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DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT
GUIDANCE NOTE FOR ENGLISH AUTHORITIES
The Working Group

CIPFA, SOLACE, the Local Government Association and the Audit Commission drew together the following members of the Delivering Good Governance in Local Government Working Group and are grateful to them and to their employing organisations for their time and assistance in preparing this document:

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The Joint Working Group is also grateful to the authorities that have provided material for the case studies included in this guidance note.
Preface

This guidance note relates to *Delivering Good Governance in Local Government: Framework* which is intended to be used as best practice for developing and maintaining a locally adopted code of governance.

The purpose of this guidance note is to assist authorities in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.
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Section 1
Good Governance in Local Government

BACKGROUND TO THE DEVELOPMENT OF THE FRAMEWORK

1.1 Each local authority operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes. Traditionally, local government has conformed in whole or in part and in many different ways to the principles of good governance and has had a sound base on which to build. There has been a strong regulatory framework in existence and robust arrangements for monitoring and review.

1.2 In 2001, CIPFA in conjunction with SOLACE and with support from key organisations in local government responded to the need to draw together the principles identified by Cadbury, Nolan and, in England, the former Department of the Environment, Transport and the Regions (DETR) into a single framework of good governance for use in local government and published Corporate Governance in Local Government – A Keystone for Community Governance: Framework. The Framework recommended that local authorities review their existing governance arrangements against a number of key principles and report annually on their effectiveness in practice. Through the development of this Framework authorities were encouraged to meet the standards of the best.

1.3 Since the Framework was published, local government has been subject to continued reform intended to improve local accountability and engagement and a revised Framework is therefore timely. Governance arrangements must not be regarded merely as bureaucracy. Good governance should mean that, whatever executive arrangements are in place, the way a local authority operates is based on sound decision making with an effective process to support it.

1.4 As the role of local authorities continues to evolve, they will need to make some difficult choices over the next few years. Delivering extensive change and meeting rising expectations about the quality and responsiveness of services is demanding. Doing so when authority finances are subject to close scrutiny will be particularly challenging for those responsible for managing the process. Time is also needed for thinking through long-term issues including future priorities and objectives and whether authorities’ structures allow them to predict and respond in a timely fashion. Authorities must ensure that they exhibit ‘fitness for purpose’ in organisational and structural terms so they can deliver on those choices.

1.5 The main principle underpinning the development of the original Framework was that local government was shaping its own approach to good governance. This principle
has remained key to the revised Framework. The revised Framework builds on recent governance work in both the public and the private sector and in particular The Good Governance Standard for Public Services drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management (OPM) in partnership with the Joseph Rowntree Foundation. The six core principles from the Good Governance Standard have been adapted for the local government context. The Framework also comprises best practice objectives that should provide the basis for each local authority to develop and maintain a local code of governance reflecting its type, size, functions and nature.

1.6 The Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit.

1.7 Good governance is important to all involved in local government. However, it is a key responsibility for the leader of the council (or equivalent) and of the chief executive (or equivalent). It is intended that the Framework be used by:

- county councils
- district councils
- most-purpose authorities
- the Greater London Authority and functional bodies
- city regions
- the Corporation of London
- fire authorities
- joint authorities (including passenger transport authorities, waste disposal authorities and combined fire authorities)
- police authorities
- national park authorities.

This guidance note is aimed at authorities in England (excluding police authorities) and will be particularly useful for officers in those organisations.

USING THE GUIDANCE NOTE

1.8 This guidance note is aimed at assisting authorities in:

- considering how they might go about reviewing their governance arrangements
- developing and updating their own local codes of governance
- demonstrating compliance with the principles of good governance.
1.9 It is suggested that, in using the Framework, authorities should nominate an individual or group of individuals within the authority who have appropriate knowledge and expertise and levels of seniority to:

- consider the extent to which the authority complies with the principles and elements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify issues that have not been addressed in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions that are required.

1.10 Section 2 to this guidance note outlines how good governance principles have developed. Section 3 looks at how the ‘governing body’ operates in local government.

1.11 Section 4 to this guidance note provides good practice examples and case studies. Section 5 includes examples of the systems, processes and documents that might be cited by an authority as evidence of compliance with good practice. Authorities should not, however, feel constrained by either the format or the examples listed. Useful references and tools available to local authorities for self-assessment purposes are also listed. Authorities might find this a practical way of approaching the task.

1.12 It is important that the review is reported on both within the authority, to the audit committee, or other appropriate member body, and externally within the published annual report or with the published accounts of the authority. In doing this, the authority is looking to provide assurance that:

- its governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, what actions the local authority plans to take to ensure effective governance in future.

1.13 Section 6 to this guidance note contains a useful checklist for authority members.

1.14 Section 7 provides further guidance on developing and maintaining effective audit and standards committees, and the scrutiny function. Section 8 provides further guidance on risk management.
Section 2
Fundamental Principles of Corporate Governance

THE CADBURY REPORT (1992)

2.1 The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance as:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Openness</td>
<td>An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.</td>
</tr>
<tr>
<td>Integrity</td>
<td>This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation’s annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.</td>
</tr>
<tr>
<td>Accountability</td>
<td>This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.</td>
</tr>
</tbody>
</table>

2.2 The Cadbury Report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

THE NOLAN COMMITTEE (1995)

2.3 Aspects of corporate governance in the public services have been addressed by the Committee on Standards in Public Life (the Nolan Committee, today chaired by Sir Alistair Graham) which was established in 1994 to examine concerns about standards of conduct by holders of public office. Standards of conduct are regarded as one of the key dimensions of good governance. The first report, published in May 1995, identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. These principles of public life are:
### Table: Principles of Good Governance

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selflessness</td>
<td>Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.</td>
</tr>
<tr>
<td>Integrity</td>
<td>Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.</td>
</tr>
<tr>
<td>Objectivity</td>
<td>In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.</td>
</tr>
<tr>
<td>Accountability</td>
<td>Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.</td>
</tr>
<tr>
<td>Openness</td>
<td>Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.</td>
</tr>
<tr>
<td>Honesty</td>
<td>Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.</td>
</tr>
<tr>
<td>Leadership</td>
<td>Holders of public office should promote and support these principles by leadership and example.</td>
</tr>
</tbody>
</table>

### Model Codes Developed by the Former ODPM

2.4 To define core principles and values for local government’s corporate governance that are relevant and comprehensive is challenging, but high ethical standards are a cornerstone of good governance. One of the common aspects of governance failures is inappropriate behaviour amongst some members and officers.

2.5 As part of the new ethical framework, the Local Government Act 2000 (England and Wales) provided for the development of a model code of conduct covering the behaviour of elected and co-opted members and gave the Secretary of State and the National Assembly for Wales power to develop a set of general principles of conduct. The former ODPM issued four model codes of conduct for members for principal authorities, parish councils, park authorities and police authorities respectively [currently under review]. The Nolan principles underpin the codes. The model codes cover:

- general principles in relation to equality of treatment for all people irrespective of race, age, religion, gender, sexual orientation and disability; the safeguarding of the impartiality of councils’ employees
- confidentiality and openness – the treatment of confidential information and access to information
- criminal offences and bringing an authority into serious disrepute
• the use of an authority’s resources – the prohibition of members from using their office/position to obtain advantage or from using local authority resources for the benefit of political parties

• decision making – the requirement for members to act reasonably

• personal interest – restrictions on participation in meetings by members with a personal interest in matters under consideration

• the registration of members’ interest – and gifts and/or hospitality received

• bullying and intimidation.

2.6 Local authorities may incorporate their own requirements into their codes of practice, but they must adopt the statutory elements of the model code, and had to bring the new codes of practice into operation within six months of the publication of the model code.

2.7 Each authority must make its code available for inspection and send a copy of its code to the Standards Board for England.

2.8 The Relevant Authorities (General Principles) Order 2001 outlined three additional principles to those identified by the Nolan Committee. These three are defined below. As part of the new ethical framework, the Local Government Act 2000 (England and Wales) provided for the development of a model code of conduct covering the behaviour of elected members and gave the Secretary of State and the National Assembly for Wales power to develop a set of general principles of conduct.

<table>
<thead>
<tr>
<th>Respect for others</th>
<th>Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority’s statutory officers and its other employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty to uphold the law</td>
<td>Members should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.</td>
</tr>
<tr>
<td>Stewardship</td>
<td>Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.</td>
</tr>
</tbody>
</table>

THE CIPFA/SOLACE FRAMEWORK

2.9 CIPFA has worked to widen the debate on corporate governance arrangements in public service bodies, not least in its various submissions to the Nolan Committee on standards in public life and through the development of the publication Corporate Governance: A Framework for Public Service Bodies (published in July 1995), which defines the standards of good corporate governance with which any public service body could be expected to comply.

The first CIPFA/SOLACE Framework was based on the Cadbury definition of corporate governance and reflects Cadbury’s three principles, adapted to reflect the public sector context and, in particular, Nolan’s seven principles of public life:

- **Openness and inclusivity** are required to ensure that stakeholders can have confidence in the decision-making and management processes of local authorities, and in the approach of the individuals within them. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an inclusive approach, which seeks to ensure that all stakeholders and potential stakeholders have the opportunity to engage effectively with the decision-making processes and actions of local authorities. It requires an outward focus and a commitment to partnership working. It calls for innovative approaches to consultation and to service provision.

- **Integrity** comprises both straightforward dealing and completeness. It is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of an authority’s affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of the members and staff within the authority. It is reflected in the authority’s decision-making procedures, in its service delivery and in the quality of its financial and performance reporting.

- **Accountability** is the process whereby local authorities, and the members and staff within them, are responsible for their decision and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

The first CIPFA/SOLACE Framework makes it clear that the concept of leadership overarches these three principles; that the principles can only be adhered to if leadership is exercised through the local authority providing vision for its community – and leading by example with members and managers demonstrating high standards of conduct.

In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, says there should be a common governance standard for public services similar to the private sector’s Combined Code.
2.14 The *Good Governance Standard for Public Services* builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it says should underpin the governance arrangements of all bodies:

- a clear definition of the body’s purpose and desired outcomes
- well-defined functions and responsibilities
- an appropriate corporate culture
- transparent decision making
- a strong governance team
- real accountability to stakeholders.

2.15 For the purpose of developing *Delivering Good Governance in Local Government*, the six core principles from the *Good Governance Standard for Public Services* have been adapted for the local authority context. The principle of leadership has been expanded to emphasise the role of authorities in ‘leading’ their communities and therefore that this concept ‘overarches’ the other principles. Greater emphasis has been placed on scrutiny and overview to accommodate the new arrangements for local authorities. Also, the principles have been developed to take greater account of the political regime in which local authorities operate.
Section 3
Structure of the ‘Governing Body’

3.1 The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. For England and Wales, the Local Government Act 2000 introduced new governing structures for all local councils, clarifying responsibility for making decisions and establishing a scrutiny role. Councils with populations above 85,000 are required to have ‘executive arrangements’ whereby the executive comprises elected members. Councils with populations below 85,000 are able to have a modified committee system together with arrangements for overview and scrutiny.

3.2 Executive arrangements must include one or more overview and scrutiny committees through which non-executive councillors can question and challenge the policy and performance of the executive and promote public debate. Current proposals contained in the White Paper *Strong and Prosperous Communities* intend that the role of overview and scrutiny committees will be strengthened to enable them to challenge the policies and practices of other local providers such as primary care trusts. Councils also have the power to promote the economic, social and environmental well-being of their areas and to work with other bodies to develop community strategies.

3.3 Elected members are collectively responsible for the governance of the council. The full council’s responsibilities include:

- agreeing the council’s constitution comprising the key governance documents including the executive arrangements and making major changes to reflect best practice
- agreeing the policy framework including the community strategy and other key strategies
- agreeing the budget.

The executive is responsible for:

- proposing the policy framework and key strategies
- proposing the budget
- implementing the policy framework and key strategies.

3.4 The chief executive advises councillors on policy and necessary procedures to drive the aims and objectives of the authority. The chief executive leads a management team consisting of senior managers. The director of finance, monitoring officer and other senior managers are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve the aims and objectives of
the authority and are responsible for implementing councillors’ decisions and for service performance.

3.5 Fire authorities and joint authorities including waste disposal authorities, passenger transport authorities and combined fire and rescue authorities do not have directly elected members. Instead they have members appointed to the authority by the local councils. National park authorities also have members appointed by the Secretary of State. Members are responsible for setting policies and priorities and the efficient and effective use of resources. These authorities do not have formal constitutions but rely on the schemes of delegation and operate a traditional local authority committee model. In the fire service, the fire brigade operates as the executive arm with the fire service providing scrutiny.
Section 4
Good Practice Examples and Case Studies

GOOD PRACTICE EXAMPLES

4.1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Welcome constructive challenge as an opportunity to learn and improve performance. It may come from a variety of forms – external audit, regulatory, inspection, peer review, commissioned consultants or input from other high-performing authorities.

4.2 Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

It is good practice for political parties to identify the future skills base and type of representation needed for politicians and, using appropriate selection methods, to take steps to fill these gaps when seeking candidates for election and for succession planning.

It is good practice for new chief executive and leader pairings to consider how best to establish and maintain effective communication.

4.3 Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

It is good practice for members and officers to reject offers of hospitality, such as invitations to sporting events, from firms that the authority is contracting with, or may contract with in the future.

4.4 Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Although scrutiny generally looks at issues and policies once they are in place, scrutiny should also to take place at the policy development stage.

4.5 Good governance means developing the capacity and capability of members and officers to be effective

It is good practice for political parties to appraise the performance of those that are elected and put in place training and development programmes to fill any skills gaps and also for future politicians.
It is good practice for appraisals of a chief executive’s performance to be externally validated.

4.6 **Good governance means engaging with local people and other stakeholders to ensure robust public accountability**

Local authorities are well placed to understand and respond to particular challenges within the local community. By bringing together key representatives from community, religious and political groups they can encourage debate on such issues as integration and policing and focus on shared values.

**CASE STUDIES**

**Case study 1**

Swindon Borough Council, which was not performing well according to its CPA in 2004, was able to transform itself into a council described as strongly performing by the Audit Commission within two years. This was achieved by a radical transformation of its governance processes. The key areas addressed link to the six principles contained in the good governance Framework and are set out below:

1. **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**
   - the appointment of a highly experienced chief executive early in 2005 was critical to the transformation
   - the publication of a ‘full recovery’ plan by the chief executive setting out a high-level approach to transforming the council
   - the publication of a document setting out 50 promises to the community – the first time the council had focused on its outcomes and considered what was the purpose of the organisation.

2. **Members and officers working together to achieve a common purpose with clearly defined functions and roles**
   - strengthened the overview and scrutiny function
   - strengthened the audit committee – people with authority were appointed to the committee who were not on the executive to balance a strong cabinet
   - used a project management board to oversee key projects involving members.

3. **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
   - a checklist for chairmen was drawn up with external help to ensure the conduct of meetings improved
• the focus of formal council meetings was improved through making the order of business and reports more effective
• meetings became shorter and fewer were held.

4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
• a new shorter report format was devised to facilitate improved decision-making processes
• monthly budget monitoring reports to the corporate board and quarterly reports to the cabinet tracked major risks in expenditure
• the role of the overview and scrutiny function was further developed to hold the executive to account.

5 Developing the capacity and capability of members and officers to be effective
• managerial leadership was strengthened
• the finance team was strengthened
• clear responsibilities and accountabilities were placed with departmental and project managers.

6 Engaging with local people and other stakeholders to ensure robust public accountability
• the council is now a much better partner to do business with and this has been demonstrated through partnerships relating to areas such as regeneration, public health, adult social care and housing.
Case study 2

Wakefield Metropolitan District Council, which was considered 1 of only 13 ‘poor’ councils in the 2002 CPA, was judged to be the ‘most improved council’ according to the Local Government Chronicle Awards in 2006. The key areas addressed to effect this change link to the six principles in the good governance Framework and are outlined below.

1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- a new chief executive and corporate management team were appointed to create a strong corporate leadership
- wide-scale engagement with local partners and citizens was undertaken to identify priorities and create a vision
- a 25-year community strategy was drawn up and joint action plans agreed.

2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

- the importance of the roles of the three statutory offices was recognised and endorsed; all are members of the corporate management team and can therefore exercise influence at the highest level
- executive and leadership development were targeted for improvement
- the roles of the executive and backbench members have been clarified and a modern scheme of delegation put in place.

3 Promoting values for the authority and demonstrating the values of good governance through upholding the high standards of conduct and behaviour

- ethical standards have been embedded through training and are reviewed regularly
- a good governance culture has been developed by leading through example and this has led to trust.

4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- a fundamental review of decision-making processes was undertaken and a new constitution to give operational and strategic clarity was put in place
- the respective rights and responsibilities of councillors and managers have been redrawn to give more time for delivering improvement.

5 Developing the capacity and capability of members and officers to be effective

- the council placed major investment in corporate capacity
- strong leadership was achieved.
Section 4: Good Practice Examples and Case Studies

Engaging with local people and other stakeholders to ensure robust public accountability

- the council has strong leadership; it has aspirations, such as being the local employer of choice; it has an example to set.

Case study 3

Hull City Council had many partnerships in place, but no central knowledge of how many or which partnerships it was involved with and they lacked proper governance arrangements. To address this, the council needed to put in place robust governance arrangements for current and future partnerships, particularly as partnership arrangements were becoming more diverse. As a first step, the council held facilitated workshops with the Audit Commission and, from these, developed a partnership toolkit. All the current partnerships were evaluated using the toolkit. For example, all partnerships would have:

- expected outcomes clarified
- a ‘health check’ assessment
- a review and report annually.

The council defined a partnership as having:

- an agreed framework for jointly delivering common goals, with
- shared risks and resources, which provide
- identified added value and measurable impact, based on
- shared accountability for outcomes, which cannot be obtained in other ways.

The toolkit was created as an essential tool to ensure good corporate partnership governance and has had the following benefits for each partnership:

- clarity of purpose and outcomes
- making best use of resources
- clarified accountability
- risk management structures have been put in place
- the legal status of partnerships has been determined
- sets out an exit strategy.
**Case study 4**

The Greater London Authority is a small strategic, rather than service delivery, focused authority. It is, therefore, reliant upon partnerships to achieve many of its aims and objectives. A number of reviews had been carried out jointly with the authority’s internal and external auditors to audit the authority’s involvement in partnerships and the type of governance arrangements in place for each one. Such reviews highlighted that there was much good practice across the organisation, but no clear guide and toolkit to highlight such good practice.

The reviews also highlighted that the authority is involved in a number of different types of partnerships – informal, formal, strategic and service delivery, which needed different levels and types of governance.

In order to provide guidance on appropriate governance it was decided to carry out a review to gather together best practice from internal and external sources. The review was focused on the key issues partnerships faced, and tools and techniques to overcome them.

The toolkit focuses on the five elements of a partnership lifecycle, and provides advice, tools and best practice underneath each part of the lifecycle. Where relevant, guidance is provided for different types of partnership, to ensure the most effective, efficient and proportionate governance is put in place.

Examples of guidance produced under each of the five lifecycle areas are:

<table>
<thead>
<tr>
<th>Lifecycle areas</th>
<th>Example guidance and tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-up and approval</td>
<td>• defining the partnership</td>
</tr>
<tr>
<td></td>
<td>• setting up legal agreements</td>
</tr>
<tr>
<td></td>
<td>• agreeing membership and responsibilities</td>
</tr>
<tr>
<td></td>
<td>• agreeing accountable body and responsibilities (including agreeing approvals for funding)</td>
</tr>
<tr>
<td></td>
<td>• creating partnership aim</td>
</tr>
<tr>
<td>Forming and vision creation</td>
<td>• agreeing terms of reference, partnership agreements and/or legal status</td>
</tr>
<tr>
<td></td>
<td>• creating vision, outcomes, action plans and deliverables</td>
</tr>
<tr>
<td></td>
<td>• example roles and job descriptions</td>
</tr>
<tr>
<td>Delivery and performance</td>
<td>• diagnostics to solve partnership problems</td>
</tr>
<tr>
<td></td>
<td>• case studies on dealing with conflicts of interest</td>
</tr>
<tr>
<td></td>
<td>• communications and stakeholder involvement</td>
</tr>
</tbody>
</table>
Lifecyle areas | Example guidance and tools
---|---
Review, measure and update | • example measurement framework
• agreeing performance measurement structures
• partnership reviews
Achievement of vision and closure | • exit strategies

The benefits of the toolkit are:

- timely and easy to access advice and guidance on partnership governance issues
- learning from across the organisation on how to avoid issues and risks
- useable and proven tools to help partnership managers put clear roles, objectives, outcomes, shared accountability, risk management and exit strategies in place.

**Case study 5**

Bath & North East Somerset Council had implemented risk management processes in line with best practice:

- a risk opportunity management strategy had been adopted and was annually reviewed
- corporate and service risk registers had been established and made available on the intranet
- the council’s audit committee’s terms of reference had been amended to cover risk management.

Whilst implementation had been successful, the council felt that there was still considerable room for improvement.

The council established a risk management support group chaired by a director [supported by the council’s risk manager] to challenge service risk management arrangements. Heads of service are asked to present their risk management arrangements to the group and are marked against a set of predefined criteria by a group of their peers. A report and action plan is then placed on the council’s performance management system. In the future this will form the basis for a service area risk management ‘balanced scorecard’ which will be signed off on a quarterly basis.

To imbed further risk management arrangements, considerable emphasis has been placed on staff training. All staff now receive an element of risk management training as part of the council’s corporate induction process.
Risk workshops are provided to teams to aid the development of team risk registers and issues logs which encourage ownership of risk from the bottom up. Where this has taken place it has resulted in a marked improvement in the quality of service risk registers and the identification of previously undocumented risks.

A decision-making review has been undertaken to assist in refining the risk management approach within formal council decisions (single member, executive and council). This was used as an opportunity to provide one-to-one risk management training for executive members and chairs of scrutiny panels.

There is still further scope for improvement and the council is currently considering the acquisition of integrated audit and risk management software to further drive the process.
Section 5
Schedule to Assist in Putting the Principles into Practice

5.1 The illustrative tables overleaf show:
- how the principles of good governance should be reflected
- the requirements that need to be reflected in a local code
- examples of systems, processes and documentation that may be used to demonstrate compliance
- self-assessment tools and useful references.

5.2 It should be stressed that authorities will need to assess how far their processes and documentation meet the criteria suggested, otherwise the exercise will become a box-ticking process rather than a qualitative exercise. One way to make the exercise more challenging would be to score the authority’s arrangements on a scale of 0 to 10, where 10 represents very best practice. This would require the provision of qualitative and/or quantitative data on achievement against the requirements the local code should reflect. This could be done by adding two extra columns – one for a self-assessment score and one to add plans for improvement.
FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

<table>
<thead>
<tr>
<th>The code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that may be used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• develop and promote the authority’s purpose and vision</td>
<td>• used as a basis for:</td>
</tr>
<tr>
<td></td>
<td>• corporate and service planning</td>
</tr>
<tr>
<td></td>
<td>• shaping the community strategy</td>
</tr>
<tr>
<td></td>
<td>• local area or performance agreements</td>
</tr>
<tr>
<td>• review on a regular basis the authority’s vision for the local area and its impact on the authority’s governance arrangements</td>
<td>• governance code</td>
</tr>
<tr>
<td>• ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties</td>
<td>• partnership protocol</td>
</tr>
<tr>
<td></td>
<td>• governance code</td>
</tr>
<tr>
<td>• publish an annual report on a timely basis to communicate the authority’s activities and achievements, its financial position and performance</td>
<td>• annual financial statements</td>
</tr>
<tr>
<td></td>
<td>• annual business plan</td>
</tr>
<tr>
<td>• decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</td>
<td>• this information is reflected in the authority’s:</td>
</tr>
<tr>
<td></td>
<td>• corporate plan</td>
</tr>
<tr>
<td></td>
<td>• annual business plan</td>
</tr>
<tr>
<td></td>
<td>• medium-term financial strategy</td>
</tr>
<tr>
<td></td>
<td>• resourcing plan</td>
</tr>
<tr>
<td></td>
<td>in order to ensure improvement</td>
</tr>
<tr>
<td>• put in place effective arrangements to identify and deal with failure in service delivery</td>
<td>• complaints procedure</td>
</tr>
<tr>
<td>• decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.</td>
<td>• the results are reflected in authority’s performance plans and in reviewing the work of the authority</td>
</tr>
</tbody>
</table>

Reference documents

*Strong and Prosperous Communities*, DCLG (October 2006)

*The Politics of Place*, The Leadership Centre for Local Government (October 2006)


MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that maybe used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• set out a clear statement of the respective roles and responsibilities of the executive and of the executive’s members individually and the authority’s approach towards putting this into practice</td>
<td>• constitution</td>
</tr>
<tr>
<td>• set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers</td>
<td>• record of decisions and supporting materials</td>
</tr>
<tr>
<td>• determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</td>
<td>• constitution</td>
</tr>
<tr>
<td>• make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</td>
<td>• conditions of employment</td>
</tr>
<tr>
<td>• develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</td>
<td>• scheme of delegation</td>
</tr>
<tr>
<td>• make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</td>
<td>• statutory provisions</td>
</tr>
<tr>
<td>• make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</td>
<td>• job descriptions/specification</td>
</tr>
<tr>
<td>• consider how best to establish and maintain effective communication</td>
<td>• new chief executive and leader pairing</td>
</tr>
<tr>
<td>• make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</td>
<td>• section 151 responsibilities</td>
</tr>
<tr>
<td>• develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</td>
<td>• statutory provision</td>
</tr>
<tr>
<td>• make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</td>
<td>• statutory reports</td>
</tr>
<tr>
<td>• make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</td>
<td>• budget documentation</td>
</tr>
<tr>
<td>• develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</td>
<td>• job description/specification</td>
</tr>
<tr>
<td>• make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</td>
<td>• monitoring officer provisions</td>
</tr>
<tr>
<td>• make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</td>
<td>• statutory provision</td>
</tr>
<tr>
<td>• develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</td>
<td>• job description/specification</td>
</tr>
</tbody>
</table>
**The local code should reflect the requirement for local authorities to:**

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to</th>
<th>Source documents/good practice/other means that maybe used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• develop protocols to ensure effective communication between members and officers in their respective roles</td>
<td>• member/officer protocol</td>
</tr>
<tr>
<td>• set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)</td>
<td>• pay and conditions policies and practices</td>
</tr>
<tr>
<td>• ensure that effective mechanisms exist to monitor service delivery</td>
<td></td>
</tr>
<tr>
<td>• ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</td>
<td>• vision</td>
</tr>
<tr>
<td></td>
<td>• strategy</td>
</tr>
<tr>
<td></td>
<td>• corporate plans</td>
</tr>
<tr>
<td></td>
<td>• budgets</td>
</tr>
<tr>
<td></td>
<td>• performance plan/ regime</td>
</tr>
</tbody>
</table>
| • when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority | • protocols for partnership working. For each partnership there is:  
  - a clear statement of the partnership principles and objectives  
  - clarity of each partner’s role within the partnership  
  - definition of roles of partnership board members  
  - line management responsibilities for staff who support the partnership  
  - a statement of funding sources for joint projects and clear accountability for proper financial administration  
  - a protocol for dispute resolution within the partnership  
| • when working in partnership: | |
| • ensure that there is clarity about the legal status of the partnership | |
| • ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. | |

**Reference documents**


**Tools to assist local authorities for self-assessment purposes**

### Promoting Values for the Authority and Demonstrating the Values of Good Governance Through Upholding High Standards of Conduct and Behaviour

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that maybe used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect</td>
<td>• members’/officers’ code of conduct performance management system</td>
</tr>
<tr>
<td>• ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</td>
<td>• performance appraisal</td>
</tr>
<tr>
<td></td>
<td>• complaints procedures</td>
</tr>
<tr>
<td></td>
<td>• anti-fraud and -corruption policy</td>
</tr>
<tr>
<td></td>
<td>• member/officer protocols</td>
</tr>
<tr>
<td></td>
<td>• standing orders</td>
</tr>
<tr>
<td></td>
<td>• codes of conduct</td>
</tr>
<tr>
<td></td>
<td>• financial regulations</td>
</tr>
<tr>
<td>• put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</td>
<td>• codes of conduct</td>
</tr>
<tr>
<td></td>
<td>• codes of conduct</td>
</tr>
<tr>
<td>• develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners</td>
<td>• terms of reference</td>
</tr>
<tr>
<td></td>
<td>• regular reporting to the council</td>
</tr>
<tr>
<td></td>
<td>• decision-making practices</td>
</tr>
<tr>
<td>• put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</td>
<td>• protocols for partnership working</td>
</tr>
<tr>
<td></td>
<td>• member/officer protocols</td>
</tr>
<tr>
<td>• develop and maintain an effective standards committee</td>
<td></td>
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</tbody>
</table>
### Taking Informed and Transparent Decisions Which Are Subject to Effective Scrutiny and Managing Risk

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that may be used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible</td>
<td>• scrutiny is supported by robust evidence and data analysis</td>
</tr>
<tr>
<td>• develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</td>
<td>• decision-making protocols record of decisions and supporting materials</td>
</tr>
<tr>
<td>• put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</td>
<td>• members’ code of conduct</td>
</tr>
<tr>
<td>• develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</td>
<td>• terms of reference • membership • training for committee members</td>
</tr>
<tr>
<td>• ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</td>
<td>• complaints procedure</td>
</tr>
<tr>
<td>• ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</td>
<td>• members’ induction scheme • training for committee chairs</td>
</tr>
<tr>
<td>• ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</td>
<td>• record of decision making and supporting materials</td>
</tr>
<tr>
<td>• ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</td>
<td>• risk management protocol • financial standards and regulations</td>
</tr>
<tr>
<td>• ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access</td>
<td>• whistle-blowing policy</td>
</tr>
</tbody>
</table>
### Section 5: Schedule to Assist in Putting the Principles into Practice

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that may be used to demonstrate compliance</th>
</tr>
</thead>
</table>
| • actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities | • constitution  
• monitoring officer provisions  
• statutory provision |
| • recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law | • monitoring officer provisions  
• job description/specification  
• statutory provision |
| • observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes. |  |

**Reference documents**

- *Risk Management in the Public Services*, CIPFA/ALARM (2001)
- *A Wider Conversation: Effective Scrutiny of Local Strategic Partnerships*, iDeA (February 2007)

**Tools to assist local authorities for self-assessment purposes**


### Developing the Capacity and Capability of Members and Officers to Be Effective

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that may be used to demonstrate compliance</th>
</tr>
</thead>
</table>
| • provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis | • training and development plan  
• induction programme  
• update courses/information |
## The local code should reflect the requirement for local authorities to:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Source documents/good practice/other means that maybe used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</td>
<td>• job description/personal specifications membership of top management team</td>
</tr>
<tr>
<td>• assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</td>
<td>• training development plan</td>
</tr>
<tr>
<td>• develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</td>
<td>• training and development plan reflect requirements of a modern councillor including:</td>
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<tr>
<td>• ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs</td>
<td>• performance management system</td>
</tr>
<tr>
<td>• ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</td>
<td>• strategic partnership framework</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>• ensure that career structures are in place for members and officers to encourage participation and development</td>
<td>• succession planning</td>
</tr>
</tbody>
</table>

### Reference documents

*Frontline Councillor: How Local politicians can Make a Difference to their Communities, IDeA (2007)*
## ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

<table>
<thead>
<tr>
<th>The local code should reflect the requirement for local authorities to:</th>
<th>Source documents/good practice/other means that may be used to demonstrate compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• make clear to themselves, all staff and the community to whom they are accountable and for what</td>
<td>• community strategy</td>
</tr>
<tr>
<td>• consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</td>
<td></td>
</tr>
<tr>
<td>• produce an annual report on the activity of the scrutiny function</td>
<td>• annual report</td>
</tr>
<tr>
<td>• ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively</td>
<td>• community strategy</td>
</tr>
<tr>
<td>• hold meetings in public unless there are good reasons for confidentiality</td>
<td>• processes for dealing with competing demands within the community</td>
</tr>
<tr>
<td>• ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</td>
<td></td>
</tr>
<tr>
<td>• establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result</td>
<td>• partnership framework</td>
</tr>
<tr>
<td>• on an annual basis, publish a performance plan giving information on the authority’s vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</td>
<td>• communication strategy</td>
</tr>
<tr>
<td></td>
<td>• annual report</td>
</tr>
<tr>
<td></td>
<td>• annual financial statements</td>
</tr>
<tr>
<td></td>
<td>• corporate plan</td>
</tr>
<tr>
<td></td>
<td>• annual business plan</td>
</tr>
</tbody>
</table>
The local code should reflect the requirement for local authorities to:

Source documents/good practice/other means that may be used to demonstrate compliance

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</td>
<td>constitution</td>
</tr>
<tr>
<td>• develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</td>
<td>constitution</td>
</tr>
</tbody>
</table>

Reference documents

Governing Partnerships: Bridging the Accountability Gap, Audit Commission [2005]

The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Public Services [2004]

Tools to assist local authorities for self-assessment purposes

Section 6
Assessment Questions for Authority Members and Authorities to Ask Themselves

1. Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
   - How clear are we about what we are trying to achieve as an authority?
   - Do we always have this at the front of our minds when we are planning or taking decisions?
   - How well are we doing in achieving our intended outcomes?
   - How well do we communicate our vision to the community?
   - To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality?
   - Do we receive regular and comprehensive information on users' views of quality?
   - How could this information be improved?
   - How well does the organisation understand the views of the public and service users?
   - Do we receive comprehensive and reliable information about these views and do we use it in decision making?

2. Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles
   - Do we all know what we are supposed to be doing?
   - Is our approach to each of the authority’s main functions clearly set out and understood by all the authority members and the leader and senior cabinet members?
   - Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the full council?
   - What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?
   - Are the governance arrangements understood throughout the authority? What efforts have been made to ‘demystify’ the concepts of governance? Have they been successful?
• How clearly have we defined the respective roles and responsibilities of the non-
exectuves and the executive, and of the chair and the chief executive?
• Do all members of the authority take collective responsibility for its decisions?

3 Good governance means promoting values for the authority and demonstrating the
values of good governance through upholding high standards of conduct and behaviour

• In what ways does our behaviour, collectively as a governing body and individually
as governors, show that we take our responsibilities to the organisation and its
stakeholders very seriously?
• Are there any ways in which our behaviour might weaken the organisation’s aims and
values?
• Does the standards committee act as the main means to raise awareness? Does it
take the lead in ensuring high standards of conduct are firmly embedded within the
local culture?
• What are the values that we expect the staff to demonstrate in their behaviour and
actions?
• How well are these values reflected in our approach to decision making?
• What more should we do to ensure these values guide our actions and those of staff?

4 Good governance means taking informed and transparent decisions which are subject
to effective scrutiny and managing risk

• How well do our meetings work?
• What could we do to make them more productive and do our business more
effectively?
• Is the quality of information received across service areas consistent, including
partnerships?
• To what extent does the information that we have on costs and performance help us to
make rigorous decisions about improving value for money?
• How effectively do we use this information when we are planning and taking
decisions? How well do we understand how the value we provide compares with that
of similar organisations?
• Is this set out in a clear and up-to-date statement?
• How effective is this as a guide to action for the full council and the executive?
• How well do we explain the reasons for our decisions to all those who might be
affected by them?
• Are decision-making processes properly adhered to?
• How do we ensure the full council maintains a key role in debating decisions?
Is the information received by all council members robust and objective and appropriate for their needs?

How could the information received be improved to help improve our decision making?

Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?

How effective is the organisation’s risk management system?

How do we review whether this system is working effectively?

Do we develop an action plan to correct any deficiencies in the systems?

If so, do we publish this each year?

Is the scrutiny function adequately resourced?

Does the scrutiny function work effectively? Is the outcome of constructive scrutiny taken into account?

5 Good governance means developing the capacity and capability of members and officers to be effective

What skills have we decided that members must have to do their jobs effectively?

How well do the political parties identify people with the necessary skills to seek election and reach people from a wide cross-section of society?

What more could we do to make sure that becoming an authority member is practical for as many people as possible?

How effective are we at developing our skills and updating our knowledge?

How effective are political parties at reviewing the performance of individual members?

Do we put into practice action plans for improving our performance as an authority?

How do we ensure officers have the necessary skills to do their jobs? Are officers adequately resourced?

Is it possible to find a balance between continuity of knowledge and renewal of thinking in the authority membership? Do we have a policy on succession planning?

Does this need to be reviewed?

6 Good governance means engaging with local people and other stakeholders to ensure robust public accountability

Who are we accountable to and for what?

How well does each of these accountability relationships work?

Do we need to take steps to clarify or strengthen any relationships?
Do we need to negotiate a shift in the balance between different accountability relationships?

How do we deal with competing demands and priorities from different sections of the community? Are the processes we use effective?

What is our policy on how the organisation should consult the public and service users?

Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information if receives?

Do we need to review this policy and its implementation?

What is our policy on consulting and involving staff and their representatives in decision making?

Is this communicated clearly to staff?

How well do we follow this in practice?

How effective are systems within the organisation for protecting the rights of staff?

Who are the institutional stakeholders that we need to have good relationships with?

How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?

How well do we exercise ‘leadership’ for the community?

Are we upholding and demonstrating the spirit and ethos of good governance that the Framework sets out to capture?

Do we have a process for regularly reviewing our governance arrangements and practice against the Framework?

What further improvements do we need to make?

Are we making public the results of our reviews and our plans for future improvements? Are we inviting feedback from stakeholders and service users?
Section 7
Further Guidance on Audit Committees, Standards Committees and Scrutiny

INTRODUCTION

7.1 Local authorities have the freedom to make their own judgements about appropriate governance arrangements and to justify their decisions through the relevant accountability channels. However, it is important that respective committees are clear about their roles and responsibilities and that there is a clear distinction in their terms of reference. This will avoid confusion, disputes and possible duplication. Furthermore, committees are likely to be more effective if they are required to focus on their own defined areas of business.

7.2 The following guidance is intended to help authorities enhance the effectiveness of their own committee structures by clarifying functions and roles for audit, standards and scrutiny committees.

THE ROLE OF AUDIT AND STANDARDS COMMITTEES

7.3 A useful distinction can be made between the functions of ‘overseeing financial processes, audit and risk management’ and ‘ensuring and promoting good ethical conduct.’ The focus of audit committees should be on the former while the focus of standards committees should be on the latter. An audit committee would then oversee the following core functions outlined in the CIPFA publication Audit Committees: Practical Guidance for Local Authorities (2005). This guide recommends that the audit committee will:

- consider the effectiveness of the authority’s risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors
- be satisfied that the authority’s assurance statements properly reflect the risk environment and any actions required to improve it
- approve (but not direct) internal audit’s strategy, plan and monitor performance
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- receive the annual report of the Head of Internal Audit
- consider the reports of external audit and inspection agencies
• ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
• review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.

7.4 The responsibility to ensure a robust local framework adds particular emphasis to the standards committee’s role in promoting high standards of conduct, thus providing the basis for strong and accountable leadership.

7.5 The functions of the standards committee are determined by statute and resolutions. Part III of the Local Government Act 2000 requires standards committees to undertake the following functions:
• give the council advice on adopting a local code of conduct
• monitor the effectiveness of the code
• train members on the code, or arrange such training
• promote and maintain high standards of conduct for members
• help members to follow the code of conduct.

7.6 The introduction of regulations under the Local Authorities (Code of Conduct) (Local Determinations) Regulations 2003 has led to standards committees having the responsibility for holding a local hearing following an investigation of misconduct and imposing sanctions.

7.7 As proposed in the Local Government White Paper 2006 Strong and Prosperous Communities, the Local Government and Public Involvement in Health Bill 2007 places greater emphasis on local decision making on ethics issues by making standards committees responsible for the initial assessment of all allegations of misconduct.

7.8 Reference is made to the role of standards committees in the Comprehensive Performance Assessment 2005: Key Lines of Enquiry for Corporate Assessment. Of particular note is the role of promoting and maintaining high ethical standards and the need to have a high profile within the council. Similarly, the Government, as part of its drive for local ownership of standards and ethical issues, envisages standards committees as being at the heart of decision making within the conduct regime and the main means of raising awareness of standards issues [Standards of Conduct in English Local Government: The Future, ODPM, 2005].

7.9 Equally, the Audit Commission’s Key Lines of Enquiry for Use of Resources Assessments recognise the importance of the council being able to demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance, preferably through an audit committee that is independent of the executive function. That
group should provide leadership on governance, financial reporting and audit issues and, when full effective, will provide challenge across the authority.

7.10 Other functions that could come under the remit of standards committees are overviewing the constitution, overviewing whistle-blowing, assessing reports from the Ombudsman and developing protocols.

7.11 The above does not include an exhaustive list of possible functions. Although mindful of the need not to be over-prescriptive there is, nevertheless, a need for clarity of roles, and for some protocol where committees coexist. It could also be possible that the committees would contribute to each other’s work and/or undertake joint working and reporting on some issues, for which they both would have some responsibility, for example risk management and monitoring corporate governance.

THE ROLE OF SCRUTINY

7.12 The Local Government Act 2000 brought in new arrangements that clearly defined a scrutiny role for elected members in holding executives of councils to account, and in scrutinising the work of other agencies providing local services. There is now a clear distinction between the executive’s role in proposing and implementing policies, and the role of non-executive members in reviewing policy and scrutinising executive decisions. Local authority overview and scrutiny committees have the power to summon members of the executive and officers of the authority before it to answer questions, and are able to invite other persons to attend meetings to give their views or submit evidence. Local authority overview and scrutiny committees will in certain circumstances have the power to ask other partner bodies for information and for those partner bodies to be required to have regard to recommendations made by the overview and scrutiny committee.

7.13 The role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. This is different from the role of the audit committee, which exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the authority, including the scrutiny function, is operating effectively. That said, an audit committee’s judgements may well be informed by the results of scrutiny within the authority.

7.14 The scrutiny function has four key legislative roles:

- holding the executive to account
- policy development and review
- best value reviews
- external scrutiny – scrutiny committees have the power to consider matters that are not the responsibility of the local authority, but which affect the authority’s area or its inhabitants.

7.15 Scrutiny and overview committees may also:
• provide satisfying and meaningful roles for non-executive members
• consider the improvement agenda (including CPAs), general performance, management and review
• ensure corporate priorities are met
• monitor and revise the constitution
• engage partner organisations, the public and the press.

Membership and skills of audit committees, standards committees and scrutiny and overview committees

7.16 In the guide Audit Committees: Practical Guidance for Local Authorities (2005) CIPFA recommended that members of the audit committee should be independent of both the executive and scrutiny functions. The Government has also proposed that all chairs of standards committees should be independent [the Local Government and Public Involvement in Health Bill 2007]. The Relevant Authorities (Standards Committee) Regulations 2001 require that independent members comprise at least 25% of the membership of the committee and the Standards Board for England recommends that there should be at least two independent representatives. Standards committees must, where they cover any parish or town councils, include at least one parish or town council representative (Local Government Act 2000 and the Relevant Authorities (Standards Committee) Regulations 2001).

7.17 Given the different roles of the committees, it follows that arrangements should be in place to ensure that members of the respective committees have the necessary skills, experience and knowledge. The Government (Standards of Conduct in English Local Government: The Future, ODPM, 2005) recommends that standards committees should include independent members who reflect a balance of experience. Although some aspects of the skills and experiences required for the committees are likely to be similar, there are some which are likely to be more specific. For example, overseeing risk management and financial arrangements (undertaken by an audit committee) requires different skills to that of holding hearings and promoting ethics (undertaken by a standards committee).
Section 8
Further Guidance on Risk Management

8.1 Risk is the threat that an event or action will adversely affect on organisation’s ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. Public services need to consider risk management and how they handle risk in all its forms. The CIPFA/ALARM publication Risk Management in the Public Services (2001) helps public service managers at all levels within an organisation to understand their role in incorporating risk management into their work.

8.2 Risk management can be defined as “a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise gains”. It is not about being ‘risk averse’ but is about being ‘risk aware’.

8.3 Good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job. At the highest level, risk management must be closely aligned to the organisation’s strategic objectives, ensuring that there is a clear focus, at the top of the organisation, on those significant risks that would prevent the organisation achieving its key business objectives. An authority should, therefore, be able to demonstrate that risk management has been embedded in its corporate business processes, including:

- strategic planning
- financial planning
- service delivery
- policy making and review
- project management
- performance management.

8.4 To enable effective strategic risk management, the number of significant business risks should be limited to those that are considered business critical – say the 10 to 20 top risks. Above this, it becomes more difficult to effectively manage and monitor risks. Authorities will also need to identify what is the most effective structure for them to manage risk. This could be achieved through an audit committee convened in accordance with best practice identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities (2005). Alternatively, authorities may wish to establish a risk management committee.

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8.5 At service or departmental level, service managers will need to be able to identify and manage those operational risks that could prevent or disrupt the delivery of services to users.

8.6 An organisation’s risks will change over time as its objectives and service delivery arrangements change, in response to either local issues or national policies. Risk management arrangements must be flexible enough to respond to these changes. What is seen as a low-level operational risk today may be tomorrow’s significant business risk.

8.7 To ensure an effective level of risk management, an authority will need to be able to demonstrate, as a minimum, the following attributes:

- A risk management strategy/policy has been adopted and approved by members.
- The risk management strategy/policy requires the authority to:
  - identify corporate and operational risks
  - assess the risks for likelihood and impact
  - identify mitigating controls
  - allocate responsibility for the mitigating controls.
- The authority maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk. The risks arising from and within partnerships and other joint working arrangements should be identified as part of this process. The corporate risk register will be supported by a series of department/service risk registers that identify and assign the lower-level operational risks.
- A member committee has specific responsibility included in its terms of reference to consider corporate risk management. There should also be a link between this function and the organisation’s arrangements for reviewing its system of internal control.
- Reports to support strategic policy decisions, and project initiation documents, include a risk assessment and the identification of mitigating action.

8.8 As an authority develops more robust risk management arrangements that reflect best practice, it should be able to demonstrate some or all of the following:

- a risk management process that is reviewed and updated at least annually
- risk management awareness training for those members with specific responsibility for risk management, and, ultimately, for all members
- relevant training and guidance for all appropriate staff to enable them to take responsibility for managing risk within their own working environment
- regular risk management reporting to the responsible member committee, which takes appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate
- a senior officer champions and takes overall responsibility for embedding risk management throughout the organisation
- consideration by the organisation of positive risks (opportunities) as well as negative risks (threats).