

# Chief Executive's Report

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## 1. Issue

1.1.1 This report presents an overview of progress against delivery of the business plan and a review of operational performance, and introduces other open papers for the Board's attention at this Board meeting.

## 2. Recommendations

2.1.1 The Board is asked:

- To receive the report and to note progress
- To review corporate risks, and to select a risk for specific review at its next meeting
- To note and review operational performance

## 3. Consideration

3.1.1 This report brings members up to date on progress since the meeting on 17 November 2009. It is mapped against the key aims in the 2009/10 Business Plan. Where appropriate, there are cross references to other papers on the agenda. We have adopted an exception reporting approach – except where explained otherwise, progress is on track. A new version of the Operational Performance Report is introduced in paper 10/09, and this is used here to inform comment on the organisation's current risk profile and operational performance.

3.1.2 **Delivering the business plan**

3.1.3 Be a respected strategic regulator adding value to local governance

- Ensure there is an effective standards framework across all local governance arrangements.

- 3.1.4 CLG consultation on the introduction of a national officer code was completed in 2009. We understand that the Secretary of State supports proposals for a national officer code, but this is not an immediate priority. We are maintaining an active interest in the proposal and have expressed the Board's support.
- 3.1.5 Following Board consideration at its last meeting, in December 2009 we held an internal workshop to begin identifying and evaluating systemic risks. The outcomes were shared with the wider management group in early January 2010. The Board will be asked to review the outcomes and proposals for wider engagement on identified systemic risks at the March 2010 Away day. Meanwhile, we are undertaking further research into those systemic risks we have identified as important and requiring further evaluation.
- 3.1.6 We have identified links between certain identified systemic risks, and likely sectoral risks. Next steps are to identify sectoral risks and develop recommendations to the Board on the sectoral classifications (e.g. parish, other authority) to be used in future.
- 3.1.7 As previously reported, our research and other work on partnerships has identified that governance rather than standards issues dominate. We present notable standards practice in partnership working (from our annual returns and from the 2009 Ethics and Standards Awards shortlist) on our website. Working with Manchester City Council we have developed a standards protocol for partnership working, to be launched on the website and already in use with a small number of authorities. We are working together now to develop an implementation tool for those authorities already in partnership arrangements and wishing to implement the protocol. We plan further work in relation to the standards issues arising in the 'Total Place' initiative and other local joint working arrangements (see paragraph 3.1.12 below).
- Make a demonstrable difference to local democracy.
- 3.1.8 The Entity Risk Management Project Board met on 14 December 2009 to review the outcomes of the pilot use of the Entity Risk model. The project board agreed to proposals to simplify the model and commissioned a revised entity risk proposition for end January 2010. Meanwhile, entity risk work is accelerating in practice, and core compliance is improving (see Operational Performance report). Some 28 authorities are in relationship management.
- 3.1.9 We are recruiting to increase our resources in the Risk directorate: we estimate that four relationship managers are needed, and recruitment continues. Particular skills and competences are required for the work. We will revisit our working arrangements with other delivery partners in this area as the entity risk proposition is finalised.
- 3.1.10 Our work on the review of the local standards framework has kept to timetable. The main recommendations are set out in paper 10/21 (Framework Review Conclusions), ahead of the full report. Selected stakeholders have been engaged in the review and there has been a refreshing degree of consensus evident. In short the local standards framework is supported and stands up to scrutiny overall, but we are able to propose changes (reflecting the views of stakeholders) that (if adopted) will simplify and rationalise local standards arrangements and deal with identified rubbing points.

- Be a recognised centre of expertise in the field of ethics and governance

- 3.1.11 We are poised to review our research programme for the year ahead, ready for Board review and endorsement in March 2010. We aim to align the programme to business need, and we see opportunities for that.
- 3.1.12 We are discussing with potential partners the delivery of two joint events later in the year. Most immediately, with the New Local Government Network we intend to deliver a series of high level workshop discussions on arrangements for the evaluation of governance, standards and performance in the 'Total Place' initiative and other local joint working arrangements. We are also discussing with the Greater London Authority the hosting of a select international event in April 2011 on standards in local democracy.
- 3.1.13 Drafts of the anticipated Prospectus and Regulatory Statement are with the Board for review and comment at paper 10/20 (Regulatory Statement). We aim to publish both documents this business year. We expect to present our review of the local standards framework following Board consideration and endorsement, and have in mind the opportunities to increase standing afforded by promulgation of our system and sectoral risks work mentioned earlier in this report.
- 3.1.14 Ensure that the local standards framework is a success.
- Ensure the framework is felt to be fair and proportionate and that complainants/those complained about should feel they have been treated fairly
- 3.1.15 In 2009 SfE carried out research to identify the views of members, officers and the general public on the proportionality of the standards framework (see website). We are likely to repeat the research in 2010. Meanwhile, in December 2009 with Teesside University we conducted focus group discussions, to inform our review of the local standards framework.
- 3.1.16 Project Excellence (a project to improve SfE investigations performance) is in its final phase, with system enhancements underway. Time taken in investigations is improving (see Operational Performance report). We are now poised to introduce an end-of-case questionnaire to be sent to all complainants, subject members and those interviewed in our case investigations. Results will be collated and reviewed for opportunities for further improvement. Meanwhile, Ethical Standards Officers report on the quality of investigation in each case, with more dynamic and regular reporting to the Chairman and Chief Executive in those cases identified as sensitive. With the establishment of the Standards directorate we are now able to turn our attention to improving our arrangements for the evaluation of quality across the wider work of the organisation.
- 3.1.17 The Director of Regulation and Head of Professional Standards met recently with the chairman of the Adjudication Panel for England. The tribunal transferred to The Tribunal Service on 18 January and has been renamed as the First-tier Tribunal (Local Government Standards in England) – see paper 10/13 (Adjudication Panel for England changes). New procedural rules and costs order provisions apply. At the liaison meeting it was agreed to establish a user group, and to systemise feedback on quality concerns. We will be developing our analysis of tribunal decisions and other management information available from the tribunal in the months ahead.

3.1.18 Turning to investigations conducted by local standards committees, following Board consideration of the issues in December 2009 we are continuing to develop our approach to managing the risk of poor quality, and the potential impact on individuals and on the reputation of the framework. We are developing criteria, information sources and measures that can be used to gauge quality dimensions, with quality indicators identified for each stage of the process. Most immediately this will involve ensuring that hearing decision notices are provided to us in all cases for analysis, and that other management information judged to be proportionate and necessary is provided to us in a structured way. We recognise that consideration of this risk raises in turn consideration of the Board's guidance and training roles, matters for future debate and when more specific information is available.

- Identify failings in the local system and respond accordingly.

3.1.19 We are continuing to monitor compliance through our quarterly and annual reporting, to good effect.

3.1.20 Actual engagement work is increasing, both in response to events and as a result of our own analysis of monitoring and other entity risk data and information. Compliance in the way in which we currently measure it is improving but we are looking at a wider definition of basic compliance which will include measures around timeliness of data submission to us where there have been some issues.

3.1.21 We have prepared a statement of the organisation's powers as a strategic regulator, to compare with other regulators and to inform the review of the local standards framework.

- support standards committees in promoting high standards, enhancing the reputation of local government.

3.1.22 We continue to support the parish sector. We are evaluating the outcomes from the parish capacity building work ready to publish a summary document in February 2010. The parish toolkit is completed and we are intending to follow this through with another parish product, a DVD in spring/summer 2010. We anticipate publishing a parish strategy (the Board's first sectoral strategy) by April 2010.

3.1.23 We are continuing to develop and populate the refreshed website with the wider regulated community in mind. Good practice examples in standards are now readily accessible on the site, and the website forum is growing in popularity.

3.1.24 In our new structure, guidance planning and delivery are receiving dedicated attention from the Guidance team. We are preparing guidance for the regulated community on changes to the code of conduct, in readiness for the publication of the new code in the spring. Looking forward, we have developed a comprehensive proposal for guidance work for 2010-11, to include another DVD product – to bring our DVD product suite up to date.

3.1.25 Planning for the Annual Assembly is on track. The annual assembly design forum has been refreshed this year and strengthened with additional Board member and other presence. The team met to review progress on 21 January 2010.

3.1.26 Continue to improve our business capability and effectiveness.

- Understand and be responsive to the needs of those we work with.

3.1.27 We have consulted with selected stakeholders in our review of the local standards framework. We are now engaged in further consultation (on the emerging recommendations) before finalising the review. However, we have more to do to develop our customer programme and our approach to engaging the wider public. We plan to develop proposals for Board review in March 2010.

- Have the right skills and apply our resources to meet these needs.

3.1.28 Our people strategies are being implemented to plan. The job evaluation exercise is nearing conclusion. The Board is asked in paper 10/15 (Audit and Remuneration Committees) to refresh the terms of reference of the Remuneration Committee so as to enable the committee to agree policy and the Board's approach to implementation of changes to the pay structure. We will be recommending simplification of the structure so as to bring it more in line with best practice.

3.1.29 Organisation Design Phase Two is also progressing to plan. Relationships with the union side remain good. The consultation phase is now completed, with concerns having been addressed as they were raised by the union side. Several members of staff have opted for voluntary redundancy. As a 'relevant body' we are due to meet with the cabinet office shortly. We are scoping a tender exercise for financial transaction work, to commence early February. An update on the business case is presented to the Board for review and endorsement in paper 10/17 (Organisation Design update). The ratio of front line to support services staff is continuing to move in the right direction, as staff numbers in the new Directorates increase and the numbers in support services decrease. The number of front line to support staff is now 52:33 (as of January 2010) compared to 45:35 (as of July 2009). Support staff numbers will reduce significantly with the full implementation of OD phase two at end March 2010. The final ratio (as at 1 April 2010) is expected to be 63:19.

3.1.30 SMT is developing proposals on how policy decisions in relation to the application of the local standards framework are best set out, owned, accessed and actively reviewed within the organisation. The Board will be updated at its next meeting on the arrangements proposed.

3.1.31 The organisation's knowledge management project has been on hold, as resource has been diverted to the review of the local standards framework. The project is now being reactivated, with an early workshop to review definition and to identify priorities, so as to inform the sequencing of related IT systems development.

3.1.32 The IT strategy is being reviewed, ready for Board consideration in March 2010. Priorities include the upgrading of our case management systems (a version change) and a move to Microsoft office 2007, both of which support the Project Excellence enhancements, but also add functionality for the wider business. In the longer term, we will be improving processes and associated IT support in other areas of the organisation (e.g. relationship management and Liaison and Guidance) to ensure that we have consistency and a full history of activities against our authorities. We will also be developing our information architecture more generally too, using tools that are already in place to better support the sharing of information and access to internal guidance.

- 3.1.33 The significant changes in working practice in investigations – the move to project based working and the integration of legal staff from the outset of cases – is now bedded in and is paying dividends in terms of both the quality of casework (although comprehensive quality measures are still to be developed) and in relation to the time taken per case. A ‘lessons learned’ review is being undertaken in relation to recently completed and linked legacy cases.
- 3.1.34 We have a considerable number of new staff, mainly recruited to populate vacancies in Risk, Standards and Regulation. Those directorates are now almost fully staffed. We plan a staff Away day in April 2010 – an opportunity for new and existing staff to focus on the year ahead together.
- Make sure we operate in line with modern regulatory good practice.
- 3.1.35 The Board reviewed our internal Hampton assessment in September 2009 and will do so again in March 2010.
- 3.1.36 We have implemented changes to our corporate planning arrangements this year with the aim of presenting an agreed draft to our sponsor department at the first opportunity in the new year. CLG representatives have endorsed our approach to KPIs and the draft corporate plan and KPIs are now with the Board for review and endorsement in paper 10/19 (Corporate Plan and KPI approval).
- 3.1.37 We have implemented an internal scheme to enable people to propose initiatives and to support their proper evaluation and relative prioritisation. Our people engagement strategy work is now underway, with an internal staff engagement group to develop a draft strategy and implementation proposals for SMT approval. We plan a second staff survey in April 2010.
- 3.1.38 Our business continuity plan was tested in earnest this year as we experienced unusually bad weather. We were most affected on Tuesday 5 January when some 35% of available staff were unable to attend due to snow and icy conditions and the impact on public transport, roads and school provision. Available staff non-attendance fell to 20% on day two, 7% on day three and 2% on day four. We maintained adequate service provision throughout the period. A ‘lessons learned’ exercise is now underway.
- 3.1.39 We have not yet agreed with the department the required revisions to the organisation’s Management Statement and Financial Memorandum. CLG representatives acknowledge the urgency and have agreed to prioritise work on those provisions that we suggest contain unduly restrictive financial limits.

## **4. Corporate Risk**

- 4.1.1 The risk graphic is presented in the Operational Performance report (10/09). The likelihood of certain risks materialising is judged to be reducing (in part due to recalibration) and the trend is healthy.
- 4.1.2 The Board is considering risk 13 – the risk of failure to deliver professional, successful investigations – at the Board’s afternoon session. Here the Board will go through the changes introduced through Project Excellence to improve significantly the delivery of investigations.

- 4.1.3 It is proposed that the Board nominates risk eight – the risk of a specific issue occurring within the regulated community that may have a detrimental effect on the framework – at its next meeting.

## 5. Performance

- 5.1.1 We have started work to upgrade the organisation's suite of management information. Details are set out in paper 10/09. Performance commentary is provided in sections six and seven below.

## 6. Operational performance

- 6.1.1 Organisational measures
- 6.1.2 Staff turnover is higher than normal, at 18% over twelve months. This is due to changes in senior management and changes to the organisation's design as well as to more routine reasons for turnover. SMT is evaluating the rationale for change in each case, although we are not unduly concerned given known reasons for change. The position is now stabilising.
- 6.1.3 Absence rates remain exceptionally low, as compared to national trends. Time taken to recruit has been adversely affected by review of roles originally designed to support Risk directorate work, although performance in recruitment and selection is otherwise good. We are taking legitimate steps to encourage and increase diversity in our staff, following the impact of recent staff losses on our diversity profile
- 6.1.4 Performance against KPIs for 2009-10 is generally good. By way of exception reporting:
- ERM outcomes are delayed as the project board has endorsed simplification of the model and approach, informed by the outcomes of our testing of the model;
  - To date, 77% of SfE misconduct investigations categorised as 'standard' cases (that is, not complex cases) have been completed within six months, as against a target of 90%. The volume of standard cases is low, and so performance is adversely affected by seven linked cases completed earlier in the business year and outside target times.
- 6.1.5 Our financial position is reported at closed paper 10/27 (Strategic Finance Report), but in short expenditure is close to plan and is being managed closely as the financial year draws to an end.

## 7. Framework performance

- 7.1.1 The management information on case investigations conducted by SfE is showing positive trends, with all legacy cases now complete and (where appropriate) heard at tribunal stage. The Board will have the opportunity to interrogate the data and information at the afternoon session on Project Excellence.

- 7.1.2 Annual Assembly feedback is positive as well, and we are now working on a wider suite of stakeholder satisfaction measures.
- 7.1.3 Authority compliance with the requirements of the local standards framework is improving. Residual problems relate in the main to compliance with the parish representative and independent member requirements. We are refining our own understanding and definition of compliance, by reference to the core legislative requirements. This is likely to expand the working definition to include for example the provision of hearing decision reports to Standards for England in each case.
- 7.1.4 We remain concerned about the length of time taken to complete some investigations undertaken locally. We are engaging with those authorities with the most problematic profile, usually to good effect, but we recognise the need to understand more the reasons for seeming delay. This is being taken forward in our programme of work to manage the risk of poor quality casework at a local level.

## **8. Other Board papers**

- 8.1.1 The Board is updated on progress in developing the international standards conference proposition at paper 10/10 (International Standards Conference). The proposal is developing well and is being favourably received. Outline plans for the Board's March Away day are presented at paper 10/12 (Board Away day, March 2010). This is an opportunity to take stock on the organisation's rate of development as a strategic regulator and to review business priorities for the year ahead.
- 8.1.2 The impact of the changes made to the tribunal is set out in paper 10/13 (Adjudication Panel for England changes). We are taking the opportunity to formalise liaison, as The Tribunal Service encourages structured feedback arrangements.
- 8.1.3 A draft Core Business Schedule for the Board for 2010-2011 is presented for review at paper 10/14 (Core Business Schedule 2010). This is to enable us to phase and schedule regular Board papers and to ensure that the right balance is struck as between scrutiny and strategic work.
- 8.1.4 At paper 10/15 (Audit and Remuneration Committee) the Board is asked to adopt new arrangements and terms of reference for the Remuneration Committee, to enable it to become a clear sub-committee of the Board.
- 8.1.5 The Board is updated on work we are undertaking in relation to future compliance with anticipated statutory equality requirements in paper 10/16 (Single Equality Scheme).
- 8.1.6 The Board is provided with an update to the financial case provisions of the business case for Organisation Design at paper 10/17 (Organisation Design update). The section update is section six – the financial case – and Board members are requested to consider and endorse the business case as amended.
- 8.1.7 Finally in papers 10/22 and 10/23 the Board is provided with detailed updates on our work in two specific areas: the qualitative assessment of advice and guidance, and our work on partnerships.