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## KLOE 2.3

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### Does the organisation promote and demonstrate the principles and values of good governance?

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#### KLOE focus

The organisation:

- has adopted, promotes and demonstrates, the principles of good governance;
- maintains focus on its purpose and vision;
- demonstrates a strong ethical framework and culture; and
- applies the principles and values of good governance to its partnership working.

Why is this important?

Good governance is essential to ensure public bodies are meeting the needs of their users and are developing their community leadership role. Poor governance, especially where public bodies are working in complex partnerships, will adversely impact on effectiveness and lead to poorer public services and loss of public confidence.

The Audit Commission report [Corporate Governance: Improvement and trust in local public services](#) noted that there are two main areas affecting public confidence and trust:

- the quality of services that individuals and their families receive; and
- how open and honest bodies are about performance, including their willingness to admit to and learn from mistakes.

In general, the public does not rate public bodies highly on the second of these. Only one in eight believes their local hospital, council or police service always admits when it makes a mistake, and only one in four believes these organisations learn from the mistakes they make.

The Audit Commission defines good governance as 'ensuring an organisation is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner'.

The approach to governance under the use of resources assessment draws on the six principles of good governance from the [Good governance standard for public services](#) published in 2004 by the Independent Commission for Good Governance in Public Services. The six principles of good governance are:

1. Focusing on the organisation's purpose and on outcomes for citizens and service users.
2. Performing effectively in clearly defined functions and roles.
3. Promoting values for the whole organisation and demonstrating the values of good governance through behaviour.
4. Taking informed, transparent decisions and managing risk.
5. Developing the capacity and capability of the governing body to be effective.
6. Engaging stakeholders and making accountability real.

KLOE 2.3 focuses on principles 1, 2, 3, and 5. Principles 4 and 6 are addressed elsewhere in the use of resources framework.

#### Sector guidance

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[Primary care trusts](#)

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## Local government

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### Sector context

The CIPFA/SOLACE governance framework was revised and reissued in June 2007. It takes the six principles from the [Good governance standard for public services](#), published by the Independent Commission for Good Governance in Public Services in 2004, and adapts them for the local government context. The framework also includes best practice objectives that provide the basis for councils to develop and maintain a local code of governance reflecting its type, size, functions and nature. The framework also introduced the requirement to produce an annual governance statement from 2007/08 to replace the statement on internal control (SIC).

There are a number of changes to the standards framework for councils which became effective from May 2008. Local standards committees will now deal with most complaints about member behaviour, rather than the Standards Board for England (SBE). The SBE will be responsible for monitoring and ensuring the effectiveness of local arrangements, including supporting councils which are experiencing difficulties, and driving up their performance. The Audit Commission is currently agreeing a Memorandum of Understanding with the SBE which sets out arrangements for sharing information.

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### What might you expect to see?

#### Principles of good governance

##### What's this about?

This links to the six principles of good governance in the CIPFA/SOLACE framework, and specifically addresses principles 2 and 5:

- members and officers working together to achieve a common purpose with clearly defined functions and roles; and
- developing the capacity and capability of members and officers to be effective.

Working well as an organisation involves effective leadership throughout the council and being clear about what are executive, non-executive and scrutiny functions, and the respective roles and responsibilities. Productive working relationships between members and officers are crucial. Also, positive relationships between the council, its partners and the local community, including the third sector, must be clear so each knows what to expect of the other and what to do when things go wrong.

Councils need people with the right skills and knowledge to direct and control them effectively and bring about public confidence. Governance roles and responsibilities in the local government environment are challenging and the council's leadership (members and the corporate management team) need the right skills and support to help them perform effectively in their roles. Assessing skills gaps, providing induction programmes, training and development opportunities, and regular performance review for members and the corporate management team are all important in building and supporting a strong governance environment.

##### Getting the basics right – what might you expect to see?

The council publishes a document which clearly describes the individual roles and responsibilities of:

- the leader of the council or elected mayor;
- the executive and executive members individually;
- other council members;

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- the scrutiny function; and
- the chief executive and senior officers.

This information usually forms part of the council's constitution. The constitution will also include a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decision of the council. This also takes account of relevant legislation. The council reviews and updates the document as needed.

There are constructive working relationships between members, the corporate management team and staff. Members and senior officers receive a thorough induction tailored to their role in the council, including when they take on new roles. The council provides a full range of development opportunities for members and the corporate management team, including training. It supports members to identify and address their own development needs.

### **Performs well - what else might you expect to see?**

The council can demonstrate that members and senior officers are clear about their and each other's respective roles. The council regularly reviews member and senior officer roles and responsibilities to ensure they are coherent, comprehensive and continue to focus on delivering the purpose and priorities of the council.

The council equips members and senior officers to carry out their roles and responsibilities. For example, the council uses individual personal development plans for members that identify skill gaps and inform the training plans for the year ahead. The take up of training and development opportunities by members is high, including for long-standing members. The council collects feedback about how effective members and senior officers consider training and development opportunities to be and acts on the results.

## **Purpose and vision**

### **What's this about?**

The purpose of governance is to ensure councils and their partnerships fulfil their purpose and achieve intended outcomes for the local community while operating in an economic, efficient, effective and ethical manner. This concept should guide all governance activity. Councils need to develop a clear vision of their purpose and intended outcomes for the local community and clearly communicate this both within the organisation and to external stakeholders.

Poor governance can be a distraction from what's important and result in the council being inwardly focused, rather than outwardly focused on the delivery of quality services and achieving better community outcomes.

### **Getting the basics right – what might you expect to see?**

The council's leadership has a vision of what it wants to achieve for its local communities, founded on a robust assessment of local needs and is committed to engaging with stakeholders and local people, including minority and vulnerable groups.

The council translates this vision into ambitions and clear strategic priorities that drive the business.

### **Performs well - what else might you expect to see?**

The council's culture is open and outward facing with a clear focus on the needs of local communities. The leadership maintains focus on delivering the organisation's strategic priorities and is not distracted by internal disputes. There are excellent working relationships between members and senior officers, particularly in the key roles of leader and chief executive, and evidence that this translates into the delivery of priorities for local communities.

## **Ethical framework and culture**

### **What's this about?**

Ethical governance refers to the processes, procedures, culture and values which ensure high standards of behaviour. Ethical governance is recognised as a key element of good governance in the CIPFA/SOLACE Good Governance Framework.

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A key benefit of good ethical governance is that a council which gets its roles and relationships right in an ethical sense is more likely to be well run and effective in helping to improve services and the quality of life for its local residents. The ultimate outcome is therefore better outcomes for local people and maintaining their confidence in the council.

### Getting the basics right – what might you expect to see?

The council has adopted codes of conduct for its members and staff. It has arrangements to receive and investigate allegations of breaches of proper standards of conduct. All council members sign the code of conduct. There is currently no statutory code for staff, but some councils may have codes, for example, within contracts of employment.

The standards committee is effective in its role for overseeing compliance with the code of conduct. It has three roles in relation to complaints about member conduct:

- receiving and assessing complaints;
- reviewing local assessment decisions; and
- conducting hearings following investigation.

The monitoring officer is required to report case related information and information on the make up of the standards committee to the Standards Board for England (SBE) on a quarterly basis. The standards committee is also required to provide information on the council's ethical governance arrangements to the Standards Board annually.

**Note: auditors are asked to share their audit findings with the SBE if they have any concerns that relevant information isn't being reported by the council. The SBE will also share information with auditors.**

The council can demonstrate that the leadership sets the tone by creating a climate of openness, support and respect, promotes a strong ethical culture and upholds the values of good governance. The leader of the council and the chief executive are recognised as good role models and known to proactively promote the ethical agenda, both inside and outside the council. The standards committee advises the leadership on how it can impact positively on staff and public confidence and trust in the organisation.

The council monitors compliance with its codes and procedures, and reports the findings and any action taken, to the whole council. These include:

- codes of conduct;
- registers of interests, gifts and hospitality;
- code of practice for IT resources;
- standing orders and financial regulations; and
- procurement procedures.

Members declare personal and prejudicial interests and gifts and hospitality in public registers. It is good practice for these to be publicly available through the council's website. **Note: auditors may use this evidence to inform judgements on KLOE 2.4.**

The council clearly communicates and makes accessible its complaints procedure to the public and its whistle blowing policies and arrangements to council staff, and ensures that the arrangements are transparent and accessible both inside and outside the council (for example, to the public, partners, contractors and other stakeholders). The council engenders confidence in the complaints and whistle blowing processes by, for example:

- dealing appropriately with complaints and whistle blowing concerns; and
- learning from the issues raised and making changes as a result.

### Performs well - what else might you expect to see?

The council is proactively raising standards of ethical conduct, for example through providing ethics training, guidance and information. Training is well attended by members, including long-standing members. Poor attendance can indicate a lack of understanding of the importance of the ethical agenda. The council communicates progress made in developing the ethical environment to stakeholders and to local people and communities.

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The council can demonstrate it embeds a strong ethical culture and members and staff understand the importance and impact of the ethical agenda and their responsibilities to protect the council, its resources and reputation. The council proactively disseminates information to staff, local people and communities that highlights the importance of the ethical agenda and in particular the importance of maintaining high standards of conduct within the council to ensure probity. Members and staff have high levels of awareness of, and confidence in, the whistle blowing arrangements. The standards committee is outward facing and works to ensure that both its partners and the public have awareness of the local standards framework for example, a webpage explaining the role of the standards committee and how to make a complaint. The council has assessed the risks associated with the local determination of cases brought against members and has effective arrangements in place to manage any consequences, including any potential negative impact on the reputation of the council.

### Partnership governance

#### What's this about?

A partnership is an agreement to work collectively between two or more independent bodies to achieve a common objective. More effective partnership working is becoming essential across the public sector, not only to deliver services but to help shape places in local areas.

Governance and management issues are more complex for a partnership than an individual organisation and it is therefore important that councils:

- understand and practise the style of leadership that is effective in a partnership context;
- engage effectively with all partners and with service users and local communities; and
- create clarity about roles, relationships, accountability and responsibility of partners.

Partnerships vary in their structure and legal form, for example a partnership may be a limited company or unincorporated association. They often adopt a constitution and a memorandum of understanding or terms of reference as a governing document. The varying objectives, legal forms and membership found in partnerships makes it impossible to apply a one-size-fits-all model of partnership governance and the arrangements should therefore be proportional to the responsibilities and risks of the partnership.

The annual governance statement requires councils to report on their governance arrangements regarding partnerships and other group working. The arrangements should incorporate good practice as identified by the Audit Commission's 2005 report [Governing Partnerships: Bridging the accountability Gap](#) and should be reflected in the council's overall governance arrangements. Examples of good practice include knowing the partnerships they are involved in, and how much money and other resources they invest in them; reviewing each partnership to strengthen accountability, manage risks and rationalise working arrangements; agreeing and regularly reviewing protocols and governing documents with all partners; and establishing clear criteria against which partnerships can be evaluated to determine that they help to achieve partners' corporate objectives cost-effectively.

#### Getting the basics right – what might you expect to see?

The council ensures each of its significant partnerships has an appropriate form of governance that is formally documented. The document sets out the legal status, accountabilities, decision making processes, and roles and responsibilities of the partnership. The partnership objectives focus on achieving better outcomes for local people.

There are constructive working relationships between the council and its partnerships, including ensuring appropriate information is shared with partners in a timely manner. Each of the council's key partnerships has effective procedures for resolving disputes and these procedures are followed when needed. It makes an effective contribution to its LSP.

#### Performs well - what else might you expect to see?

The council can demonstrate that stakeholders and local people have confidence in the organisation's partnerships, including the standards of conduct of members and staff, and have

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confidence in its partnership governance arrangements. The council regularly reviews the effectiveness of its partnership working and can demonstrate that partnerships are providing effective outcomes and value for money.

The council has signed a locality-wide, agreement governing its relations with voluntary and community organisations (where appropriate). The agreement clearly sets out roles and responsibilities of each partner and their contribution to delivering better outcomes for local people.

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### Sources of evidence

The following list provides examples of potential sources of evidence. The list is not exhaustive and auditors may draw on other sources of evidence, reflecting local circumstances, to support their judgements on this KLOE.

- Council constitution.
- Scheme of delegation.
- Local code of governance.
- Annual Governance Statement.
- Members induction programme, training and development plans, and performance management arrangements.
- Quarterly and annual returns to the Standards Board for England (providing information on progress with local assessment of any potential breaches of the code of conduct for members, and ethical governance arrangements).
- Strategic plan.
- Sustainable community strategy.
- Local citizen or residents' surveys which measure confidence in local public bodies.
- Ethical governance audit and self-assessment survey

### Links to 2007/08 use of resources assessments

Where possible, auditors should bring forward evidence from the following KLOE assessed in 2007/08 to support judgements made on this KLOE:

- KLOE 4.2 – the council has arrangements in place to maintain a sound system of internal control; and
- KLOE 4.3 – the council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.

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### Reference material and further information

[The Good Governance Standard for Public Services](#), OPM and CIPFA, 2004, produced by the Independent Commission on Good Governance in Public Services, sets out six core principles of good governance for public service organisations. It shows how these should be applied if organisations are to live up to the Standard and provides a basis for the public to challenge sub-standard governance.

The CIPFA/SOLACE framework, [Delivering good governance in local government](#), and accompanying [Guidance note](#), CIPFA, 2007, aims to help local government bodies to review their governance arrangements and interpret the overarching principles and terminology of the framework in a way appropriate to the structure and role of the governing body, and legislative and constitutional arrangements.

The [Standards Board for England](#) provides an independent, national overview of how local councils promote and improve the ethical behaviour of their members. They produce resources and guidance to assist councils in interpreting the Code of Conduct, and on how to deal with complaints about members.



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[Public concern at work](#) is a whistle-blowing charity which offers free, confidential advice to people concerned about crime, danger or wrongdoing at work and helps organisations to deliver and demonstrate good governance.

The Governance section of the [Improvement Network](#) provides links to diagnostic tools to assess governance, case studies on how to improve governance and other guidance.

The [Ethical Governance Toolkit](#), produced with input from IDeA, the Audit Commission and the Standards Board, enables councils to identify how well they are meeting the ethical agenda, where they can make improvements, how to ensure that high standards of ethical governance are maintained.

[Corporate Governance: Improvement and trust in local public services](#), Audit Commission, 2003, is a report on the contribution that corporate governance makes to the quality of public services, for better or worse. It builds on the interest in the private sector in investigating the positive contribution that corporate governance arrangements make to profit and greater trust.

[Governing Partnerships: Bridging the accountability gap](#), Audit Commission, 2005, covers governance and accountability arrangements in partnerships. The report is primarily intended to be of practical help to those involved in partnerships and includes a checklist of questions that all public bodies should ask themselves about their partnerships.