



Perspectives

Austerity: opportunity to enhance good joint governance in Local Authorities

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2/1/2012

With austerity comes opportunity – for implementing good joint governance

Local government faces a time of both crisis and opportunity. The period of austerity will challenge conventional wisdom and existing practice and may pave the way for the pulling down of barriers and inspire new and innovative thinking.

The UK public services are under pressure as never before with a massive deficit expected to exceed £170Bn, the laying off over 700,000 jobs, this with rising customer expectations in the media age, with less and less tolerance for inefficient and impersonal public services.

When you look at the combination of a public funding crisis and growing dissatisfaction with ‘top down’ services there are two possible scenarios – destruction or renewal:

- large scale closure of and withdrawal of public services and amenities (e.g. Libraries); or
- the opportunity to re-think structures and priorities leading to a new style of community based services which deliver services in a more appropriate way for today’s society and at a significantly lower public cost.

Local government bodies are big business, employing over two million people and accounting for 25% of public spending. They are vitally important to all tax payers and citizens. Authorities need to ensure the delivery of high-quality services to them. Closure of public services must be the very last option. It is vital for local authorities to start thinking of opportunities to think and do things differently.

Good Governance in Local Authorities

The Good Governance Standard for Public Services defines good governance as:

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

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies



are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities¹.

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. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

Op2i expect to see innovations within the Local Authorities in a number of areas including:

- pushing towards the de-siloing and reintegration of services;
- the close involvement of citizens in coproduction and more holistic forms of provision (including individual and community budget-holding and priority-setting);
- shared services across policy or organisation boundaries; and
- a shift in local service provision away from councils and towards greater provision of services by community organisations, especially in rural areas and perhaps in the most financially hard-pressed urban local authorities.

Local authorities will no doubt embrace a range of strategies in deciding how to address the challenges of responding to funding cuts and austerity conditions within their own areas, but some generally applicable recommendations can still be offered:

- Budget cuts and service reorganisations may initially make joining up across service or organisational boundaries harder. However, in austerity conditions pooling resources and combining efforts will be even more vital. Past, rather expensive forms of local partnerships may have to give way to more cost-efficient forms of joint working, sharing services and pooling staff.
- Thorough and embedded redress systems will be vital to ensuring that service delivery disasters are averted. Citizens and users are a key source of 'free information' that can allow service delivery chains to be streamlined in the least painful ways.
- Innovation in procurement and provision methods should encourage more open and transparent competition between wider bases of providers.
- In every hierarchical organisation, front line employees usually know the most about services and their delivery, yet their views are often not sought. Actively looking for ideas for change and sustaining staff commitment becomes even more important in today's difficult conditions for the public services.

¹ Delivering good governance in local government framework, CIPFA 2007



The Localism Act – a driver for better strategic joint governance

The Act introduces significant changes to local democracy and accountability and represents a fundamental shift in the way that local decisions are made and local services delivered. The ‘general power of competence’ gives local authorities the legal capacity to do anything that an individual can do. The Act also grants a range of new freedoms and flexibilities to local authorities, communities and businesses.

The Localism Act’s ‘duty to cooperate’, gives a clear direction that individual authorities will need to provide a substantial level of analysis and evidence for the decisions they make. The duty to cooperate delivers a requirement, for local authorities and other public bodies, to work positively together. Critically, the Act sets out the need for the duty to cooperate to be an ongoing process rather than something where authorities come together over single issues or specific matters. It envisages a fundamental change in the network and relationships between authorities.

Cooperation and joint delivery of services is not new, but its role is changing and it’s taking central stage. Local Enterprise Partnerships for instance are replacing Regional Development Agencies (RDAs). These LEPs will be joint local authority-business bodies brought forward by local authorities themselves to promote local economic development, and will play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. 38 Local Enterprise Partnerships have been announced so far.

The Localism Act proposes to devolve greater powers to councils and neighbourhoods and to give local communities more control over housing and planning decisions. In addition the Act allows Councils to choose to return to the ‘committee system’ of governance and also allows for referendums for elected mayors in certain authorities.

Most authorities last used a committee based system in 2000. The change to that system was brought about by the Local Government Act 2000. This was influenced in part by the Audit Commission paper *‘We can’t go on meeting like this’* published in 1990. The report highlighted many aspects of the old style committee system and in particular commented about the amount of time that Members spent on Committee business and the fact that rather than concentrating on performance and strategic issues, committees were often drawn into the detail of operational issues. To illustrate the amount of time Members were spending on committee business, the report highlighted the findings of the Widdicombe committee which stated that the average councillor spent 74 hours in a typical month on Council duties, of which 60% of that time was accounted for by attending, preparing for and travelling to and from official meetings of the Council. The 2000 Act was intended to provide an opportunity for members to break out of the traditional committee-dominated way of doing business and to be more community based.

Options for governance arrangements within the Localism Act

The Act requires all authorities to operate governance arrangements in one of 3 forms:

- Executive arrangements (either Leader, cabinet and scrutiny or executive mayor, cabinet and scrutiny);
- Committee system;



- Another prescribed arrangement (where a local authority submits a proposal to the Secretary of State for a different form of governance, which the Secretary of State must then approve).

Given that most today have Executive arrangements which do not provide for joint decision making in an environment where you have multiple stakeholders and service delivery partners, it is more likely, that we will see a return to a committee system for joint governance. Authorities operating Executive arrangements must continue to have at least one Scrutiny Committee. Authorities operating under a committee system may have one or more scrutiny committees.

Stakeholder engagement and consultation a fundamental tenants of good governance

Pre-application consultation has long been seen as a positive process and a key part of progressing schemes and getting communities involved, and this is reinforced by the requirements of the Localism Act. Overall, as they will only apply to developments above a certain threshold, the implications for many schemes could be minimal, as larger schemes already undertake extensive consultation as a matter of course. However, the thresholds and how they are to apply to proposed developments are yet to be set out in the regulations. The main difference under the Localism Act is likely to be the way in which consultation is managed and undertaken. It must be to a high standard, transparent and applicants now have a duty to take account of the responses.

In keeping with the devolution of power to local people, the move will place a greater emphasis on Statements of Community Involvement but could also create greater potential for challenge where local communities may take the view that insufficient regard has been paid to the process of consultation and its outcome, and may well go beyond the planning system.

Promoting good governance to their partners

Effective joint working arrangements have the potential to produce substantial benefits for users, carers and organisations by reducing duplication, increasing flexibility and making best use of shared resources for the benefit of end users. However, it is recognised that close arrangements for working together also bring with them potential risks which need to be identified and effectively managed, especially in the areas of financial management, performance management, staffing and governance arrangements.

Characteristics, values, and best practices of multi-party governance structures:

- Openness (to diverse and divergent interests, facilitating direct participation or appropriate representation of all interested and impacted parties);
- Transparency (of the decision-making process, of documents, of outcomes);



- Accessibility (creating mechanisms for all potentially affected stakeholders to have meaningful substantive engagement);
- Accountability and measurement (the capacity to demonstrate that the governance process works fairly and consistent with its vision and mission, and is yielding results);
- Credibility (widespread recognition and acceptance of the organisation's processes and outcomes);
- Data and wisdom driven (decisions are based to the greatest possible extent on objective data, evidence and from experience from the key stakeholders);
- Consensus-based (a priority on wrangling issues until meaningful consensus is reached, with the possibility of a backstop "voting process" when necessary to avoid stalemate);
- Opportunity for appeal/challenge (some appropriate intra- or extra-organisational level of review intended to bolster confidence in the governance process and seek corrections where justified); and
- Ability to resist capture (balanced against "openness," ensuring that decisional meetings cannot be biased or that the process is otherwise unfairly skewed to favour certain participants).

A good governance system must incorporate regular, formal reviews of progress towards targets and outcomes and use the governance review process to identify areas of development. The overall performance management process must form a key element of the strategic governance framework contributing to overall strategic performance to allow change and improvements to be made. All performance management systems should demonstrate a shared vision of the partners' joint objectives and have measurable performance targets and outcomes which relate to both operating unit(s) and wider organisational objectives.

Risk Management inherent within the governance framework

Effective risk management processes are important to ensure that any risks that are a potential threat to the desired objective of any system or programme are effectively managed. An effective risk management system is an integral part of good governance and should be a key part of any partnership's internal control environment. The role of internal audit is also important in this process. This therefore gives an assurance to any governance body that risks are managed.



It is recommended that each partnership produces a risk register which is routinely monitored and regularly updated. Each risk should be delegated to identified officers to manage. This will help ensure that risks are managed.

Partnerships must ensure that an effective risk management system is in operation which provides a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective.

Effective risk management systems are important because they can:

- Support the partnership's governance responsibilities;
- Improve results through more informed decision-making;
- Strengthen accountability;
- Enhance stewardship; and
- Lead to shared responsibility for managing risks.



This perspective has been written by Dr Bharat Vagadia of Op2i – its purpose is to challenge current thinking, stimulate debate and start a dialogue towards a better understanding of Good Joint Governance within Local Authorities given the impending reforms driven by the localism agenda.

We are keen to hear different view, perspectives and thoughts from those involved with or have an interest in the Local Authority governance.

We will be running a series of roundtables based around this perspective, to facilitate knowledge and experience sharing amongst practitioners in the area of good governance in Local Authorities.

If you would like to comment or share your own perspectives or would like to be kept informed of the round tables around Good Joint Governance, please do email me.

Yours humbly,

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