

Report to: **District Council of Easington**  
Date: **6<sup>th</sup> April 2006**  
Report of: **Assistant Chief Executive**  
Subject: **Organisational development: improving our political governance arrangements**  
Ward: **All**

## **1.0 Purpose of the Report**

- 1.1 To set out proposals for improvements to the Council's political governance arrangements.

## **2 Consultation**

- 2.1 This report is based on learning from a range of activities carried out during 2005 involving variously Executive and Scrutiny Members, senior officers and Trades Unions, with support and input from the IDeA. The Council has also examined best practice from other Councils.
- 2.2 The paper has been discussed at Political Management Working Group on 15<sup>th</sup> February and 24<sup>th</sup> March 2006. This group, consisting of Executive Members, Scrutiny Chairs and Vice Chairs, is the Council's formally agreed mechanism for developing changes to political governance arrangements, and the Chief Executive, Assistant Chief Executive, Monitoring Officer, Head of Democratic Services and Scrutiny Support Officer were in attendance. The Political Management Working Group agreed the recommendations to be taken forward in this report.

## **3 Background**

- 3.1 During 2004/5 and 2005/6 the Council invested in a programme of development activities which aimed to build on our leadership strengths following a period of political and managerial change (17 new Members since May 2003 and 3 new members of Management Team in March 2005). This activity was undertaken in line with the emerging Organisational Development Strategy (agreed in February 2005), in particular the objective under Organisation to "ensure that we achieve high standards of corporate governance and leadership."
- 3.2 A key driver of discussions has been our desire to respond to the challenges facing local government in the future, as set out between July 2004 and January 2005 in a suite of Government discussion documents collectively badged as Local Vision. Key elements of this thinking were explored by the Council in April 2005 and can be summarised as a move towards:
- involvement of local people in decisionmaking
  - a new delivery framework through Local Area Agreements
  - good local leadership at the neighbourhood and council wide level
  - a growing role for LSPs
  - a focus on outcomes for communities
  - community based governance approaches and neighbourhood charters
  - better performance linked to these outcomes

The Council is clear that to move ahead into the future, we need to have the skills, capacity and structures to fulfil our role as community leaders in every sense.

- 3.3 This paper sets out recommendations for improvements to the key political leadership functions of Executive and Scrutiny. Recommendations are included at the end of each section and summarised in Section 12.2.

#### 4 The Executive function

- 4.1 In July 2005 the IDeA facilitated an Executive workshop and a wider leadership workshop to explore the challenges facing the Executive in the future and how individual and team responsibilities may need to change. The key improvement actions arising from these sessions which require decisions are:

How the Executive is structured	How the Executive performs
<p>Review portfolios in alignment with the corporate plan, service delivery and future challenges; confirm how portfolios interlock</p> <p>Build full understanding of each other's roles, responsibilities and relationships</p>	<p>Consider how the performance of the Executive might be appraised to ensure continuous improvement</p>

#### 4.2 Review of portfolios

The Council's Management Team was asked to develop initial ideas for revised portfolios based on the IDeA-facilitated discussions, in order to kick start the debate on this issue. They carried out this task with a view to balancing workloads, building on skills and interests, maintaining a similar number of portfolios and reflecting the corporate priorities and changing agenda. A series of options was developed and discussed at the Political Management Working Group of 15<sup>h</sup> February and 24<sup>th</sup> March. Members agreed to take forward for further discussion the following 9 portfolios:

- **REGENERATION** (to include transport and planning)
- **LIVEABILITY** (to include Community Safety)
- **HOUSING** – no change
- **HEALTH** – no change
- **RESOURCES** (refocused CORPORATE SERVICES clarifying responsibilities for Finance, Staff and Property)
- **SOCIAL INCLUSION AND CULTURE**
- **IMPROVEMENT** (refocused ORGANISATIONAL DEVELOPMENT with key drive of improvement)
- **CUSTOMER SERVICES** (refocused E-GOVERNMENT to move from the technology to the customer)
- **NEIGHBOURHOOD ENGAGEMENT AND COMMUNICATIONS** (new portfolio to drive this agenda)

Members also supported the removal of the Scrutiny Liaison role (see Scrutiny section of report)

Terms of reference have been drafted for each of these portfolios and will be subject to further development and consultation.

**It is recommended that this configuration of portfolios provides the best balance in terms of workload and focus on the changing corporate agenda , and that these portfolios should be adopted for the future. This includes the removal of the role of Scrutiny Liaison to facilitate greater challenge in the Scrutiny function.**

## 4.2 Performance of the Executive

The Council has already taken the step of developing Terms of Reference for Executive members containing key areas of responsibility and targets. As with officers, these could be used to appraise the performance of Executive members.

**It is recommended that the Council adopts performance appraisal for Executive Members, to be carried out by the Leader and Deputy Leader, based on the portfolio Terms of Reference.**

## 5 Audit Committee

- 5.1 In December 2005 Audit Scrutiny considered a paper outlining the concept of Audit Committees, seen as good practice by CIPFA in terms of securing good corporate governance, financial reporting, risk management and audit. It was agreed that a decision of the possible introduction of an Audit Committee should be referred to the Political Management Working Group, and this was done as part of the consideration of this paper.
- 5.2 Audit Committees are not mandatory but the new CPA Key Lines of Enquiry on the Use of Resources are explicit that an independent Audit Committee is necessary to achieve a maximum score of 4 in terms of Internal Control.
- 5.3 If the Council were to adopt an Audit Committee approach it would have significant impact on the other governance structures in the Council particularly the role of the current Audit Scrutiny committee which covers many of the same work areas as a potential Audit Committee.
- 5.4 The CIPFA guidance is very clear on the nature of Audit Committees. Some key points are:

<b>Independence</b>	Audit Committees should be separate from the Scrutiny and Executive functions and report direct to Council so they can challenge all other parts of the governance process
<b>Non Executive Chair</b>	The Audit Committee chair should not be, expressly, a Member of the Executive. A non-executive chair is important in order to promote the objectivity of the audit committee and to enhance its standing in the eyes of the public
<b>Size and balance</b>	3-5 Members. As a properly constituted committee of the Council, an Audit Committee will need to abide by the rules concerning political balance
<b>Relationship with Chief Finance Officer</b>	CIPFA acknowledges that local authority Chief Finance Officers will have an important relationship with the committee and be the key point of contact for Audit Committee Members
<b>Training</b>	Members of an Audit Committee will need to receive a compulsory level of training and development, similar to that required for Development Control and Licensing roles

- 5.5 The Political Management Working Group agreed in principle to the establishment of an Audit Committee, subject to further clarification from the Monitoring Officer on the optimum size and role of such a Committee. This clarification was sought and is attached as Appendix 1.

**It is recommended that the Council agrees to the establishment of an Audit Committee independent of the Executive and Scrutiny functions, and that this Committee consists of 10 Members and is politically balanced.**

**It is recommended that the Terms of Reference set out in Appendix 1 be agreed for the Audit Committee, including the need for monthly meetings.**

**It is further recommended that in the event of an Audit Committee being established in accordance with the above, the Audit Scrutiny Committee be disestablished.**

## **6 The Scrutiny function**

- 6.1 The Scrutiny function has been subject to sustained development activity over a two year period. During July 2004, IDeA observed two Scrutiny committee meetings (Audit and Service Delivery) and produced a feedback report which was then used to design two bespoke Scrutiny training sessions covering skills for Taking Scrutiny Forward and Conducting Scrutiny Reviews. These sessions were delivered in November 2004 and March 2005. Both IDeA in September 2005 and the CPA pilot inspectors in December 2005 felt that progress on Scrutiny had been good.

- 6.2 The areas for improvement identified through the IDeA sessions fall into the following categories:

<b>Personal skills of Scrutiny members</b>	<b>How Scrutiny is run</b>
Chairs and Vice Chairs need to be able to shape discussions more	Greater clarity around the roles of officers and Members in Scrutiny
Continue to improve questioning skills	Review of job descriptions for Scrutiny members
Improved planning skills to plan Scrutiny reviews	Members should start planning their approach to meetings more so that they can drive the meeting
Raising Scrutiny members' self awareness using the IDeA template	Members to be clear about the corporate objectives and proactively ask questions about them within Scrutiny
	Scrutiny messages should be taken back to Executive by a Scrutiny member
	Greater engagement with the public in scrutiny
	Involvement of the Opposition in Scrutiny

- 6.3 During September 2005 a further session was held involving Executive Members, Scrutiny Chairs and Vice Chairs and Management Team. This explored the 4 key functions of Scrutiny and varying approaches to Scrutiny across the country. During this session, Members discussed issues relating to the current functioning of Scrutiny.

6.4 At the Political Management Working Group of 15<sup>th</sup> February, Members discussed the future role of Scrutiny in relation to both the development sessions, and a potential decision to introduce an Audit Committee. It was suggested that if the existing Audit Scrutiny Committee were disestablished, this would provide an opportunity to review the Terms of Reference of the remaining Scrutiny committees.

6.5 It was agreed to develop further options around the Scrutiny function based on work to date, for consideration at a later Political Management Working Group.

**It is recommended that further options be developed around the Scrutiny function with a target date of September 2006. These will once again be discussed by the Political Management Working Group.**

## **7. Implications**

### **7.1 Financial Implications**

This report has no direct financial implications. Any changes to political governance functions will have potential financial impact in terms of officer support, and these would need to be considered alongside efficiency considerations as part of any change process.

### **7.2 Legal Implications**

This report has no direct legal implications

### **7.3 Policy Implications**

This report has implications for the elements of the Council's constitution describing the Executive portfolios and terms of reference, and the Scrutiny terms of reference.

### **7.4 Risk Implications**

A risk analysis has been completed and action taken to mitigate the risks.

### **7.5 Communications**

Any changes resulting from this report will need to be fully communicated.

## **8 Corporate Implications**

### **8.1 Corporate Plan and Priorities**

This report discusses ideas for improving corporate governance which impact on the Council's priority of excellence in the workplace

### **8.2 Service Plans**

Decisions taken on these issues may impact on the Service Plan of the Democratic Services and Administration team

### **8.3 Performance Management and Scrutiny**

Section 6 of this report deals directly with the Scrutiny function including its performance management role

### **8.4 Sustainability**

There are no sustainability implications.

### **8.5 Expenditure related to 'well-being' powers**

There are no direct well being implications.

### **8.6 Human Resource Implications**

Configuration of committees will impact on officer support.

### **8.7 Information Technology**

There are no IT implications.

### **8.8 Equality and Diversity**

There are no direct implications

### **8.9 Crime and Disorder**

There are no direct crime and disorder implications.

### **8.10 Human Rights**

There are no human rights implications.

### **8.11 Social Inclusion**

There are no direct social inclusion implications.

### **8.12 Procurement**

There are no specific procurement issues.

## **9 Conclusion and recommendations**

- 9.1 This report follows a programme of organisational development activity and sets out recommendations for improvements to the Council's political governance arrangements arising from these activities. There is no direct external imperative to implement change in this area, but as an excellent organisation it is appropriate to consider the learning from our organisational development activities, and think about what changes we could make to equip Easington even better to respond to the changing environment around local government.
- 9.2 Members are recommended to note the following recommendations for decision making through the Council's recognised processes.

**It is recommended that:**

- a) **Executive portfolios be reconfigured as set out in 4.2**
- b) **The Executive role of Scrutiny Liaison be removed to facilitate greater challenge by Scrutiny**
- c) **The Council agrees to the establishment of an Audit Committee independent of the Executive and Scrutiny functions and that this Committee consists of 10 Members and is politically balanced.**
- d) **The Terms of Reference set out in Appendix 1 be agreed for the Audit Committee, including the need for monthly meetings.**
- e) **In the event of an Audit Committee being established in accordance with the above, the Audit Scrutiny Committee be disestablished.**
- f) **Further options be developed around the Scrutiny function with a target date of September 2006. These will once again be discussed by the Political Management Working Group.**

### **Background Papers**

Local Vision suite of discussion papers including:

- The Future of Local Government: Developing a 10 Year Vision (ODPM July 04)
- Local Area Agreements: A Prospectus (ODPM July 04)
- People Places and Prosperity: Delivering Government Programmes at the Local Level (Audit Commission June 04)
- Proposals for Comprehensive Performance Assessment from 2005 (Audit Commission December 04)
- Improving the Prospects of people Living in Areas of Multiple Deprivation in England (Cabinet Office Strategy Unit, January 2005)
- Citizen Engagement and Public Services: Why Neighbourhoods Matter (ODPM/Home Office January 2005)
- Vibrant Local Leadership (ODPM January 2005)
- Sustainable Communities: People, Places and Prosperity (ODPM January 2005)
- Sustainable Communities: Homes for All (ODPM January 2005)

Constitution

Member/Officer Protocol

Executive Members' Terms of Reference

Materials from individual organisational development workshops

Audit Commission KLOEs: Use of Resources