



GOOD GOVERNANCE
IN LOCAL
GOVERNMENT

Governance arrangements in the public services are closely scrutinised and sometimes criticised. Significant governance failings attract immense attention and one significant failing can taint a whole sector. Local authorities are big business employing over 2 million people and accounting for 25% of public spending. They are vitally important to all tax payers and citizens. Local authorities have a key role in leading their communities as well as ensuring the delivery of high quality services to them. Good governance structures enable an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Effective local government relies on public confidence in elected councillors and appointed officers. Good governance strengthens credibility and confidence in our public services. The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but be seen to be sound.

Since 2001 local government has been subject to continued reform intended to improve local accountability and engagement. These are challenging as well as exciting times for local authorities as the change agenda continues. The community local government White Paper, the Lyons Inquiry into local government, the introduction of new electoral systems in Scotland in 2007, the Beecham review of public services in Wales and the restructuring of local government in Northern Ireland will result in a period of significant upheaval for councils across the UK. This year, in England, the drives for higher performance, increased efficiency and the emphasis on the role of political

and managerial leadership have remained key but at the same time the Government's agenda for local government and the Lyons Inquiry have contributed to a debate on the very purpose of modern local government.

Issues being considered, all of which have significant implications for local authority governance, include:

- the strategic role of local government or 'place shaping'
- the functions of local authorities and how local government can help rebuild a sense of community within the wider context of Government policy relating to society and citizens
- new structures for funding and accountability
- double devolution – exploring the scope for further devolution and decentralisation of powers and responsibilities by transferring the power from central to local government and from local government to citizens and communities and the robust accountability structures required. Accountability from both bottom up (citizens and the community) and top down (central government)
- balancing national standards with enabling local needs to be prioritised.

Increasingly, local authorities work with and through a range of organisations and partnerships in order to deliver services and enhance local prosperity. Partnerships are regarded as an essential part of the pattern of public service provision. Working in partnership can bring many benefits that public bodies could not achieve by other means. Local authorities have a key role in the Government's agenda for partnership working, such as through creating shared services (a public-public partnership) or through the creation of public/private partnerships (PPPs). Local authorities are expected to take a lead in developing Local Strategic Partnerships (LSPs) – umbrella partnerships comprising all sectors of society (public, private, community, voluntary) with the objective of working together to improve the quality of life in a particular locality. However,

partnership working brings governance challenges. A one-size-fits-all approach to governance is inappropriate. Governance arrangements must be proportionate to the risks involved. In future it is likely that authorities will be less concerned with direct service delivery and more with commissioning and regulation, influencing behaviour and supporting their communities. Community leadership may become the most important feature of local governance.

A joint working group sponsored by CIPFA and SOLACE with representatives from key local government bodies together with practitioners from local authorities from across the UK has issued a consultation document updating Corporate Governance in Local Government: A Keystone for Community Governance published in 2001. Since its publication local government has been subject to continued reform to improve local accountability and engagement and a revised Framework is timely. The new Framework will illustrate best practice for developing and maintaining a local code of governance and making adopted practice open and explicit.

The draft Framework suggests that authorities must be able to demonstrate that they are complying with the principles of good governance. The six core principles defined in the draft are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from OPM and CIPFA and have been adapted for local government purposes.

Good governance means:

- (i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
- (iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour ▶▶

- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- (v) Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers – also have the capability and capacity to deliver effectively
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

The six core principles have supporting principles which reflect the dimensions of a local authority's business.

Local authorities are urged to test their structures against these principles by:

- reviewing their existing governance arrangements against the Framework and:
- developing and maintaining an up-to-date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.

The purpose of this consultation is to invite comments on the revised Framework and to seek examples of good practice which could be included in the guidance notes which will be developed to accompany it.

The joint working group is aiming to publish the final Framework by the end of 2006. The consultation document 'Good Governance in Local Government' can be downloaded from CIPFA's website at www.cipfa.org.uk/pt/consultations.cfm