority members, clerks and monitoring officers support the need for a Code of Conduct, according to research undertaken on behalf of the Standards Board.

The research, carried out earlier this year, assessed attitudes towards the Code of Conduct and the ethical environment generally, as well as the degree to which local authorities are prepared for changes in the way the ethical framework will be managed.

The requirement for members to sign a Code of Conduct was supported by 93% of respondents – up from 84% in similar research in 2004.

Unsurprisingly, of those surveyed, monitoring officers and standards committee members

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showed the most support for the Code. However, 85% of elected members were also in favour.

In comparison to 2004's survey, more respondents also felt that members' standards of behaviour in their authority had improved in recent years, and almost three-quarters of those surveyed felt that members' behaviour was important to the general public.

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### **Local filter for Code of Conduct complaints – impact for local authorities**

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#### **What is happening?**

The *Local Government and Public Involvement in Health Bill* proposes the introduction of two key changes to the management of compliance with the Code of Conduct:

- A locally managed framework. This will involve local standards committees making initial assessments of misconduct allegations, and most cases being handled locally.
- A revised strategic regulatory role for the Standards Board. This role is to provide supervision, support and guidance for local authorities and to ensure some degree of consistency in the application of the Code.

Some investigations and hearings are already carried out by authorities. Under the new arrangements, authorities' standards committees will receive all complaints relating to the Code.

Standards committees will decide whether to refer complaints for further action locally, whether to refer complaints to the Standards Board, or whether no further action should be taken. Aside from asking for an investigation, standards committees will also be able to

resolve cases by alternative means such as mediation or training. In cases where the committee considers the sanctions available to it are insufficiently serious, cases can be referred to the Adjudication Panel for England.

#### **How many complaints can authorities expect to receive?**

For the majority of authorities the impact of the local system is likely to be relatively minimal. For example, during the financial year 2006-2007, the Standards Board received about 3500 complaints under the Code, of which just under 700 (an average of approximately 18%) were referred for investigation.

On average, based on the number of complaints received by the Standards Board over the last five years, all authorities could expect to receive approximately six complaints a year. On top of this, a district council with 20 parishes may expect about three or four complaints a year about their parishes. A district council with 100 or more parishes may expect around 18 parish complaints each year.

Some authorities, however, may receive no allegations at all over a significant period. Of the approximately 8000 parish and town councils, 80% have not been the subject of a single complaint over five years. There has been at least one complaint about a member of each district council over five years. Of the authorities which are not districts, 25% have not had any complaints in five years.

A small number of authorities have received a significant number of complaints about their members or about members of one or more of their parishes. In the worst case, 125 complaints were made over five years about members of a principal authority.

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## What will be the impact on authorities?

The Standards Board estimates that individual complaints will take an average of two and a half hours to assess upon receipt. Our pilot work on the local filter has shown that standards committees take up to an hour to reach a decision on whether to refer a complaint for further action based on the information available.

We expect that authorities will refer only some of the complaints they receive for investigation, although the pilot work has indicated that standards committees may refer a greater proportion of the complaints they receive in the earlier stages of the local system, as it becomes established.

As authorities become increasingly proficient in determining complaints, we estimate that even authorities which receive a higher volume of complaints will refer about 25% per year for further action. In terms of the impact on workload, therefore, based on an average of six complaints per year and a referral rate of 25% across all authorities, an average authority can expect to conduct one or two investigations per year. Even for a district council with over 100 parishes, an average of only six investigations per year would be anticipated. These are of course average assumptions, but provide a guideline to the increase in workload that authorities should expect with the move to a locally based framework.

Standards committees will have the opportunity to promote high ethical standards in their authority. They can do this through developing effective procedures for managing the local system in the following ways:

- 1) Responding to and deciding complaints in the right way and on time.
- 2) Becoming proficient in identifying what is

appropriate for investigation/sanction and what is not.

- 3) Being proportionate in their decisions to the nature of the issue and the harm caused.
- 4) Aiming to resolve the harm caused by non-compliance, and aiming to deter future non-compliance.
- 5) Participating fully in the reporting protocols operated by the Standards Board and sharing good practice.

The Standards Board will monitor the operation of the local filter by:

- 1) Ensuring our reporting systems are as simple as possible whilst allowing us to do our job effectively.
- 2) Measuring outcomes as well as outputs.
- 3) Offering support and guidance where authorities may be experiencing difficulties.
- 4) Using our statutory powers to remove local powers only as a last resort and only after efforts to support the authority have been unsuccessful.
- 5) Ensuring our monitoring is complimentary to, and does not duplicate, the work of other regulators.

We will also share good practice and ensure that we are responsive, offering guidance and support for local authorities.

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## Local filter pilot projects: update

Thank you for the positive response following Bulletin 32 in February 2007 from authorities keen to participate in three pilot projects. The aim of these projects is to help the Standards Board plan for its strategic role in support of local government taking on the local filter.

### Operating the local filter

An exercise in filtering ten real life allegations and reviewing two appeal cases has been



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completed by 38 standards committees. Several committees were facilitated or observed by officers from the Standards Board's monitoring and audit team, who were able to gain a valuable insight into how the local filter will operate at local level.

Standards committee members and monitoring officers benefited from training in undertaking the local filter and operating the appeal mechanism, as set out in the *Local Government and Public Involvement in Health Bill*. Constructive feedback has been received from each volunteer authority. This feedback will now be used to contribute to the shaping of national policy, sharing of good practice, and in helping the Standards Board develop its guidance to relevant authorities.

### Joint arrangements

Significant work is underway with seven groups of authorities with a keen interest in developing joint working for standards committees. The output of this second pilot is expected to be:

- 1) The establishment of a set of four to five model structure options for joint arrangements.
- 2) To provide direction and influence for the preparation of the regulations which will underpin joint working.

Full consultation is taking place with volunteer authorities in considering the scope that the legislation allows for joint standards committees. Participating monitoring officers have been invited to a consultation event in September, after which the Standards Board's proposals for joint working will be finalised.

### Future monitoring and audit

The Standards Board's monitoring and audit team is developing the way in which it will monitor, assess and demonstrate compliance with the new statutory regime at local level.

An online information return system, based on periodic returns and an annual report, will be tested with volunteer authorities in autumn 2007. The system will be proportionate to our monitoring needs and will not add undue burden to authorities.

The types of information we will collect include:

- the timeliness of standards committee referral and review decisions
- the timeliness of carrying out investigations and hearings
- the outcomes at different stages of the process
- any failure by an authority to meet statutory requirements in respect of its standards committee

The approach is intended to support improvement, to enable authorities to be kept informed at regular intervals about their own performance, and to enable the Standards Board to analyse the information received in order to identify good practice.

### Gifts and hospitality register

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The obligation on monitoring officers to maintain a **separate** register of gifts and hospitality no longer exists following implementation of the revised Code of Conduct for members which does not incorporate paragraph 17 of the 2001 Code.

The absence of paragraph 17 does not mean that the details of gifts and hospitality could not be kept separately from other interests that have to be registered – as long as they form part of the register of interests that monitoring officers are obliged to keep under Section 81 of the *Local Government Act 2000*. The difference in treatment of gifts and hospitality between the new and old Code is that instead of monitoring officers keeping a



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separate register for them, they will now form part of the register of financial and other interests.

Section 81(1) of the *Local Government Act 2000* and paragraph 13(1) of the revised Code require elected and co-opted members to notify their monitoring officer of any personal interests that fall within a category mentioned in paragraph 8(1)(a) of the revised Code.

Gifts and hospitality are captured by subparagraph 8(1)(a)(viii) along with the person who gave them. The Standards Board's guidance *The Code of Conduct: Guide for members*, issued in May 2007, recommends that the existence and nature of the gift or hospitality are given, as well as the name of the person who gave it to them.

How this information is held is a matter for each monitoring officer who can decide what works best for them.

### **The Code Uncovered**

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*The Code Uncovered*, the Standards Board's new training DVD, will be distributed to all monitoring officers and County Association secretaries next week. The DVD uses a dramatised scenario to illustrate the lead up to a potentially explosive planning committee meeting, and highlights the key changes to the revised Code of Conduct.

The film examines the rules about declaring interests, disclosing confidential information and bullying. It also features learning points identifying key elements to consider when following the rules governing members' behaviour.

The DVD will be of particular value to councillors who want to increase their understanding of certain parts of the Code

We hope that you will find the DVD a useful addition to our existing guidance and look forward to hearing your feedback.

For information on how to obtain additional copies, contact us on 0161 817 5335 or email [ellie.holmes@standardsboard.gov.uk](mailto:ellie.holmes@standardsboard.gov.uk). There is a charge of £38 per extra copy requested.

### **Independent members of standards committees**

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The Standards Board has been asked the following questions:

**Q: "Can an independent (i.e. lay) member of a standards committee also be an independent member of a standards committee of another authority or does membership of the first standards committee mean that they are a 'member' of that authority, making them ineligible to be an independent member elsewhere?"**

**A: No, it does not make them ineligible.**

Under section 53(4)(b) of the *Local Government Act 2000*, a standards committee must include at least one person who is not a member, or an officer, of that **or any other** relevant authority.

Also, under regulations, a person cannot be appointed as an independent member of a standards committee unless they have not been a member or officer of **that** authority within the five years immediately preceding the date of appointment.

Section 54(8) of the *Local Government Act 2000* states:

"...a member of a standards committee of a relevant authority in England or a police authority in Wales **who is not a member of**

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**the authority** is entitled to vote at meetings of the committee.”

This seems to confirm that membership of the standards committee does not make the independent members into members of the authority. Therefore, an independent member of one standards committee can also be an independent member of another.

**Q: “Is an independent member who subsequently becomes an officer with another relevant authority disqualified from being an independent member of the standards committee of their non-employing authority?”**

**A:** No.

When an independent member of a standards committee subsequently becomes an officer or member of another relevant authority, they no longer fall within the description of people in section 54(4)(b) of the *Local Government Act 2000*. Therefore, they could not be re-appointed to the standards committee as an independent member.

However, an independent member in this situation would not be instantly disqualified from being a member of the standards committee, as there is nothing in the legislation which would require them to resign from the committee after the change has occurred. The committee would have to comply with Section 53(4) of the *Local Government Act 2000*, but it would do so if at least one member of the committee continued not to be a member, or an officer, of that **or any other** relevant authority. However the qualifying member would then be needed for the duration of every meeting to constitute its quorum.

Therefore, the Standards Board would generally recommend that independent

members should resign from membership of a standards committee once they can no longer be re-appointed.

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### Sixth Annual Assembly sold out

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The Sixth Annual Assembly of Standards Committees is now fully booked, with over 750 delegates set to attend the event in October.

The programme at this year’s conference – *Down to detail: Making local regulation work* – will tackle the issues facing standards committees in the changing ethical environment.

Sessions will take an in-depth look at the logistics of the forthcoming local filter for complaints, and will focus on the practical implications for standards committees.

Breakout sessions are filling up fast and those who have already secured a place at the conference are urged to choose their sessions and return their preference forms as soon as possible to avoid disappointment.

Presentations from many of the sessions will be available on our dedicated conference website following the Annual Assembly. Three issues of our conference newsletter will also be available, providing a round-up of information from the event.

For more information, visit the conference website, at: **[www.annualassembly.co.uk](http://www.annualassembly.co.uk)**, which offers a one-stop-shop of conference information including the latest news on speakers, sessions and fringe events.

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### Code of Conduct guidance

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Authorities have until 1 October 2007 to adopt the revised Code of Conduct. After this time, members of authorities that have not adopted

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it will be automatically covered by it. If your authority has not already done so, we urge you to do so now at the earliest possible opportunity.

As October approaches, we have taken the decision that, to avoid confusion with the previous Code, we will no longer be issuing guidance on the 2001 Code. This guidance will automatically be superseded when the new Code applies in October.

The Standards Board has distributed its *Guide for members* on the revised Code to all relevant authorities, along with a pocket guide to the Code, and this guidance offers a comprehensive overview of the requirements of the new Code. All guidance relating to the old Code, including the booklets on lobby groups and registering gifts and hospitality, along with guidance on standards committees, will no longer be available for distribution in hard copy format. It will, however, still be available from our website, **[www.standardsboard.gov.uk](http://www.standardsboard.gov.uk)**

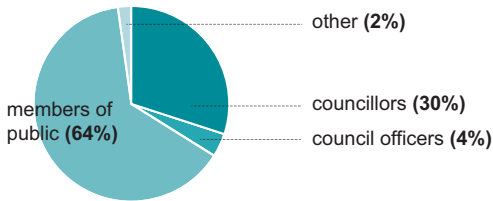
We hope that this move will improve clarity for authorities on the new Code in the final few weeks of the transition period.

## Referral and investigation statistics

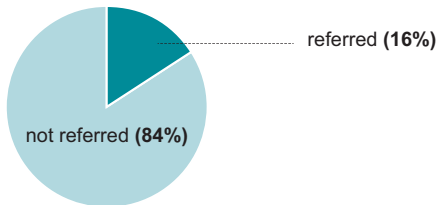
The Standards Board for England received 1238 allegations between 1 April 2007 and 31 July 2007, compared to 1131 during the same period in 2006.

The following charts show referral and investigation statistics during the above dates.

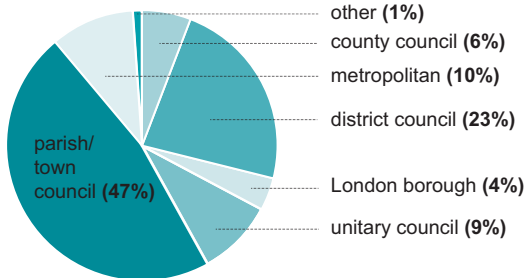
### Source of allegations received



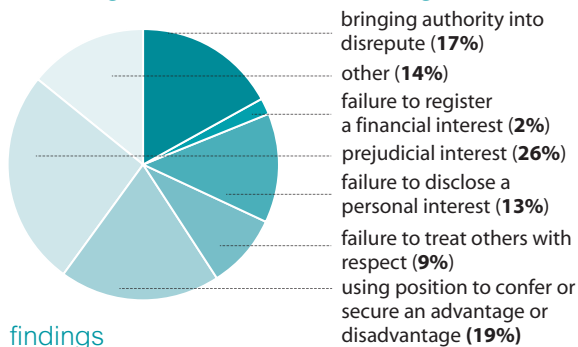
### Allegations referred for investigation



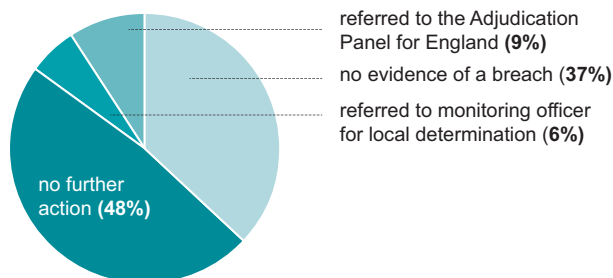
### Authority of subject member in allegations referred for investigation



### Nature of allegations referred for investigation



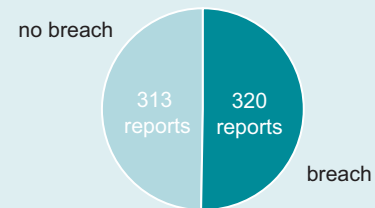
### Final findings



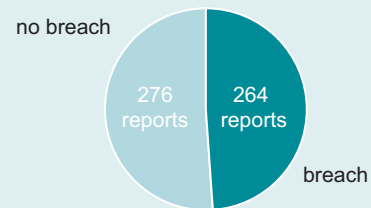
## Local investigation statistics

For the period 1 April 2007 to 31 July 2007, ethical standards officers referred 123 cases for local investigation – equivalent to 60% of all cases referred for investigation. Since 1 April 2007 there have been five appeals to the Adjudication Panel for England following standards committee hearings. Of all cases referred since November 2004 for local investigation, we have received a total of 633 reports – please see below for a statistical breakdown of these cases.

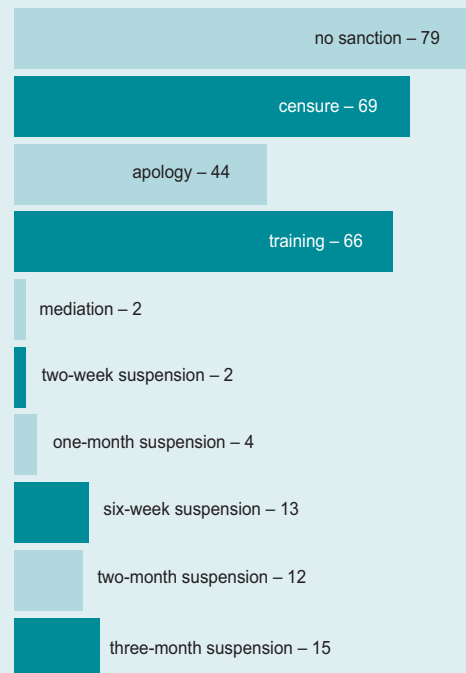
### Monitoring officers' recommendations following local investigations



### Standards committee hearings



### Standards committee determinations



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