we hold these truths to be self-evident

essential principles to guide political restructuring
Local government is experiencing enormous change. The developing consequences of the modernisation agenda – political restructuring, community strategies, local strategic partnerships, public service agreements, ethical arrangements and best value, etc – for the processes, structures, style and culture of individual councils have yet to emerge. The purpose of this series of three discussion papers is to contribute to the current debate. Their starting position is the principles of good corporate governance, from which important questions are asked. The series explores the issues that must be determined in the selection of local solutions, without recommending any particular solution. These papers are aimed at those in local government who have the responsibility to lead the modernisation process. In focusing on the need for a new local constitutional settlement, this first paper locates the modernisation agenda within recent local government history. The companion papers explore the implications of the impact of change on members and officers. (Refs. 1 and 2)

A decade ago, the Audit Commission published a series of papers exploring council management practices. Under themes established in an umbrella paper, The Competitive Council (Ref. 3), further papers focused on such aspects as the role of the chief executive – More Equal than Others (Ref. 4), the role of members – We Can't Go on Meeting Like This (Ref. 5) and performance review – Managing Services Effectively (Ref. 6). At the time, there was a general consensus on the character of council management. Almost all councils had adopted ‘Bains style’ management arrangements with a chief executive, rather than a town clerk, service-specific chief officers and with members meeting in service-related committees. Yet, the first catspaws of ‘winds of change’ were being felt.

Some authorities had experimented with neighbourhood management, the language of local governance rather than local administration was heard, the Department of the Environment’s Internal Management Working Party (Ref. 7) reported on the possibilities of mayors and cabinets and the theme of community leadership was voiced. These ideas were tantalising for local government, but they proved premature and were eclipsed by other issues. Local government was set different priorities: necessary attention to the implementation of the community charge and its replacement with council tax, by the local government review, the extension of Compulsory Competitive Tendering (CCT), local management of schools and other changes to the role of councils, particularly in education and social service provision. Block grant freedoms were in decline, capping overshadowed local budget making and local government began a dependent relationship on central government, through bidding for specific funding initiatives. Chartermark arrangements

Introduction

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2. Some authorities had experimented with neighbourhood management, the language of local governance rather than local administration was heard, the Department of the Environment’s Internal Management Working Party (Ref. 7) reported on the possibilities of mayors and cabinets and the theme of community leadership was voiced. These ideas were tantalising for local government, but they proved premature and were eclipsed by other issues. Local government was set different priorities: necessary attention to the implementation of the community charge and its replacement with council tax, by the local government review, the extension of Compulsory Competitive Tendering (CCT), local management of schools and other changes to the role of councils, particularly in education and social service provision. Block grant freedoms were in decline, capping overshadowed local budget making and local government began a dependent relationship on central government, through bidding for specific funding initiatives. Chartermark arrangements
raised public expectations, but budgetary constraint reduced councils’ capacity to respond.

3. Time has moved on. Fresh legislation has made new ideas unavoidable. Community strategies, community well-being, best value, partnerships, inspection, beacons and standards committees are the vocabulary of new local government. They create a climate in which the circumstances of local government are very different from a decade ago. Indeed, a re-reading of older Audit Commission management papers simply benchmarks the journey that local government is making and the opportunities that have developed.

New opportunities for local government

A decade of change

4. Instead of the ‘competitive council’, we now have the ‘leadership through partnership’ council. Competition remains important, but the means of service improvement is not restricted to price competition. Although the need for cost efficiency in the provision of council services remains an ever-present requirement, it is located in a broader appreciation of the effectiveness of services. And, the emphasis on improving the means is paralleled by a recognition of the primary ‘ends’ of councils – leadership of the local community and stewardship of its well-being. Democratic renewal accompanies service improvement. Partnerships oblige councils to surrender any monopolistic instinct towards local service provision and to work in tandem with other agencies – public, private and voluntary.

“Central government cannot possibly manage the diversity of local circumstances from a commanding central position.”

5. Through their silence on the subject, those old management papers testify to another key change from ten years ago – relationships with central government. Central government, through its regional arms and agencies, now discharges a much closer local role than previously. Instead of constant argument about the respective roles of local and central government – which local government invariably lost – the partnership agenda, in the form of public service agreements, heralds a mature appreciation of the need for joint activity. Local government cannot expect central and devolved government to concede local choice over national priorities, but central government cannot possibly manage the diversity of local circumstances from a commanding central position.
6. In the late 1980s, members voiced the wish to spend more time in their representative role, but their behaviour belied this claim, as they remained locked into the treadmill of the committee system. The executive/scrutiny distinction re-opens the possibility of changed councillor behaviour. A decade ago, local government was generally on the back foot because certain councils were in crisis, where the diagnosis often concluded that member interference in management was a root cause. Conversely, the future sees executive mayors and cabinets as a key ingredient in the solution for local government.

7. The financial freedom of councils was reducing and vires issues dominated the thinking of legal advisers, courts and auditors, with some epic confrontations. Currently, more financial latitude is returning through additional central investment and through the mothballing of capping powers. Legality is an ever-present obligation, but a general power of well-being and an expressed willingness from central government to remove unnecessary legal irritants and impediments changes the scene fundamentally.

8. Not that councils would accept that all has changed. Some issues seem to be constant dilemmas. While there is a case for more local resources to match public expectations, councils remain heavily dependent on Exchequer support, with only a limited taxation base on which to draw. Councils’ direct service responsibilities continue to reduce; pressure for greater diversity of provision in service procurement continues; and conflict between national objectives, locally delivered, and local discretion is perennial, not least because of contrasting resource allocation priorities between different public agencies endeavouring to partner each other.

9. Many in local government would argue that government’s instinct for control, for thrusting unfunded mandates on councils, for excessive delivery of initiatives, for creating programmes with significant transaction costs, for impatiently changing the agenda before evaluating previous strategies and for unco-ordinated activity between government departments remain problems. There may also be a need to fine-tune aspects of the modernisation agenda in the light of experience. However, matters are proceeding positively. In the late 1980s, there was a ‘stand off’ between central and local government. In the future, there could be a ‘standing together’. The prospects are better, even if embedded cynicism remains.

10. In the wake of the modernisation agenda [BOX A], local government has renewed possibilities. Many of its complaints are being addressed and there is now less excuse for under-performance. In many respects, new legislation ‘works with the grain’ of local government, but central government also looks to local government to deliver. Best value is not a relaxation from the rigours of Compulsory Competitive Tendering. In loosening the prescription over the means, it tightens the expectation of continuous and substantial improvement, using processes that contribute to democratic renewal. The drive for improvement in public services is paramount. Government may be giving councils more legal and fiscal latitude, but through the inspection regime it has reinforced its capacity...
to monitor councils’ achievements. Ethical oversight by standards committees underlines the government’s expectation of mature self-regulation, but standing in the background is a national board with powers of sanction.

Mayors and executives have a greater ability to pursue distinctive local strategies, but their accountability through the scrutiny process has been equally enhanced.

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**BOX A**

**The modernisation agenda – so far**

**Best value:** The systematic review of all council activities, as described in the best value performance plan, against the processes of challenge, comparison, competition and consultation, overseen by a comprehensive inspection regime.

**Political restructuring:** In authorities with populations greater than 85,000, the reform of internal council management to identify an executive, which may be an elected mayor, leader with cabinet or mayor with city manager, but subject to scrutiny and overview by those councillors not in the executive. Smaller authorities must introduce a streamlined version of existing arrangements. In Wales, all councils have the opportunity to introduce ‘alternative arrangements’ ie, a politically balanced board.

**Community strategy:** The expression of the council’s responsibility for the social, economic and environmental well being of its community in a strategic vision.

**Local strategic partnership:** Arrangements between the council and other local public, private and voluntary agencies to ‘join up’ laterally and collaboratively, to achieve the community strategy.

**Public service agreement:** Vertical ‘joining up’ arrangements between the council and central government to ‘stretch’ local performance in return for additional funding, in pursuit of the government’s national objectives and the council’s local community strategy (in the Welsh equivalent, only national targets are set).

**New ethical arrangements:** The formation of local standards committees to maintain the integrity of council activities within a framework set by the Standards Board for England (the Ombudsman in Wales).

**Beacon councils:** Recognition of exemplary public service achievement for English councils with services that are ‘showcased’ to other practitioners.

*Source: Audit Commission*
Local government in the new century may be very different from the last. But, at the moment, these fresh possibilities are extremely new. Some have not been fully enacted, even though, ahead of enactment, aspirant councils have dabbled with their implementation, perhaps at the limits of lawfulness. These new changes are being received by members and officers schooled in, and conditioned by, the previous regime. Many resent the imposition of new models, seemingly inspired by overseas experience or central government practice. You don’t easily let go of what you know, in the absence of tangible experience of new ways of doing things. Many may cling to old practices; some may never learn new approaches. Without substantial investment in training and development, the danger is that local government could become tomorrow’s organisation populated by yesterday’s people.

Current transition

So, unlike the late 1980s, when a stable settlement of local government’s internal affairs could be identified, codified and refined, any such attempt for new patterns would be very tentative. For example, estimating the likely number of local government mayors is a very speculative exercise. Enthusiasts hope that either ‘mayor envy’, starting from London, or local controversy perhaps on an issue totally unrelated to internal management issues, will lead to a progressive roll-out, perhaps over some years, of elected mayors, especially in those city councils with regional, national and international ambitions. But, at the moment, those councils largely voice an intention to pursue the new model most similar to past practices – the leader/cabinet model – even if some voices of private dissent can be heard in the background.

Undoubtedly, local government is entering a transitional period. It would be surprising if it re-configured effortlessly. In some places, new titles and structures will appear, but this may simply be a name change disguising the continuance of old practices. In others, rapid and dramatic change may oust familiar faces, to be replaced by a new generation of politicians. Officer patterns will be revisited. Key questions will dominate the local government scene for some years. Some councils may plunge enthusiastically into rapid and radical changes that may not work, while others may prove timid in seizing new opportunities. What is needed is an ambitious, but carefully measured, response.

“The repetition of a common conclusion would not realise the scope for new localism implicit in the available choices.”

The new constitutional settlement

For some, change will be stimulating and liberating; for others, threatening. In the context of the new possibilities, each council needs to determine a new local constitutional settlement, appropriate to its circumstances and vision. When the Bains report appeared most councils, sooner or later, copied its recommendations and common patterns were established across the UK. Something similar may be
repeated, but the repetition of a common conclusion would not realise the scope for new localism implicit in the available choices. Rather, following consultation, each council needs the confidence to make decisions for itself against the models available. Central to new local constitutional settlements will be the choice of a new political structure, the revised roles of leading officers and the style and processes adopted by members. Local conclusions on these matters should reflect local circumstances, political chemistry and, never to be underestimated, the personalities of key players. Diversity will be the outcome.

15. It is not the role of the Audit Commission to seek to influence the choice of such local constitutional settlements. Within the opportunities of the law, local councils must work these matters out for themselves. But the Audit Commission does have a legitimate concern for certain aspects. The principles of good governance should be evident in every local constitutional settlement. Regardless of local differences, every council should continue to offer a convincing solution to the need for accountability, integrity, openness and inclusivity, in systems that are effective and up-to-date [Ref. 9].

16. These are the attributes that should characterise a council’s local settlement. They should be evident in the detail of the council’s response in five key categories of council activity [EXHIBIT 1, overleaf]:

- **Community focus**: Does the council transmit a clear local vision, as a basis for local partnership, alliance creation and capacity building?
- **Structures and processes**: Do internal arrangements clarify roles and accountabilities, facilitate effective management and support an organisation that is both ‘strategic’ and ‘learning’?
- **Risk management and control**: Is local ambitious leadership supported by objective assessments of the needs of the community and the capacity of the council?
- **Service delivery arrangements**: Are aspirations for continually improving services supported by the necessary management arrangements?
- **Standards of conduct**: Is there visible propriety, integrity and accountability in local standards of public life?

17. These new models address the old settlement’s ambiguity, expediency and opacity over the roles of members. Instead of all functions being discharged in all-purpose, multi-party committees, a clear separation between executive and review roles is required. A new clarity of accountability among members is mandatory and a key feature of the design of new constitutions. It is important that changes in accountability are not only implemented effectively in the local setting, but are also discharged with integrity, openness and inclusivity. Or, where those principles compete for valuable time – for example, excessive inclusivity could compromise timely and effective action – the council needs to be clear how it strikes the balance.
18. With the exception of the monitoring officer, officer accountability is not explicitly addressed by statutory change. Consequently, councils must resolve locally the consequences for officer accountabilities of changes in member accountability. Different local solutions could provide equally satisfying responses to these requirements. Solutions that lack the attributes of good corporate governance are not sustainable. So, the remainder of this paper will explore aspects of performance and propriety, developing the criteria that councils should satisfy as they make their choices against the new local government agenda. It is not intended to be a comprehensive blueprint, rather it tries to raise key questions for resolution, following which further details can be determined locally.
There is no shortage of guidance (Refs. 11-18) on the implementation of best value, partnerships and community strategies. Each is a demanding agenda in its own right. But councils are not implementing each of the modernisation themes separately from the others. Rather, they need to organise themselves to make local sense of the combined effect. In each local constitutional settlement, there needs to be a local solution to new member and officer structures, and roles and processes that promote a co-ordinated solution to the interaction between a large number of simultaneously arriving new initiatives. If the new local government agenda stalls, it will probably be the result of councils failing adequately to digest the full range of new approaches or in failing to see how they interact with each other. Instead, local settlements should lead to well-managed councils, with strong political leadership, capable of making an impact on local issues.

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Improving performance

More money is coming to local government as part of the general national re-investment in public services. There is a danger that the ‘victim’ mentality of the last decade might diminish local government’s appetite to use the new money well. In some councils, capping and bidding for specific grants conditioned a mind-set that the only problem with local resources was their insufficiency. There is no doubt that all councils would benefit from more money, but limited resources are only part of the problem. In study after study, the Audit Commission has demonstrated that leading councils achieve more from a similar level of resources than do trailing councils. New resources for local government should not simply be absorbed by existing service levels, enabling councils to avoid the hard decisions that attend best value reviews. Rather, new money should be the means of improving and extending public services. While much has changed over the last decade, a constant feature that must be relentlessly pursued is enhanced performance. And political restructuring should be a means of improving service delivery, not distracting from it.

Community strategies

The understanding of performance has changed. The emphasis on improving service performance remains, but in a wider context. It is a contributory consideration to the
bigger issue of improving the performance of communities – growing their prosperity, the range and quality of cultural, social and economic opportunity, and the condition of the local environment. The preparation of a community strategy is an essential new role; and, it is one heartily embraced by most councils. However, the character of a council’s leadership could either compromise its intentions or realise its potential. This can be illustrated with two alternatives.

22. The autocratic council. On the one hand, a council could approach the production of a community strategy from an authoritarian and monopolistic position. Conscious of its local democratic mandate, it could see the community strategy simply as an extension of its authority. The strategy might be produced as a merger of the respective business plans of participating organisations around themes determined by the council. Leadership is interpreted as informing other agencies of the chosen strategy, in the expectation that they will fall into line behind it. There are many problems with this approach. Firstly, in an era of ‘wicked’ and cross-cutting issues, the council is unlikely to hold a monopoly of knowledge on what is needed and what works. Despite continuing efforts to expand the representative character of councillors (the average age of councillors is 56, three-quarters are male, less than 1 in 25 are from ethnic minorities) (Ref. 18), few councils are fully representative of the gender, racial and age characteristics of their communities. A ‘closed system’ approach to policy determination needs replacing with an ‘open system’ in which councils are genuinely accessible to the insights and influences of others in the community, even though they are not elected. Moreover, an authoritarian approach to community strategy development is unlikely to elicit enthusiastic participation from other bodies, who would want to see their views respected as influential; and to be seen as full partners, rather than as subordinates. Such an approach to the development of community strategies could be characterised as institutional and dominated by process and input considerations.

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24. The empathetic council. There is another way. In the first instance, community strategies should be about the performance of communities, not about the performance of the institutions that serve those communities. The development of such strategies could start with a social and economic audit of the strengths, weaknesses, opportunities and threats to the community that is served, conferring with the community as part of the process [EXHIBIT 2]. And against these questions, realistic aspirations for community achievement need to be established. So, an alternative approach to community strategy preparation is to start with, and in, the community, to assess its condition and its possibilities, and to agree on future goals. Unlike previous approaches, it does not need to be only a ‘deficit’ model.
based solely on the area’s needs, but in addition should be an investment model based on an area’s possibilities. Such an assessment can be performed successfully only by giving local people ‘voice’ in the strategy-building process. It will probably lead to attention to the local cross-cutting issues such as community safety, social exclusion, environmental sustainability, etc.

**EXHIBIT 2**

**Undertaking a social and economic audit**

- Are we performing well in the national and regional economy? Are residents achieving their full educational potential?
- In what ways is the quality of life deficient? How can social and physical mobility be facilitated?
- What is the long-term trend in the success of our community? What new threats or opportunities will technological change provide?
- Are the many communities that make up ‘the local community’ at ease with each other or is social tension a problem?
- Is there an inequality of local opportunity? How far can choice of employment be enriched?
- How can the area find a new role in national and regional life? What social strengths can be drawn from local people?
- To what degree can social sink estates be renewed?

*Source: Audit Commission*
Some aspects of strategies can be benchmarked against measurable objectives. In others, the direction of travel can be affirmed, but the complexity of causes and symptoms, particularly of social problems, requires a progressive learning and monitoring approach by all agencies. Such a strategy concentrates on outcomes, is accessible to influence by other players and is more likely to secure partnership behaviour. It provides the context within which individual institutions, including the council, can locate their own contribution and role, which may involve cross-scrutiny between public agencies and joint scrutiny by public bodies of shared local problems. Leadership is interpreted as the nurturing of collective agreement to common goals. Consequently, the principles of ‘openness and inclusivity’ and ‘accountability’ will be honoured.

This approach also provides the context for partnership propositions between the locality and central government, as central government will be able to identify the ‘pay back’ that is anticipated from additional investment and participation by its agencies. Contrary to conventional sentiment, it can be argued that there are not enough government initiatives. Armed with a strategy, a community can treat government initiatives as a menu from which to select the programmes best suited to the possibilities of its individual neighbourhoods or overall area. Additionally, the arrival of local strategic partnerships and local public service agreements enables councils to frame their own particular initiative, tailored to local circumstances, albeit at the cost of accepting some central imperatives.

Clearly, the council has a lead role in initiating this process. But such leadership behaviour needs to be conditioned by genuine partnership behaviour to secure the enthusiastic participation of others. Before central government will invest, it will want to be confident that its national objectives will be realised locally in a council that can spend money effectively and efficiently. Before other local agencies participate, they will want to be confident that their roles will be enhanced and that their governance arrangements will not be compromised. The council needs to display integrity in its own conduct and to respect the integrity of its potential partners.

Learning to improve partnering behaviour is a key task for councils. Councils’ sense of authority should be tempered with a sense of empathy. Councils should ask themselves probing questions such as: ‘What would it be like to be one of our partners?’; ‘Do we follow the “letting” route [EXHIBIT 3], letting out information, letting in influence, letting go control?’; ‘Are we seeking influence over others, or covertly seeking control?’; ‘Is protectiveness of our authority and power the cause of similar behaviour in potential partners?’ etc.

One aspect of a council’s leadership is to ensure that its own house is in order. Councils with discredited service performance are unlikely to command legitimacy in the eyes of other local players. Indeed, central government is under no obligation to use a particular council as its delivery agent of choice and it needs convincing that local
government in general can deliver. The community strategy, focusing on the performance of the community, provides the context for the best value performance plan, focusing on the performance of the council as a key servant of that community [EXHIBIT 4, overleaf]. Just as the community strategy derives from an assessment of the risks and opportunities within the community, likewise the best value performance plan should be underpinned by an analysis of the risks and opportunities within the council. And the best value performance plan can be a useful reference point when assigning executive and officer responsibilities.
The community strategy, interpreted through the best value performance plan, should provide council services with beckoning targets for which to strive. But councils must also give attention to the effectiveness with which resources are consumed in the realisation of those targets. Councils will never have enough money to support every possible local ambition. So, the drive to ensure that money is used well is continuous. ‘Doing the right things’ and ‘doing things right’ should be issues permanently in the ether of every town hall. Without such an emphasis, a council will be unable to demonstrate that its services are effective and up to date.

Best value provides an armoury of tools for this purpose – comparison, consultation, competition and challenge. Early signs are that they are at risk of descending into a bureaucratic cycle. Instead of starting from the top with the ‘big questions’, councils have often started from the bottom, analysing limited operational issues. Confused between repeated calls to transform into a managerial and leadership culture, and legislation that often prescribed the detail of a council’s activities, too much of local government displays an administrative culture, obsessed with process. Instead, best value reviews that realise potential need to be at the centre of each council’s constitutional settlement. In particular, ‘challenge’ is at the cutting edge of service change, while ‘competition’ is a leading feature of greater efficiency. Councils need to ensure that effective challenge and competition are alive and well in the new local government.

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Organised for performance

32. So, two main questioning themes emerge for a council when framing its local constitutional settlement:
1. Who has the role of leading on behalf of the council in co-ordinating the community strategy? What style of leadership does the council require from that role player(s)? What latitude will the council afford in admitting serious influence from other local organisations in the determination of the strategy?
2. How will focus and energy be sustained in the relentless search for improvement in the council’s own performance? And how will the executive and the scrutiny functions share accountability for the council’s effectiveness?

33. In the past, chief executives have typically been the main contact for partners with the council. New political structures increase the visibility and authority of leading members. It is likely that other players in the community will be magnetised towards such revised political leadership. Where mayors exist, they will probably assume this role. But where a council adopts a leader/cabinet model, will such a role reside exclusively with the leader or be shared with others in the cabinet, and what role will officers play? The internal workings of partnerships open up a further ‘corporate governance’ agenda, in respect of their accountability arrangements, into which councils should not enter without forethought about responsibility for the performance of the collective partnership. The new constitutional settlement needs to be clear about such accountabilities.

34. Best value is about making choices over the council’s deployment of limited resources. It is a fundamentally ‘executive’ function. Relevant overviews and scrutinies can contribute to the process, but they cannot substitute for it. And while officers can support the activity, it will be unusual for them to promote radical changes in council activity without encouragement and endorsement from the executive. So, the executive needs to be explicit about its responsibility for the achievement of best value [EXHIBIT 5, overleaf].

35. Scrutiny and overview committees will want to play a constructive role in at least two ways:
1. In being policy pro-active, undertaking inclusive overviews of community issues which deepen understanding and proposing policy options.
2. In being evaluative and reactive, not only ensuring openness by scrutinising the executive’s performance in delivering the community and best value plans, but also in holding other local agencies, such as the health authority, to account for their role in improving local community performance (Ref 20).
So, councils need to decide, in the local constitutional settlement, how the power of the scrutiny process will be brought to bear in contributing constructively to local partnership behaviour. Through scrutiny, the council can test the integrity of its performance, assessing whether the executive is effective in using public money or is simply paying lip service to such objectives. And the council needs to ensure that accountability within the council is clear so that local agencies do not become frustrated by a plethora of seemingly different relationships with different parts of the council.
Good governance needs more than a capacity to convert resources effectively into benefits for the local community. If tainted by ‘sleaze’, even a strongly performing authority can be undermined. In truth, poor standards of integrity are frequently bedfellows with low performance and inefficiency. A healthy council understands proper behaviours, and feels secure and confident to focus on the achievement of outcomes. Unhealthy councils can be mired in tensions to the point that officers and members feel insecure, with their attention distracted from service to the community. Mercifully, severely unhealthy councils are rare. But no council can be complacent. While outright corruption is unusual, inappropriate political pressure, perhaps with implied intimidation, can occur not only towards officers but also between members. And just as the rapid turnover of members and officers in some authorities can undermine a healthy culture, often through genuine misunderstanding of appropriate conduct, so too, in stagnant councils, a closed culture can perpetuate old behaviours, long after they have been abandoned elsewhere. Councils that suffer reputational damage on propriety grounds will face a steep, up-hill struggle to secure wholehearted participation by other local organisations.

Organised for propriety

So, every council needs a constitutional settlement that ensures that a culture of integrity, accountability, openness and inclusivity are lived out in day-to-day activities. The scrutiny function is an important guarantor of openness into the role of the executive. It would be failing in its role if it was never challenging of the executive, but it should never be dysfunctionally obstructive.

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As well as the two roles previously described – policy pro-active; evaluative and reactive – members in the scrutiny function should contribute to a further function – as stewards for financial accountability and ethical probity. The Audit Commission has previously advocated the role of audit committees in councils (Ref 21). Monitoring proper oversight of the use of money is a task that requires constant vigilance, as is ensuring that financial reports are accurate. These are not the most exciting roles for councillors, but they are important in the stewardship of integrity. The rise of the ‘executive’ will oblige members to give more attention to financial viability; in parallel, the case for an active audit committee to monitor the financial practices of the executive is strengthened. Within local constitutional settlements, councils should ensure that the function of audit committees continues. The scrutiny function will want to ensure that the executive gives proper attention to audit arrangements.
40. An additional, up-to-date, function is the local standards committee. It provides a reference point for the determination of local codes of conduct, overseeing local compliance. As such, it is critical for establishing the right tone for the conduct of officers and members under the local constitutional settlement. Such committees need to develop a rolling programme of examinations giving attention to areas of risk in member and officer behaviour, ensuring that the council avoids problems, rather than faces the embarrassment of resolving them. Indeed, throughout the council’s proceedings governing propriety, a clear respect for the benefits of party political differences and openness before the press and public creates a situation in which problems are reduced and political differences over policy, rather than behaviour, dominate local debates.

41. So, further critical questions that need to be answered in each local constitutional settlement include – how will the role of the audit committee be fitted into the new settlement? How will the council constitute and locate the role of the standards committee to ensure that it has a beneficial effect across the whole council – executive, representative, officer and partnership functions? How will transparency before the public and press reinforce defences against covert or questionable behaviour? How can party political rivalry be harnessed in the council’s probity functions to ensure that attention to high standards never wanes? How will the council give relentless attention to the promotion of equality?

“Standards committees need to develop a rolling programme of examinations giving attention to areas of risk in member and officer behaviour, ensuring that the council avoids problems, rather than faces the embarrassment of resolving them.”
Current officer structures have largely been inherited unchanged from the post-Bains settlement. There have been innovations such as the executive director, perhaps with a flexible portfolio, and a number of councils have added specialist functions outside of the main directorates. However, for the most part, an officer of 1980 would feel at home in the departmental structures of 2001. But for how much longer? As councils devise their new constitutional arrangements at a political level, the consequences for officer structures, roles and accountabilities must be recognised. Legislation obliges a re-adjustment in member accountabilities, but imposes few new obligations on officer accountabilities. Nevertheless, as member changes feed through, it is probable that there will be consequential adjustments among officers, which will need to be defined locally.

Councils remain single entities. Unlike the Greater London Authority, where the Mayor and the Assembly have separate identities, councils remain unitary institutions. Legally, officers serve the whole council, with the exception of a limited dispensation for officer support for political parties. But the distinction between the executive and scrutiny roles of members obliges a re-think of the operational accountabilities of key officers. The capacity of senior officers to be flexible and diplomatic enough to cope with service in a multi-party council, as well as advising and supporting the ruling group or coalition, has always been impressive. But it has been stressful and occasionally intolerable. There have been troubling reports of inappropriate pressure being put on the three statutory officers to validate actions for which they hold serious doubts as to the legality or financial sustainability. The recent strengthening of the role of the monitoring officer responds to this situation, but in doing so opens the question of the relationship of that officer to other officers and to the different parts of the political structure.

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EXHIBIT 6
Clarifying officer accountability

Will the executive function lead to a 'No 10' policy unit, working to the executive, but outside the mainstream officer organisation?

Will the scrutiny function acquire a dedicated team and budget that is outside the main officer structure?

Are the roles of strategic financial advisor to the executive and fiscal probity advisor to the scrutiny function sufficiently compatible that they can continue to be discharged by a single professional head of finance function?

Should there be greater use of outside consultants and secondees to introduce up-to-date thinking and challenge into the council?

Is the Head of Paid Service role of giving attention to the health of the entire organisation consistent with the Chief Executive's role of policy advisor and implementor to the executive?

Should the monitoring officer be seen as largely a validating role under the umbrella of the scrutiny function?

Will accountabilities to the executive or the scrutiny function become more important than accountability to the collective council?

How can one have a Chief Executive acting as a servant of the executive?

Source: Audit Commission
Cultural change

45. A council’s constitutional settlement needs to ensure that it has strong, convincing answers, in terms of structure, roles, responsibilities, style and culture, to such questions. As each feature of the new settlement is devised, it needs to be tested against the criteria of accountability, integrity, openness and inclusivity. Expediency is relevant, but never to the point of compromising the principles of good corporate governance. There are always ways of circumventing the letter of the principles, but not if the council respects the spirit of those principles. All of these considerations can be enveloped into the question of the council’s style and culture. To those outside of local government, councils probably appear fairly uniform, but insiders are very conscious of the huge diversity of style and culture among UK councils.

46. Considerations of style and culture lead to subtle questions [EXHIBIT 7, overleaf]. Is the culture of this council one in which denial is the dominant feature? Does it believe that improvement is necessary for other councils, but not for itself? Is it ambitious for itself and its community? Does it subscribe to the view that the solution to every problem is simply spending more money? Does it go through the appearance of best value processes, without addressing the substance? Has it convinced itself of the possibility of self-improvement or is it intrinsically defensive?

47. Instead of a culture of begrudged, beholden compliance with central government’s guidance on process, councils need a culture of confident self-selection among the range of models available. The law sets the boundaries within which choice can be made and it ensures that no change is not a choice. As well as the choice of political structure, councils should review their cultures, internally and externally.

48. The moment of political restructuring will be busy. But it should not be so busy that opportunity is missed to frame a new constitutional settlement that aspires to positive behaviours, both within the council and beyond. Large metropolitan, unitary and county councils may have more scope to adopt innovative structures than district councils but, whatever their size, unfreezing traditional ways of doing things is a key moment to reframe the council around a new culture. Realising a new culture will result in change, and change is usually painful. One purpose of political restructuring is to accelerate the change process in local government, so absorbing its effect through modest incremental adjustments is unlikely to succeed. But radical change may involve changing people. Political and democratic processes will achieve this among councillors; councils will need to consider whether new officers are also needed in order to achieve cultural change.

49. And if the implications of change provoke unease, what is the council going to do about it? Who has responsibility in the council to move this agenda forward? And are others prepared to respect that role, protecting the members and officers concerned from intimidation, when they ask challenging questions? How can the council change its mindset so that initial challenging leadership progressively infects the whole culture of the council to believe in its capacity to improve its performance within the community?
Questioning the council’s style and culture

- Are we clear about accountability, confident in our respective roles, knowing the appropriate boundaries of behaviour? Are we inviting of alternative ways of doing things?
- What balance should be struck between standing committees with portfolio monitoring responsibilities and task committees?
- Internally, what is it like to work here? What is it like to be a member, either with responsibilities or backbench? How open is the chemistry between officers and members?
- Is our culture one that is inclusive and open, both to people and their ideas?
- Are we so mesmerised by the legitimacy of our democratic accountability that we fail to respect other forms of pluralistic accountability in our community?
- Is there space in this council for discussions, when it is OK to be wrong? Is there integrity in professional advice or do officers express only what leading members want to hear? Do we celebrate as much as we criticise?
- Have we asked other organisations in the community – private, public and voluntary – how they experience dealing with the council? (Perhaps anonymously through a respected third party to ensure honesty of responses.)
- Do we do we honour dissenting voices, even if we disagree with them?
- Externally, what do others make of us?

Source: Audit Commission
Local government is at a turning point. How far it will turn, and how fast it will turn, are unknown. Local government has new opportunities and new obligations. Only by understanding the choices that are available and by asking explicit questions in each local constitutional settlement, before its agreement, will councils ensure that they arrive consciously at conclusions that suit their circumstances. A failure to address such questions explicitly will not stop change, but such change as occurs may be more stumbling, more painful, with greater collateral damage to officer and member experiences, than is necessary. Councils should make clear choices about their future structure, roles and style.

It is easy to pay lip-service to words like ‘accountability’, ‘integrity’, ‘openness’, ‘inclusivity’, ‘effective’ and ‘up-to-date’, and it can be quite easy for councils to convince themselves that the meaning of these words is vibrant locally, when in practice it is weak. These may be self-evident truths, but are they evident in the structures, roles, style and culture of councils’ new constitutional settlements? Are members establishing local structures and processes designed to realise the full potential of the new constitutional settlement? Have members embraced the changes in accountability arising from the executive/scrutiny split? And do new arrangements score well on the criteria of good corporate governance? Are the consequences of changes in member accountability leading to a review of officer accountabilities?

If councils start from the position of their old settlements, they are unlikely to realise the possibilities of the new models. The danger of simply adapting the new vocabulary to describe old practices will be significant. Ideally, councils should undertake a ‘root and branch’ review of their roles, accountabilities, objectives and processes. Councillors could start by being clear about the pattern of accountabilities between the council and its external environment – its communities, interest groups, partners and neighbours – and its internal structures – relationships among members and with different categories of officer. New patterns of working may expose or create conflicts of interest that were absent or latent under old ways of working. Armed with such key points of reference, probing questions need to be asked, as the council re-settles itself around its new constitution.

The reality of daily life in councils is always more complex than can be described in a national discussion paper. A focus on principles can seem naïve in comparison with the complex interplay of real-world pressures in a local civic community, when those principles need to be balanced against each other and action taken to get things done. All organisations have informal decision-making systems that lie behind their formal processes, but in public life that informality should not dominate at the expense of the principles of corporate governance. Matters of local political chemistry, the traditions of individual councils and their personalities will be very important. However, even though reality is always more complex and confused, the importance of navigating with vigilant reference to guiding principles remains.
54. The opportunity of a new local constitutional settlement is a prime moment for councils to review their past approach and to re-design their future, being candidly open about their scope for improvement. This paper does not attempt to review all of the relevant considerations. Further questions relating to officer structures and roles will be explored in a companion to this discussion paper, *May You Live in Interesting Times* (Ref. 2). Another companion paper, *To Whom Much Is Given* (Ref. 1), unpacks the role and culture of members in the new local government to a more detailed degree than this paper [EXHIBIT 8]. A further diagnostic, *Modernisation Through the Prism*, collects and structures all of the questions in the three papers so that councils can test their local constitutional protocols against the principles of good corporate governance.

**EXHIBIT 8**

The series of modernisation discussion papers

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*Source: Audit Commission*
References

5. *We Can’t Go on Meeting Like This*, Audit Commission, 1990 (out of print).
18. The Welsh Assembly has its own suite of guidance material on the distinctive agenda in Wales.