



Grant Thornton

An instinct for growth™

LOCAL GOVERNMENT GOVERNANCE REVIEW 2015

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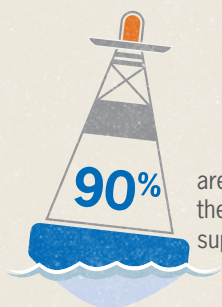
# *All aboard?*



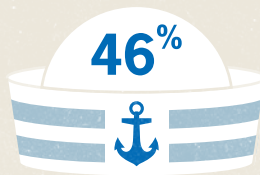


# Key highlights

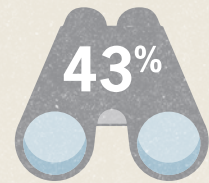
## ENGAGING MEMBERS



are satisfied that their organisation supports risk taking



consider backbench members have no real influence over decisions



think scrutiny committees are not effective

## ENGAGING PARTNERS

**59%**

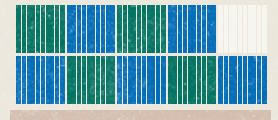


say the transition to PCCs has not had a positive impact



**84%**

are using or considering alternative delivery models



**89%**

say their organisation is open to all options for service delivery

**42%**



cannot see any difference to local healthcare governance from councils' new public health role



**43%**

do not feel scrutiny of service quality is sufficiently challenging

## ENGAGING THE PUBLIC

**70%**

say the public are involved in designing future scope and delivery of services

**30%**



of cabinet positions are held by women

**4**  
page  
increase

on average length of annual financial statements

**2**  
page  
increase

on average annual governance statements

**51%**

say members do not adequately reflect local population



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## Methodology

This report is based on:

- a review of the 2013/14 annual governance statements and accounts of 140 English councils, fire and rescue authorities and police bodies
- responses from over 100 senior council officers and members to our survey on governance in their organisations, partnerships and communications with stakeholders
- a range of case studies illustrating good or interesting practice.



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# Executive summary



**Paul Dossett**  
Head of Local Government, Grant Thornton

*Welcome to Grant Thornton's fourth annual review of governance in local government. This report is part of a broader review of UK governance practice and complements other similar reviews on the FTSE 350, the NHS and the social housing and charity sectors.*

The challenges faced by local authorities continue to intensify. Austerity and central government funding reductions are combining with demographic pressures and technological change to create a potential threat to the long-term sustainability of some organisations in the sector. In this context, the task of maintaining good and effective governance is becoming ever more complex, and at the same time increasingly important.

As highlighted in our recent report 'Rising to the challenge', local government has withstood these challenges and shown a commendable capacity to innovate in the face of increased financial pressures, particularly through new delivery models for services. Governance needs to keep pace with these changes, ensuring that authorities' goals are achieved, and values maintained, regardless of who is contracted to deliver the service. In this regard, scrutiny, with its remit to look beyond day-to-day business to question the purpose and value of activities, needs to play its full part.

At the same time, structural change may well be looming in the wake of the Scottish devolution vote and the increasing demand to reallocate power

from the centre to the localities.

Local authorities need to show they are equipped to take on this challenge. The need for effective governance to support sound decision making, prevent things going wrong and resolve problems when they occur, has never been greater.

Recent high-profile examples of governance failures in local government show that good reputations can be easily lost. Against this background, we have focused this year's review on three key areas:

- **governance of the organisation:** ensuring internal governance arrangements are robust, with effective scrutiny to hold the executive to account while managing risks and encouraging innovation
- **governance in working with others:** implementing robust and proportionate governance arrangements for alternative service delivery models, along with new responsibilities involving cross-sector working, such as public health
- **governance of stakeholder relationships:** engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

### Governance of the organisation

Governance arrangements that promote rather than inhibit a dynamic and flexible approach to service delivery are vital to success in the current local government environment. Our national survey of more than 100 senior local authority leaders asked if respondents thought their organisations had effective leadership which fostered a positive culture that embraced rather than stifled risk. More than 90% agreed, but when asked if there was consensus among members about their organisation's appetite for risk-taking, over a third disagreed. The great majority believe that members understand the financial impact of not managing key risks, but the level of disagreement has increased on last year, from 12% to 16%.

Typically, our respondents express a high level of confidence when asked about the strength of their risk management arrangements. This year is no exception, with over 90% satisfied, although some concerns were expressed about the realism and transparency of reporting on risks. With regard to independent assurance about their

overall governance, most respondents said this was provided by external audit, with internal audit a fairly distant second. This is a worrying response, as we would expect internal audit to be (and to be seen to be) the primary source of independent assurance over governance arrangements – the 'third line of defence' after operational and risk management. Local government internal audit departments may need to consider whether their work in this sphere is covering the right areas and having sufficient impact.

Recent years have seen a number of authorities choosing to operate without a chief executive, both to save money and as part of transformation initiatives. Ten per cent of our respondents indicated that their organisation had done this, generally with no negative impact on their governance arrangements. Another current trend was reflected by the fact that 6% of respondents confirmed that their organisation has returned to the committee system and a further 12% saying it is being considered, mainly to involve more members in the decision-making process.

The main area of concern highlighted by this year's governance survey is the level of dissatisfaction with the scrutiny process. Almost half of our respondents do not feel that the cabinet and scrutiny system provided all members with the opportunity to have real influence over council decisions, a worrying indication of the potential disengagement of many members from council governance.

A similar proportion also have concerns about the effectiveness of scrutiny committees at challenging the way that councils do things. Councils vary widely in their level of scrutiny activity, with some having several committees meeting frequently, and others having only one, which might meet just once a year. Some have rejected the cabinet and scrutiny model altogether and moved back to the committee system. Councils need to think seriously about whether this is a missed opportunity to provide robust questioning of how and why they do things, across the increasingly complex series of partnerships, alliances and contracts that now characterise their operations.



*The main area of concern highlighted by this year's governance survey is the level of dissatisfaction with the scrutiny process.*



### Governance in working with others

The importance of alternative delivery models (ADMs) to local authorities as an avenue for both cost savings and innovation is ever more apparent. By far the majority of our survey respondents agree that their organisation is open to all available options when deciding how services are delivered. A large majority also confirm that their organisation has entered into ADMs or is considering doing so.

There is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by ‘shining a light’ on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas. Of concern, however, is that well over 40% of our survey respondents consider that scrutiny of service quality, including outsourced services, has not been sufficiently proactive. Again, this is an area where councils appear to be missing the opportunity to make scrutiny an essential and dynamic part of governance.

Within the local government sector, an important change has been seen in the relationship with police bodies following the election of Police and Crime Commissioners (PCCs) in November 2012. Over half of those surveyed are not satisfied that this transition has had a positive impact on local partnership working arrangements, consistent with last year’s findings. This perception does not, however, appear to be shared by respondents from police bodies. Clearly this needs to be an area of focus for the sector going forward.

The Health and Social Care Act 2012 gave many councils a new duty to promote the health of their population, taking on a number of functions previously undertaken by the NHS. On the evidence of our survey, this new role has not yet had a significant impact for many authorities, with over 40% unable to confirm a genuine difference in how healthcare is governed and delivered. That said, 12% agree strongly that it has made a difference – a potentially encouraging sign at this relatively early stage in the Act’s implementation. Although it would appear that most health and wellbeing boards have been successful

in securing the engagement of all key local organisations, including healthcare providers, 25% of respondents say this is not the case. This may well continue given the lack of emphasis given to them in NHS England’s ‘NHS five year forward view’ of October 2013, about which the Society of Local Authority Chief Executives (SOLACE) has expressed its disappointment.

In the fire sector, Sir Ken Knight’s review ‘Facing the future’ (May 2013) placed the spotlight on the need to consider authority mergers and increased collaboration with other emergency services. However, on the evidence of our survey, mergers are not yet on the agenda of many fire and rescue authorities. Conversely, collaboration is a high priority according to a large majority of respondents whose authorities are already in such arrangements or actively working on them.

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### Governance of stakeholder relations

We continue to look for evidence of willingness on the part of local authorities to use alternative methods of engagement with the public, and have again been surprised to find that over a third of our respondents consider their bodies to have done little on this front. There was, however, a marked appreciation of the need to use modern technology as a platform for exploring alternative channels of communication, with over 90% confirming their organisation is active in this area.

Despite the work that a number of local authorities are doing with the public on ‘co-production’, almost a third of respondents do not think their organisation actively involves service users in designing the future scope and delivery of its services. In our view, this is both a missed opportunity and an increasingly untenable position for any local public sector body.

In our 2014 review we argued that annual reports were a possible route for more meaningful engagement on governance matters. The majority of this year’s survey respondents also agree that annual reports are a good way to promote local accountability. However, from a sample of more than 130 councils, only 12% published a report.

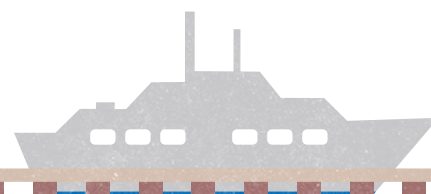
Annual accounts continue to present a challenge in terms of accessibility to the general public – and therefore also raise issues of accountability and transparency. The majority of our respondents do not think external readers could understand their accounts.

This may be exacerbated by the average length of the accounts increasing by 4% in 2013/14 according to our research, although around a quarter did show evidence of significant ‘de-cluttering’. Annual governance statements (AGSs) grew even further, by 18% on average. This may reflect the increased number of risks being reported, a significant element of which are financial risks.

The diversity agenda continues to challenge the sector. Only 30% of local authority cabinet positions are held by women which, while ahead of the boards of UK FTSE 100 and 250 companies, and on a par with charities, lags behind the NHS. Also, over half of our survey respondents say that members do not adequately reflect the demographic profile of the local population. The sector should continue its efforts to address these areas.

### Conclusion

For local government, the task of maintaining effective governance over its operations becomes ever more complex. Local authorities need to ensure their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies’ arrangements are as transparent as possible to stakeholders. Now more than ever, local authorities need to ensure that their associates – members, partners and stakeholders – are all on board with their governance.



*Despite the work that a number of local authorities are doing with the public on ‘co-production’, almost a third of respondents do not think their organisation actively involves service users in designing the future scope and delivery of its services.*

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# Governance of the organisation

*Good governance in local government relies on effective engagement with elected members. Our findings show this needs to improve.*

As the impact of austerity deepens, strong and effective governance becomes more important. Local authorities remain under pressure to deliver the quality services expected by the public while coping with escalating financial constraints. To achieve this, while maintaining internal stability and clarity of purpose, they need good governance that fully engages members.

## **Risk leadership and management**

Our 2014 review discussed how risk leadership is an essential conduit to a positive and innovative culture. We return to the theme this year, as we still believe that organisations' governance arrangements can promote a dynamic and flexible approach to the challenges they face.

Our survey asked respondents if they thought their organisations had this kind of risk leadership. Over 90% said they had effective leadership that fostered a positive culture that encouraged risk and innovation. This is very encouraging and is consistent with the views of respondents to last year's survey. Another key element of risk leadership is an understanding of financial risks. Eighty four per cent of respondents agree that members understand the financial consequences

of failure to manage key risks, compared with 88% last year.

However, there continue to be concerns about elected members' grasp of the importance of risk leadership. We asked if there is consensus among members about their organisation's appetite for risk taking, a question we also asked last year. In common with the responses we received then, a significant proportion of our survey continues to disagree: 34% this year compared with 41% in 2014. Managers need consistent guidance on risk appetite from the top of the organisation, something clearly lacking in a significant proportion of authorities.

Survey respondents are generally satisfied that their organisation's risk management arrangements capture and fully address all its key risks, with 91% believing this is the case. This is consistent with the level of confidence found in our past two reviews. Those who did not agree had the following concerns:

- risk assessments may not be sufficiently realistic or reported openly and honestly, due to worries about how this will be perceived
- members may not be adequately appraised of risks and rewards

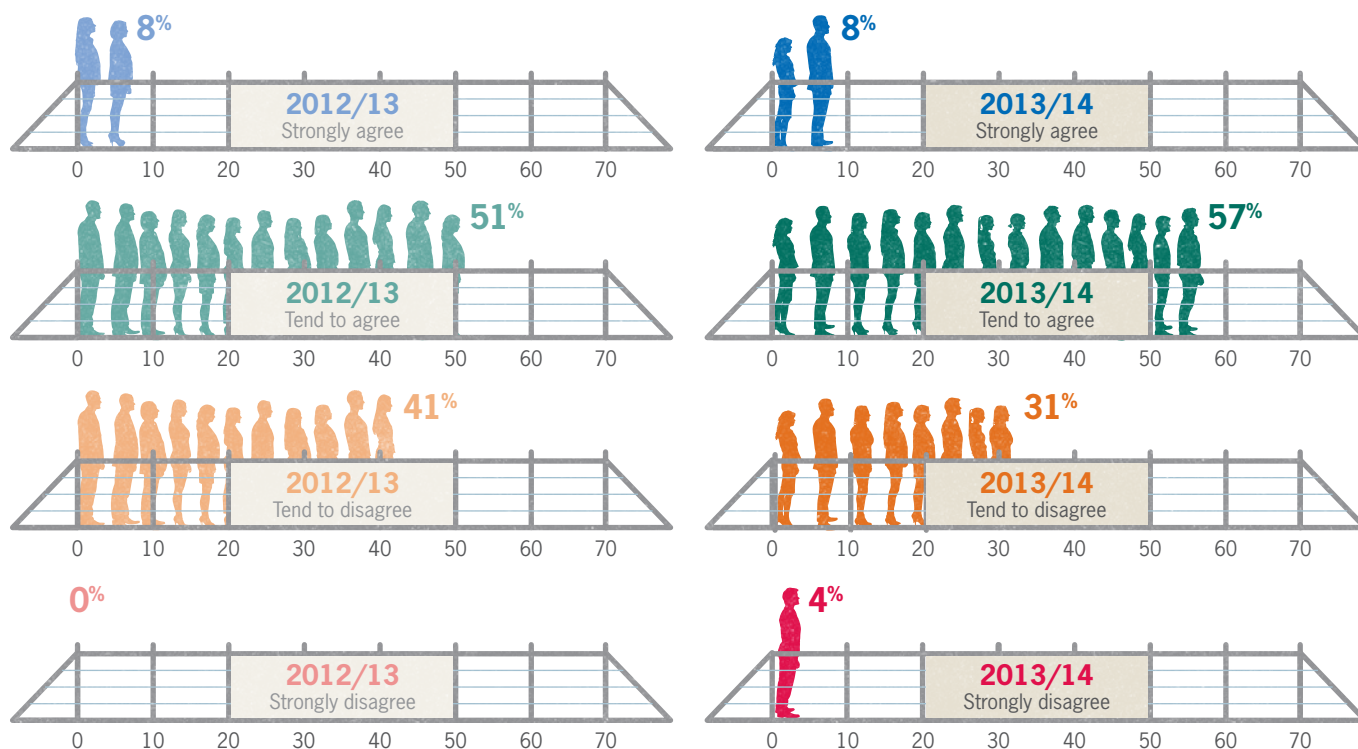
to enable decision making based on full knowledge, with concerns about information being restricted to a 'select few'. This is possibly a reflection of increasing dissatisfaction with the cabinet approach which we will discuss later in this chapter

- more focus is needed on mitigation and implementation of action, and a better assessment of risk appetite – the latter concern being consistent with the above findings about members' clarity about organisations' tolerance of risk.

Although these are the views of a minority, they reflect the ever-present danger that risk management operates in letter but not in spirit, with risk registers dutifully prepared, updated and circulated while the 'real' discussion of risks goes on elsewhere. Local authorities need to continue to move towards greater transparency and more effective engagement of members in risk management, to ensure it is more than a 'paper exercise'.



**THERE IS CONSENSUS ACROSS MEMBERS ABOUT THE ORGANISATION'S APPETITE FOR RISK TAKING**



*Questions for members to ask officers about risk management*

**At committee level**

- 1 Does the risk register cover all our key opportunities as well as threats?
- 2 Would frontline staff agree with the corporate risk register?
- 3 How confident are managers about managing the risk of service failures?
- 4 How are we managing the safeguarding of compliance risks?
- 5 Did our last report from a regulator include any surprises, and if so, what action has been taken?

**At department level**

- 1 Can you explain how risk management works in your department?
- 2 How is the risk management process and register used in day-to-day management?
- 3 Is the risk management process and register regarded as useful – or bureaucratic?
- 4 How do you escalate risks from your department to the corporate risk register?
- 5 Are the things that worry those at the front line consistent with what appears on the risk register?

Source: Grant Thornton Local Government Governance Reviews, 2013 and 2014

**Getting governance right**

Organisations rightly invest considerable time in setting up their governance arrangements. The complexity can be daunting, particularly when coupled with the pressure of budget reductions and the challenges of entering into ADMs, and local government bodies need to be assured that they have got their arrangements right. We asked our survey respondents if their organisation receives independent assurance on its governance arrangements. An overwhelming majority of 92% confirm that they do, and that such assurance is most frequently provided by external audit, followed by internal audit and inspectors or regulators.

The reliance on external audit for assurance on governance is an understandable response, but caution should be exercised due to the limited nature of that assurance. External audit is required under the Audit Commission Code of Audit Practice to review governance arrangements as part of its assessment to support the annual ‘value for money’ conclusion. However, external auditors are not required to carry out a detailed review unless an organisation is assessed as presenting a high risk in this area.

Local government bodies may wish to consider an independent assessment of the robustness of their governance arrangements which goes into greater depth than that required for ‘value for money’ purposes. Our survey response shows that internal auditors are already doing this at a number of authorities, but it may be appropriate to seek assurance from an external source from time to time.

**Who drives good governance?**

Once again this year, we asked respondents to list the three people most responsible for driving good governance. Again, the clear first choices are the chief executive or equivalent, the director of finance and the monitoring officer. Respondents continue to give little weight to the role of members (leader, chair, audit committee chair) in setting a ‘tone from the top’ for good governance; this remains a concern. As members are accountable to the public in a far more immediate way than officers, auditors and regulators, it is essential that they are perceived to play an active role in ensuring their organisations are well governed.

**WHO PROVIDES INDEPENDENT ASSURANCE ON AUTHORITIES’ GOVERNANCE ARRANGEMENTS?**



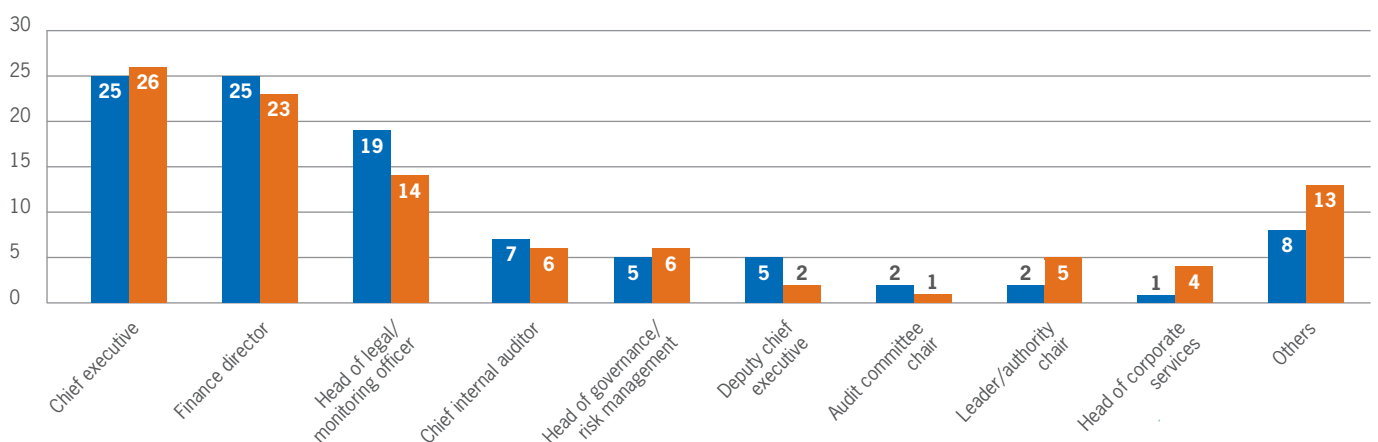
**Is your chief executive really necessary?**

A significant development in recent years has been that of authorities choosing to operate without a chief executive, often as a cost-saving measure, but sometimes as part of a transformation initiative involving alternative management models. In our survey, 7% of respondents indicate that their organisation has made this choice. All but one respondent asserts that this has had no negative impact on governance arrangements.

Removing the chief executive post is more common in district councils than in upper tier authorities, although a few of the latter have gone down this route.

WHO IS RESPONSIBLE FOR DRIVING GOOD GOVERNANCE AT YOUR ORGANISATION? (%)

● 2013/14 ● 2012/13



### Case studies – Alternatives to a chief executive

#### Sharing an executive director saves £80,000 per year

South Hams District and West Devon Borough Councils have had a shared management structure for a number of years. Since March 2014 the councils have been piloting an executive director model across their shared services arrangement, appointing their two current corporate directors to jointly lead the authorities; a move estimated to save approximately £80,000 a year. One director is responsible for service delivery and the other for strategy and commissioning as well as taking the head of paid service role.

The separation of the strategy and commissioning function from delivery is seen as a key element. It is intended to provide flexibility for the future, allowing for potential growth in the number of partner commissioners and service providers. A process of evolution is envisaged: as the model embeds new ways of working, and as alternative service models are explored, the senior management team, along with the rest of the organisation, will split between commissioning and delivery.

#### Joint managing directors foster collaboration

West Lancashire Borough Council decided three years ago to abandon the chief executive role and appoint joint managing directors. These directors share the chief executive responsibilities, one taking on the statutory designation of head of paid service, the other that of monitoring officer and returning officer. These duties are performed alongside their existing operational responsibilities – one leading on community services and street scene, the other heading up planning services, housing and regeneration.

The main aim of the move was to reduce top management costs without affecting efficiency. The change has fostered a collaborative approach internally, which has in turn engendered a flexible and positive attitude towards external partnerships, seen by the council as essential in the current financial climate.

Strategic decisions are also reached collaboratively, by the managing directors and their teams. The model brings the leader's role to the fore, positioning it as the 'dynamic public face of the council'.



Some councils have opted to share their chief executive, a move that was encouraged by the Secretary of State for Communities and Local Government at an early stage of his tenure. While successful in the main, this has had a mixed track record, with a number of councils choosing to reverse the arrangement fairly shortly after introducing it. For example, the London Borough of Barking and Dagenham recently terminated its sharing arrangement with Thurrock District Council.

The challenges to making a success of initiatives involving the removal or sharing of the chief executive post can be significant:

- Transformation projects involving shared management and services can involve significant upfront costs before long-term savings and service improvements emerge. Reducing top-level leadership by sharing the chief executive role from the start may prove too much for some councils
- Political divisions can complicate the picture, with one party pushing through merged arrangements against the will of the opposition, bringing the risk of instability if one party is committed to reversing the merger
- Sustained strategic focus is essential for such initiatives to succeed. Councils without a chief executive need to ensure there is clarity as to where this focus is going to come from; ‘joint’ chief executives need to recognise that their role has changed and reduce their involvement in detailed day-to-day matters
- Individual councils can have very different cultures and this needs to be recognised and addressed from the outset, along with maintaining staff morale where there are apprehensions about the changes

Local authorities therefore need to be clear about both the advantages and disadvantages of opting for alternatives to the ‘traditional’ chief executive. They must ensure that any such move is a clear fit for their circumstances and that it will preserve strong management and good governance.

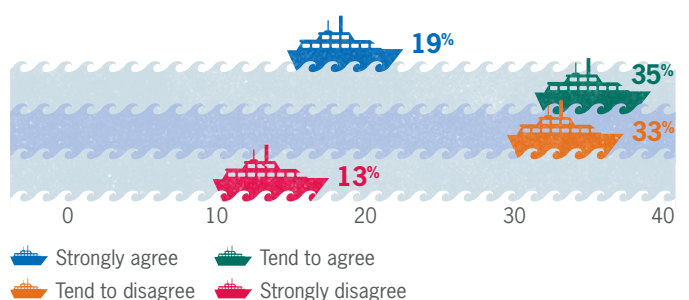
### Scrutiny

The introduction of scrutiny committees in councils, to provide a non-partisan forum for members not involved in executive decisions taken by the cabinet, has had mixed success. In theory these committees offer a valuable ‘check’ to the executive. Potentially, they can also offer a fresh perspective by taking both a long-term view of strategic issues and ‘deep dives’ into vital areas of council operations.

In reviewing the level of scrutiny activity at more than 100 councils in the year to 30 September 2014, we found practice varied widely. While councils had an average of three scrutiny committees, the number of committees ranged from 10 to one. These met on average 17 times a year, with a range from 66 meetings to just one. To gain a sense of their potential impact, we noted that on average scrutiny committees made 31 recommendations. This also ranged widely, from more than 100 to just one.

We asked our survey respondents if they agreed that the cabinet and scrutiny system provides all members with the opportunity to have real influence over council decisions. Almost half disagreed – a notable level of uncertainty about the value of this approach to governance, and a worrying indication of the potential disengagement of many members from council governance.

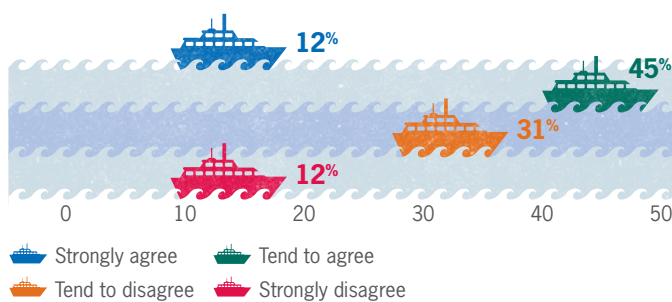
#### THE CABINET AND SCRUTINY SYSTEM PROVIDES ALL MEMBERS WITH THE OPPORTUNITY TO HAVE REAL INFLUENCE OVER COUNCIL DECISIONS





We also asked for views on the effectiveness of scrutiny committees at challenging the way councils do things. Here 43% of our survey could not agree that they were effective.

**OUR SCRUTINY COMMITTEES ARE EFFECTIVE AT CHALLENGING THE WAY WE DO THINGS**



In another significant trend, councils are turning away from the cabinet model and returning to the committee approach to governance. This is reflected in our survey results, with 6% of respondents confirming that their organisation has made this change and a further 12% saying it is being considered. The main reasons given for this were to involve more (or all) members in the decision-making process, to increase accountability and transparency and to reduce bureaucracy.

It remains to be seen whether these aims will be achieved. Clearly there has been dissatisfaction among those members who are not part of the ‘inner circle’ that cabinet government tends to involve. Participation in the scrutiny role does not seem to provide some members with the sense of purpose found in the direct oversight of services via committees.

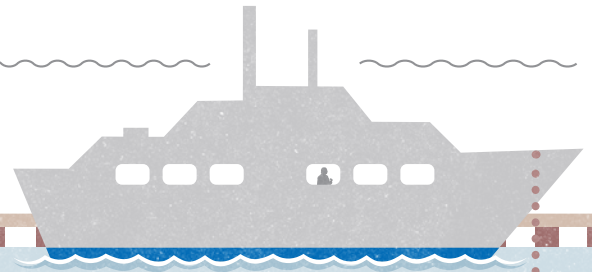
On the basis of our survey results, returning to the committee system may seem an obvious step in maximising members’ opportunities to have a positive impact on running their councils. However, this may also represent a significant missed opportunity. Another current trend, towards

*43% of our survey do not agree that scrutiny committees are effective at challenging the way their councils do things.*

increased devolution – spurred on by the 2014 Scottish referendum results and the increasing profile of the London mayor – may not sit well with an ‘old-style’ committee approach. Increased local powers may best be exercised through accountable individuals rather than committees. Authorities may wish to consider whether it would be better to work harder to make scrutiny a more effective counterweight to the local executive, rather than take what appears to be a backward step.

One area where scrutiny can play a particularly effective role is in bringing an alternative perspective on budget proposals. The process of budget preparation can be intense for those immediately involved, including cabinet portfolio holders. Scrutiny committee members, with no specific ‘stake’ in the proposals, can bring valuable insight and help ensure the process is as transparent as possible, as the following case studies illustrate.

The Centre for Public Scrutiny/Grant Thornton guide ‘Raising the Stakes’ offers practical advice to council officers and members about how scrutiny can add value to financial planning and financial management.



## Case studies – financial scrutiny

### Opening up the budget-setting process

Following local elections in May 2013, Buckinghamshire County Council established a select committee model to perform its scrutiny functions. The principal objectives of this exercise were to:

- examine whether cabinet produced a balanced budget that supported the council's strategic plan priorities
- provide a second opinion and make evidence-based recommendations for strengthening the proposals.

The select committee's wide-ranging recommendations include:

- improving the budget-setting process, focusing on the transparency and accessibility of the budget
- devolving further competencies to parish and town councils
- exploring further joint-working opportunities with partners such as district councils.

As well as scrutinising the council's budget proposals, a key aim of the select committee is to open up the budget-setting process by raising its profile and making it more accessible to members of the public. The finance, performance and resources select committee holds sessions with each cabinet member to question them on their draft spending plans and portfolio priorities. The leader of the council is questioned on the overall policy direction of the council, the leader's portfolio and on issues arising during the budget scrutiny process.

The select committee also engages with external witnesses from the local business, voluntary and community sectors. These external witnesses are invaluable in explaining the specific impacts of various budget proposals.

### Making budget monitoring more effective

St Helens Metropolitan Borough Council has set up an audit and financial monitoring overview and scrutiny panel, which receives regular reports on financial and service performance throughout the year. This complements the scrutiny of the annual budget carried out by the council's overview and scrutiny commission, by reviewing delivery of the budget and service outcomes.

The panel meets eight times a year. Quarterly corporate financial reports provide an update on the council's financial position covering revenue and capital, reserves and balances and treasury management activity. Budget and performance reports present key financial results in a narrative format alongside a performance summary that covers key performance indicators with actions to address any reported issues. Each meeting also considers the most recent internal audit reports.

Members' general understanding of financial information and its readability have been identified as key barriers to effective financial scrutiny, so a training programme for panel members has been developed to tackle this. This training has now been extended to all members of the council.

The establishment of the panel, and the contextual nature of the financial information it receives, has given members a much deeper understanding of the climate in which it operates.





# Governance in working with others

*The local government sector has to navigate an increasingly complex network of partnerships. Its governance arrangements have only partially adapted to this.*

Local authorities have responded positively to reduced national funding brought by austerity, through improved efficiency, innovation and alternative delivery models (ADMs) to deliver public services. This chapter revisits this important area, along with the new challenges faced by local authorities through their public health responsibilities, the continuing impact of police reform and the pressure now placed on fire and rescue services to realise efficiencies through mergers and collaborations.

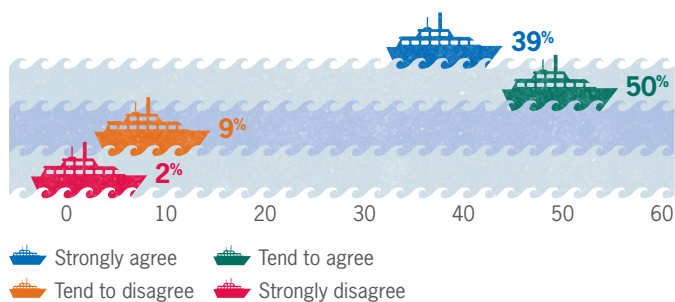
## Alternative delivery models

Local authorities have developed a wide range of ADMs in recent years, and governance issues relating to them was a major theme of our previous local government governance review, 'Working in tandem' (2014).

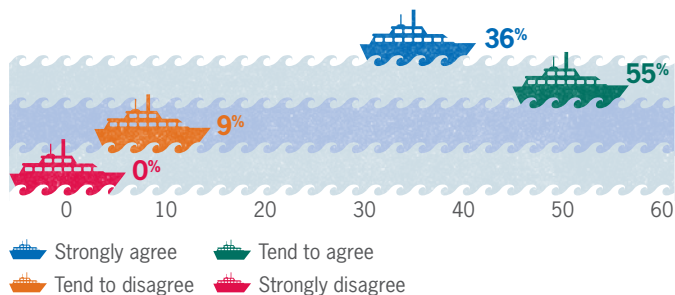
Our survey responses confirm the continuing importance of ADMs. A majority of respondents (89%) agree that their organisation is open to all available options when deciding how services will be delivered. A large majority, 84%, also confirm that their organisation has entered into ADMs or is considering doing so.

Most are also confident in their organisation's governance arrangements for ADMs, with 91% expressing satisfaction.

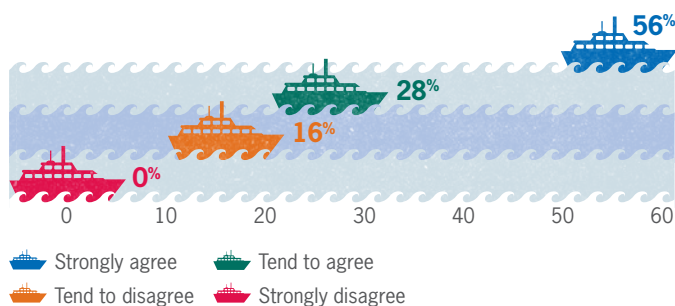
### MY ORGANISATION IS OPEN TO ALL AVAILABLE OPTIONS WHEN DECIDING HOW SERVICES WILL BE DELIVERED



### WE HAVE ADEQUATE GOVERNANCE OVER OUR ALTERNATIVE DELIVERY ARRANGEMENTS



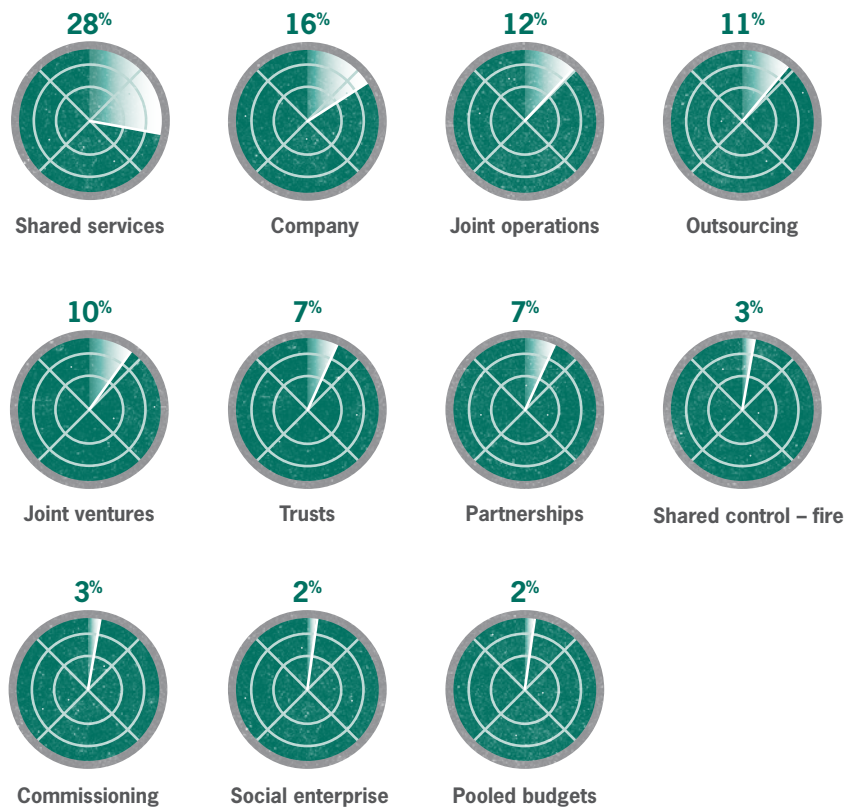
### OUR ORGANISATION HAS ENTERED INTO AN ALTERNATIVE DELIVERY ARRANGEMENT SUCH AS A JOINT VENTURE OR JOINT COMPANY WITH ANOTHER AUTHORITY



Grant Thornton’s recent report ‘Responding to the challenge: alternative delivery models in local government’ (January 2014) discusses the main ADMs available and aims to assist authorities as they develop their options and implement innovation strategies. All local authorities are keenly aware of the need to continue to make major savings over the medium term, and it is unlikely this can be achieved without greater innovation and further use of alternative delivery models.

We asked our respondents to indicate the types of ADMs their authority had established. The ‘traditional route’ of shared services was the most frequently cited at 28%, but the combined total of companies and joint ventures now matches this. Outsourcing accounted for a further 12%, clear evidence that local authorities are now highly committed to new ways of procuring and delivering services.

**MOST FREQUENTLY CITED TYPES OF ESTABLISHED ALTERNATIVE DELIVERY MODELS**





## Case studies

### A 'true partnership' to deliver revenues and benefits services

Wychavon, Malvern Hills and Worcester City Councils have set up a strategic partnership with Civica for the provision of revenues and benefits services. With universal credit due to be introduced during the next few years, these councils' existing shared service (set up in 2007) faced the prospect of a significantly reduced workload.

The councils recognised that although they were providing high quality tradable services, they were not skilled or experienced at taking these to market. By contrast, the private sector lacked the councils' trained staff and experience but did have marketing expertise and commercial contacts. The South Worcestershire Shared Services Joint Committee concluded that its ambitions for the service in the new climate could best be achieved through growing the partnership with an established private sector provider.

The intention from the outset was to establish a 'true partnership', with Civica, rather than a 'simple outsource model'. The joint committee believes this is critically important in helping the councils achieve their wider aims for the service.

Governance arrangements for the service, considered to have worked well since its inception, have continued unchanged with the partnership reporting to the joint committee.

### Securing new income streams

South Hams District and West Devon Borough Councils recently decided to create a wholly owned trading company to generate new income. The aim is to shift the culture of the organisations towards a more innovative approach, recognising the need to both reduce costs and secure additional income streams.

Governance arrangements stipulate that directors of the company will be responsible for managing its affairs and ensuring a profitable trading environment. As its directors will have a duty to act in the company's best interests, council members will be made aware that potential conflicts of interest may arise when carrying out these two roles.

The arrangements also require that, where business decisions fall outside the powers of the company directors, such decisions must be referred to the councils' appropriate decision-making body.

### A better deal for children

Achieving for Children (AfC) is a social enterprise company created by the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames to provide their children's services. AfC was set up as a community interest company limited by guarantee, jointly owned by the two local authorities. The company started trading from 1 April 2014.

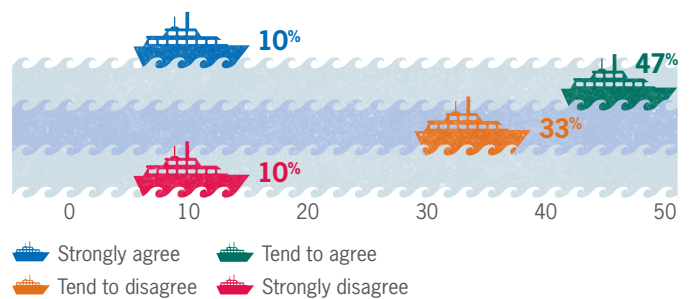
The key aim in establishing the company is to safeguard quality services. A joint committee has been set up by the two local authorities, which retain ultimate control and responsibility for major policy and other decisions. The day-to-day running of the company is delegated to a joint management team appointed by the board. This consists of executive and non-executive directors, appointed by the two councils, and non-executive independent directors, who are independent of the councils and the company.

### Scrutinising ADMs

As local authorities increasingly outsource services in order to make savings and encourage innovative delivery, they also need to scrutinise the governance of these arrangements more closely. Although there may be limits to the evidence that scrutiny committees have access to, due to contract terms, their oversight of contracted-out activities and joint operations or ventures can bring a level of transparency and accountability that could otherwise be lacking. However, scrutiny of service quality, including of those activities that have been outsourced, is an area that many of our survey respondents find to be lacking. Forty three per cent of respondents do not consider that their scrutiny committees have been proactive in this area.

It could be argued that service quality is scrutinised effectively by other dedicated committees. Wherever this scrutiny happens, when assessing services delivered through ADMs, members should ask the questions listed below.

### OUR SCRUTINY COMMITTEES HAVE BEEN PROACTIVE IN REVIEWING SERVICE QUALITY, INCLUDING OUTSOURCED SERVICES



*As local authorities increasingly outsource services in order to make savings and encourage innovative delivery, they also need to scrutinise the governance of these arrangements more closely.*

### Ten questions members should ask about ADMs

- 1 Is there a common understanding between all parties to your main ADMs on the risks they face and how these will be managed?
- 2 Are all roles and responsibilities within the ADM clearly set out, assigned and accepted, both individually and collectively?
- 3 Is it clear which party carries the lead responsibility for which key risk, and is this incorporated in agreements or contracts?
- 4 Is a joint risk register in place for your organisation's main ADMs and is this regularly reviewed at joint risk meetings?
- 5 Have you reviewed the processes for day-to-day management of risks in your ADMs?
- 6 Are you satisfied they are robust and all parties are fully engaged?
- 7 Are you confident your governance arrangements would identify a potential service failure within your ADMs before it happened?
- 8 Do you have clear plans about what action should be taken if alternative delivery arrangements fail?
- 9 Do you understand the financial consequences of the failure to manage the key risks of your main alternative delivery arrangements?
- 10 Are you satisfied with the quality of financial and performance reporting on ADMs? How could it be improved?



One criticism sometimes made of scrutiny is that it can be ‘tokenistic’, with reports that present a sanitised or pre-agreed account of the issues, and committee discussions drifting into party politics, dissipating the focus. A solution to this may be the Centre for Public Scrutiny’s proposal for local public accounts committees, if they were to emulate the impact and generally non-partisan approach of their equivalent at national level.

### Local public accounts committees

The Centre for Public Scrutiny (CfPS) has advocated the introduction of independent local public accounts committees (PACs), which would have the power to scrutinise all public expenditure in a local area, subject to a number of necessary exceptions such as defence and security. The CfPS suggests local PACs should have:

- right of access to any papers or information held by anybody involved in delivering public services and to require representatives to attend meetings to give evidence
- an ‘enter and view’ power over any organisation delivering publicly funded services. This would involve a right to access real-time management information, and to directly access and talk to managers and service users, similar to powers already held by local Healthwatch organisations
- the ability to use this evidence to make recommendations to any local public service commissioner or provider to which they would be obliged to respond. The local PAC would have the right to refer any refusal to implement a recommendation they regard as crucial for good governance and value for money to the national PAC for determination or further investigation.

Source: ‘A local public accounts committee for every place: a proposal from CfPS’, CfPS, December 2015.

*One criticism sometimes made of scrutiny is that it can be ‘tokenistic’, with reports that present a sanitised or pre-agreed account of the issues, and committee discussions drifting into party politics, dissipating the focus.*



**Police and crime commissioners**

The election of PCCs in November 2012 introduced a new model of governance and accountability in England and Wales. Police authorities were replaced by two separate entities, with chief constables and PCCs being given equal status as ‘corporations sole’.

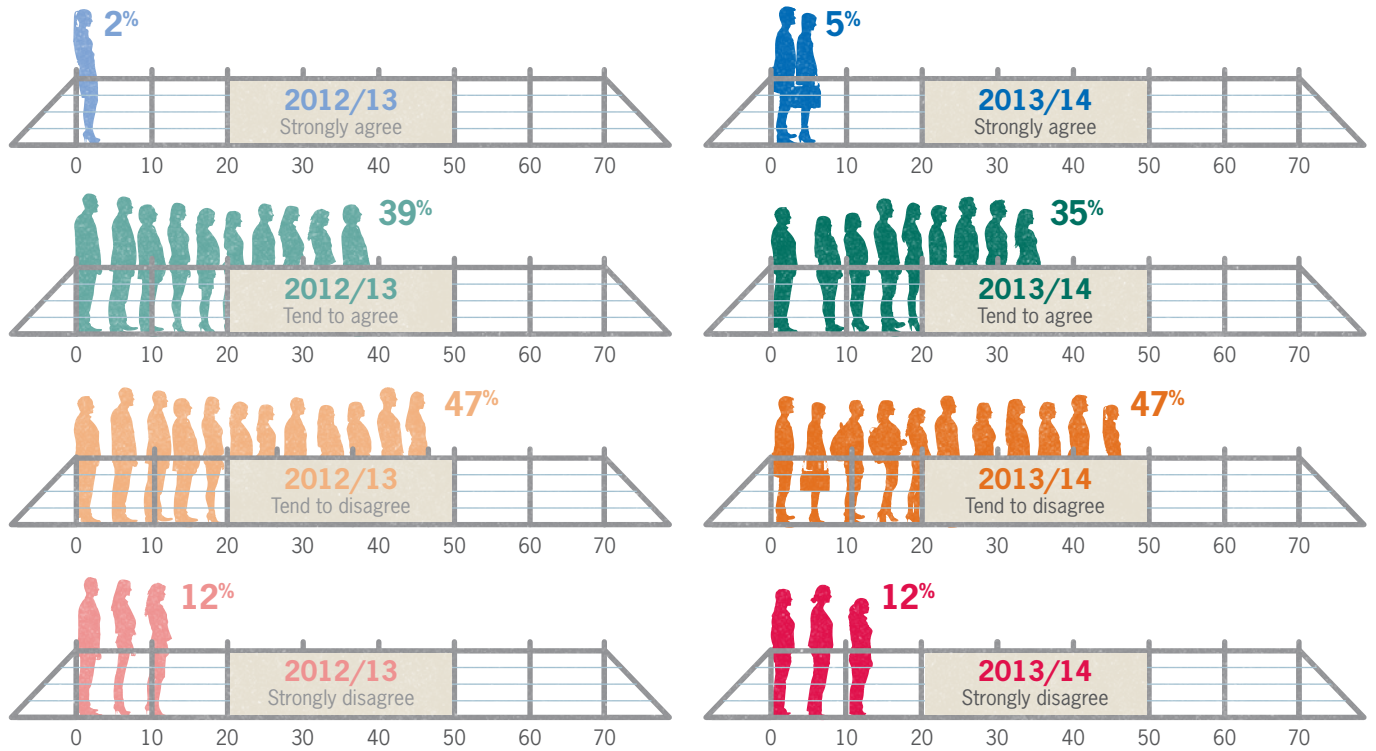
In both this and last year’s surveys we asked if respondents agreed that this

transition had a positive impact on local partnership working arrangements. On both occasions the majority disagreed.

This contrasts with the response to a related question in our survey of police bodies for our report ‘Police reform: a developing picture’ (April 2014), in which 78% of respondents felt the creation of the office of the PCC had had a positive impact on the local

police force’s pre-existing collaborative and partnership working arrangements. Clearly police bodies see potential here, and there remains scope for that potential to be realised, including winning over local partners.

**THE TRANSITION FROM POLICE AUTHORITIES TO PCCs HAS HAD A POSITIVE IMPACT ON LOCAL PARTNERSHIP WORKING ARRANGEMENTS**







### Setting up and managing successful partnerships

- **Leadership and vision:** Senior officers need to be clear about what the partnership aims to achieve, and to communicate this vision effectively to staff, partners and other stakeholders.
- **Test the business case:** Any partnership should be supported by a business case that sets out the expected costs, benefits and risks. Where arrangements are already in place, consider revisiting the business case to ensure benefits are being delivered as envisaged.
- **Set clear objectives and report on performance:** There should be a succinct list of clear, outcome-focused objectives for all partnership arrangements. Performance against these should be measured and reported regularly, with clear responsibility for actions to address any underperformance.
- **Get governance right:** There needs to be clear accountability for the performance of partnerships. Decision-making processes should be streamlined to allow speedy resolution of operational issues, while giving time for adequate debate between all partners. Shared mechanisms such as joint assurance frameworks and risk registers can help partners to develop effective governance arrangements.
- **Build flexibility into the model:** The demands placed on public services are changing all the time, so partnership arrangements need to adapt in the same way. Depending on the type of arrangement, partners may wish to: agree periodic break points and build these into agreements; set milestones at which they will refresh the business case; and revisit objectives and performance measures as part of the annual budget-setting cycle.

Source: 'Police reform: a developing picture', Grant Thornton, April 2014

### Public health

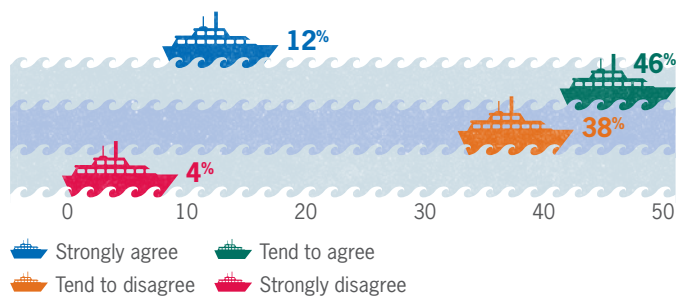
The Health and Social Care Act 2012 gave upper-tier and unitary councils a new duty to promote the health of their population, assuming a number of functions previously undertaken by the NHS. District councils are also expected to make significant contributions to local health and wellbeing strategies.

The act aimed to secure improvements to public health by requiring councils to put local health issues into their policies and decisions. The health and wellbeing boards (HWBs) brought in by the act lead the development of joint strategic needs assessments and joint health and wellbeing strategies, with the aim of integrating local commissioning strategies and ensuring a community-wide approach to promoting and protecting public health and wellbeing.

On the evidence of our survey, this new role has yet to have a significant impact on local healthcare for many authorities. Over 40% have not noticed a difference in how healthcare is governed and delivered in their area, although 12% agree strongly that it has, which is arguably an encouraging sign at this relatively early stage.

The Department of Health has identified 14 'pioneer' sites<sup>1</sup> where local areas are demonstrating the use of ambitious and innovative approaches to joined-up care, and we recommend local authorities review these for their own potential application.

#### THE COUNCIL'S NEW ROLE IN LOCAL PUBLIC HEALTH ARRANGEMENTS HAS MADE A GENUINE DIFFERENCE TO HOW HEALTHCARE IS GOVERNED AND DELIVERED IN OUR AREA

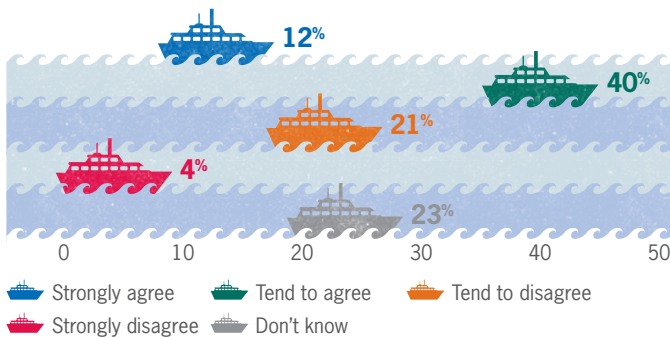


<sup>1</sup> <http://www.england.nhs.uk/2013/11/01/interg-care-pioneers/>

*One key area where HWBs have a role is in governance arrangements for the Better Care Fund (BCF) introduced by the government in June 2013, in England.*

We also asked council respondents if HWBs had secured the engagement of all key local organisations, including healthcare providers. A reasonable majority of 62% agreed, but 25% did not (and 23% did not know).

**OUR HEALTH AND WELLBEING BOARD HAS SECURED THE ENGAGEMENT OF ALL ORGANISATIONS IN THE LOCAL HEALTH ECONOMY, INCLUDING THE MAIN HEALTHCARE PROVIDERS**



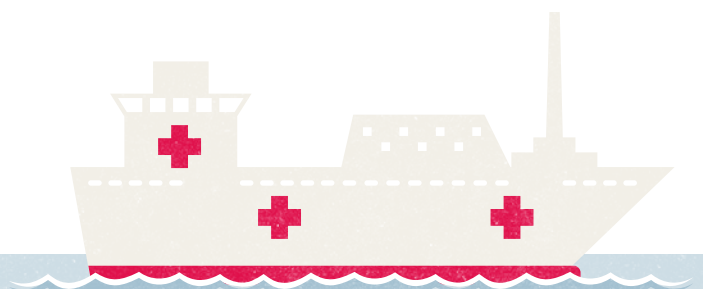
This indicates a considerable level of disquiet about the effectiveness of HWBs, a key plank of the recent reforms. At present this looks set to continue. In response to NHS England’s ‘NHS five year forward view’, which only referred briefly to HWBs, the SOLACE said it was disappointed not to see more support for them as a vital lever to drive holistic, place-based health and care reform.

One key area where HWBs have a role is in governance arrangements for the Better Care Fund (BCF) introduced by the government in June 2013, in England. This represents a significant opportunity to drive forward integrated care, by encouraging health and social care services to work together. The aim is to stimulate transformation in existing care service delivery, to improve health and social care outcomes and to provide cost-effective care by commissioning according to local needs.

As highlighted in Grant Thornton’s review ‘Pulling together the Better Care Fund’ (September 2014), HWBs have a key role in ensuring that robust governance arrangements are in place as part of approving the BCF plans and by monitoring outcomes and ensuring remedial action is taken where required. The review noted three areas where, based on Grant Thornton’s local reviews of planning for the introduction of the BCF, the majority of HWBs need to take action. HWBs need to:

- understand their role and responsibilities, to enable them to be focused, effective and purposeful
- establish who is responsible for managing risk and performance managing the BCF outcomes
- ensure that NHS providers are fully engaged and aware of the planned changes, if the BCFs are to achieve their agreed objectives.

There is no doubt, however, that local authorities and the NHS can – and should – work effectively together, particularly in the provision of health and social care.





## Case studies

### Pioneers reduce hospital admissions

Greenwich was one of 14 'pioneer' sites selected by the NHS to lead the way in delivering better joined-up health and social care. The Royal Borough of Greenwich and NHS Greenwich clinical commissioning groups (CCGs) decided to focus on establishing multidisciplinary teams to deal with emergencies arising within the community which require a response within 24 hours. The joint emergency team (JET) has succeeded in reducing hospital admissions and delayed discharges for patients aged over 65, leading to significant social care budget savings.

To ensure effective governance across such a wide-ranging group with differing internal priorities, the focus was on achieving health and social care integration at both strategic and operational levels, without requiring partners to change their own governance arrangements. The health and wellbeing board has a strategic oversight role, while at operational level an integrated care system project board oversees delivery and implementation.

### Reducing health inequalities

South Ribble Borough Council's scrutiny committee has a track record of scrutinising health provision and championing local health issues. In 2013 the committee carried out a review of health inequalities.

The review set out to audit what existing work was being done to improve life expectancy in South Ribble, to consider the factors that contribute to health inequalities, and look at what can be done to improve life expectancy and quality of life in the borough.

The committee concluded that local authorities across the three tiers were the major players in public health and must take the lead. It made 13 recommendations requiring further engagement of the council with local CCGs, the county council's public health function and children's trust and the health and wellbeing board.

Following this, in 2014, the committee worked with Lancashire County Council's health scrutiny committee and the Centre for Public Scrutiny to pilot a review on how the NHS Healthcheck scheme is working.

### Fire and rescue services

The 2013 'Facing the future'<sup>2</sup> report by Sir Ken Knight highlighted changes in the demand for fire and rescue services and the need to modernise the service and make efficiency savings. One of the main conclusions from the report was that the current system of 46 local fire authorities in England "does not make for a sensible delivery model".

Grant Thornton's report 'Fire and rescue collaboration' (Spring 2014) discusses the issues surrounding mergers and collaboration with other emergency services. The report highlights lessons from previous successful and abandoned mergers, potential ways of joint working and how to manage a merger or collaboration project successfully.

Mergers are not yet on the agenda of many fire and rescue authorities, according to our survey. Only 20% of respondents confirm that their organisation has implemented a merger or is actively working on merger plans for implementation in the next 24 months. Conversely, collaboration is a high priority, with 91% indicating that their authority has implemented collaborative working or is actively working on new collaborative working arrangements with other emergency services and fire authorities for implementation in the coming year.

### Collaboration on fire sector procurement

Procurement is one area where collaboration between fire and rescue authorities can prove particularly effective.

The key messages to emerge from a Grant Thornton round table discussion involving leading figures in the service were:

- collaborative procurement can streamline services and save money in a time of austerity. Product specialists could drive innovation within the sector
- significant barriers to establishing collaborative procurement across the fire service need to be tackled. Some authorities fear losing their identity and 'brand'. Procurement specialists do not feel consistently valued or part of the solution to driving efficiency
- a cultural shift within the fire service is needed to make real progress with collaborative procurement. Chief fire officers and members have an important role to play in setting the right tone for their organisations. A greater focus is needed on developing a forward-looking approach to enable the service to become a more sophisticated buyer.

Source: 'Better collaborative procurement in the fire sector', Grant Thornton, November 2014.

<sup>2</sup> <https://www.gov.uk/government/publications/facing-the-future>

# Governance of stakeholder relationships

*Good governance in local government involves meaningful engagement with all the sector's stakeholders. Local authorities have yet to make the best of their opportunities to do this in the 'digital' age.*

Local authorities need both to meet their statutory duty to inform the general public and other stakeholders about their finance and governance and to make a genuine connection with local people in response to the increasing prominence of the localism agenda.

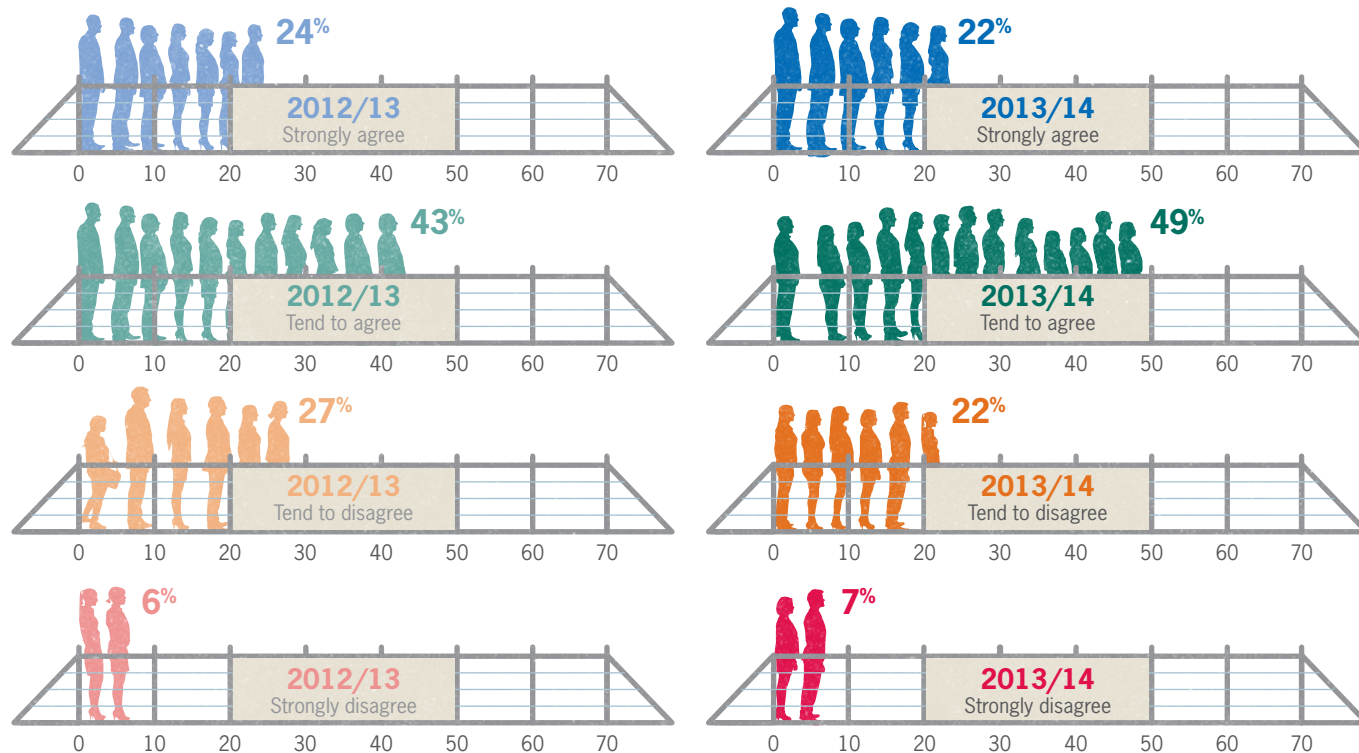
## Engaging with stakeholders

Modern technology presents local authorities with a range of options to make their communication and engagement with

stakeholders meaningful and effective. In our 2014 survey we looked for evidence of councils, fire authorities and police bodies actively engaging with the public about what information they want on the quality of services, finance and governance.

We raised the issue again this year. Most respondents said their organisations do this but, as with last year, around a third feel there has been little or no engagement on these areas.

## WE HAVE ENGAGED WITH THE PUBLIC ON WHAT INFORMATION THEY WANT ON THE QUALITY OF SERVICES, FINANCES AND GOVERNANCE OF THE ORGANISATION

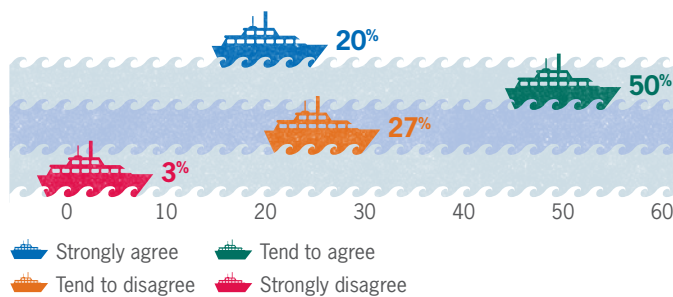




This continues to be a surprising response. The increasing demand for transparency in public authorities' dealings with stakeholders does not seem to have translated, for a significant minority of our surveyed organisations, so far as finding out what the public want to know and how it should be presented.

Another key component in securing active and meaningful engagement with stakeholders is to involve service users in shaping how authorities do things. Encouragingly, a majority (70%) of respondents were positive on this, and a number of authorities are currently forging ahead with 'co-production' initiatives. However, this still leaves almost a third of respondents unable to agree that their organisation actively involves service users in designing the future scope and delivery of its services.

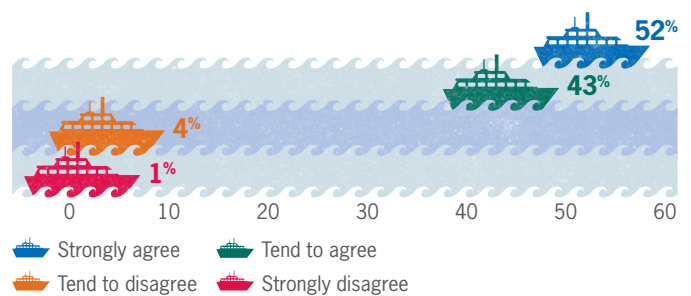
**SERVICE USERS ARE ACTIVELY INVOLVED IN DESIGNING THE FUTURE SCOPE AND DELIVERY OF OUR SERVICES**



*Another key component in securing active and meaningful engagement with stakeholders is to involve service users in shaping how authorities do things.*

Local authorities need to use all options enabled by technology to communicate with the public. Almost 95% of respondents said their organisation proactively explores alternative channels of communication, for example: enhancing their website based on user feedback; using social media; introducing integrated reporting; and creating alternative face-to-face contact mechanisms.

**WE PROACTIVELY EXPLORE AND USE ALTERNATIVE CHANNELS OF COMMUNICATION TO ENGAGE WITH THE LOCAL POPULATION**



However, this may be at odds with the stakeholder experience. The public sector net services provider, 'Public-i', considered the current state of engagement through digital technology in its paper 'Digital tribes and leadership survival skills'<sup>3</sup> (October 2014), following discussions with bodies such as SOLACE, the Society of Information Technology Management (SOCITM), CITM and the Local Government Association (LGA). The paper comments that "many organisations may be being constrained in their pursuit of an effective digital agenda, both by a lack of clarity about [why to use digital technology] and by a lack of skills around the top table... Many leaders have not yet had time to reflect on the cultural changes that they are seeing within their communities and organisations and link these to the way in which digital tools are increasingly shaping relationships as well as transactions".

Despite the positive response to our survey, local authorities may wish to look at the quality and quantity of the technology they are using to communicate with stakeholders.

<sup>3</sup> <http://www.public-i.info/wp-content/uploads/2014/10/DigitalLeadership-Distribution-copy07.10.14.pdf>

### Annual reports

In our 2014 review we argued that annual reports, which offer a more flexible, transparent and accessible way to engage with people than statutory documents such as the AGS, were a possible route for more meaningful engagement on governance.

It would appear that this is a view shared by a significant element of senior local authority staff and members. The majority (69%) of our respondents agreed that annual reports are a good way to promote local accountability, in almost the same proportion as last year.

We also asked why many local authorities do not produce an annual report. The most common explanations were the cost and organisational inertia, due to a report’s non-mandatory nature and public indifference. Whatever the reasons, the fact remains that the vast majority of local authorities choose not to produce an annual report – from our sample of 120 councils, we found that only 12% published one.

Of the authorities that do produce an annual report, we assessed the extent of their reporting of key risks. We found limited reference to them, representing a missed opportunity to convey a vital message about effective governance to local stakeholders. That said, we found the level and accessibility of performance reporting to be handled reasonably well. This is encouraging and, to some extent, addresses the gap left by the lack of an annual report.

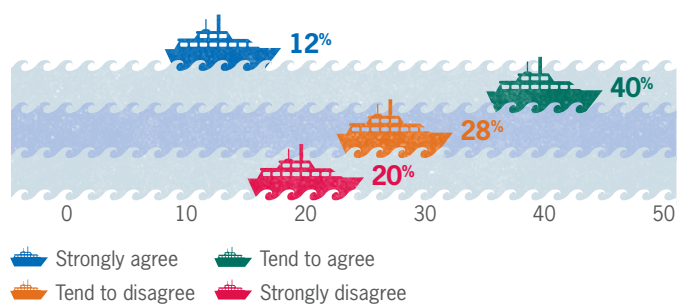
We recognise that austerity continues to put pressure on local authorities to focus on ‘necessary’ rather than ‘desirable’ uses for public money, and that annual reports could be seen as the latter. Nonetheless, annual reports are required from all NHS bodies and large private sector organisations, and local authorities should consider aligning themselves with these entities in giving an account of themselves to stakeholders. Local authorities are free to choose their own annual report format. It does not need to be lengthy or expensively produced: a ‘21st century’ annual report could resemble an executive summary in a prominent place on the authority’s website, with links to greater detail for those who need it, dovetailing with the way many people use the internet.

### Annual accounts

We have previously commented on the problems that non-specialist readers can have in understanding local authority accounts. The additional length and complexity that accompanied the introduction of International Financial Reporting Standards (IFRS) is proving hard to reverse. Additionally, the numerous statutory adjustments to local authority income and expenditure statements can leave the reader wondering what the true financial position of the organisation is.

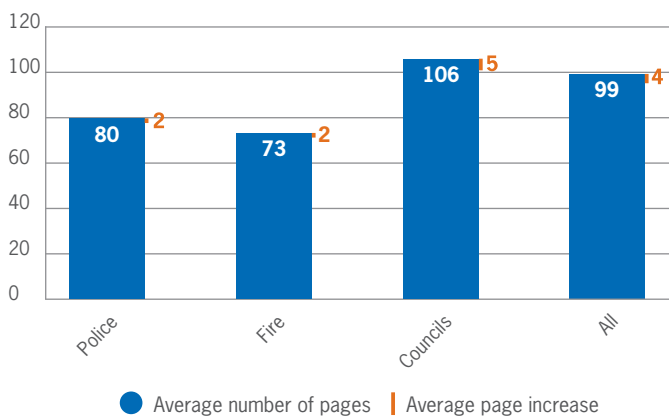
Our survey asked respondents if they are happy that external readers can understand their annual accounts. Almost half disagreed, which is understandable given our comments above. But still, the fact that key players in local authorities do not believe their accounts are readily comprehensible raises significant concerns about transparency and accountability.

#### I AM HAPPY THAT EXTERNAL READERS OF OUR ANNUAL ACCOUNTS CAN UNDERSTAND THEM



The accessibility of local government accounts has been a continuing theme of our governance reviews, and our survey results show we are not alone in our concerns. As we commented last year, perhaps the time has come for the sector to initiate a debate with accounting standards setters on the right format for their accounts. To add further weight to this, our analysis of more than 130 financial statements of councils, fire and rescue authorities and police bodies shows that, on average, the length of financial statements has increased by four pages overall.

**Financial statements have increased in length for all local authority categories**



Within this, there is wide variation. Some statements have more than 200 pages, while others use well below 100, with some of this being accounted for by varying practice over the inclusion of pension fund accounts.

One of the main ways preparers of accounts can make them more accessible is by ‘de-cluttering’ – for example, by removing unnecessary notes, particularly those on immaterial balances. Our review of 2013/14 local authority financial statements found evidence of significant de-cluttering in about a quarter. This is in itself encouraging, but does show that much more can be done in this area.

### *Recent examples of de-cluttering the annual accounts*

#### **Buckinghamshire County Council and Stevenage Borough Council**

... are among a number of councils that now present most of their accounting policies within the individual notes to which they relate, to aid transparency and reduce duplication

#### **Ashford Borough Council**

... reduced the number of notes in its accounts and simplified the presentation of the statutory

#### **Plymouth City Council**

... reduced the length of its accounts by 30 pages, which included removing immaterial notes and related accounting policies

#### **Cumbria Police and Crime Commissioner/ Chief Constable**

... made their accounts easier to read by removing immaterial notes and providing brief and simple explanations of key accounting concepts

#### **West Devon Borough Council**

... presented information required by IFRS, such as financial instruments and pensions disclosures, in a separate ‘technical appendix’ to significantly reduce the length of its main statements



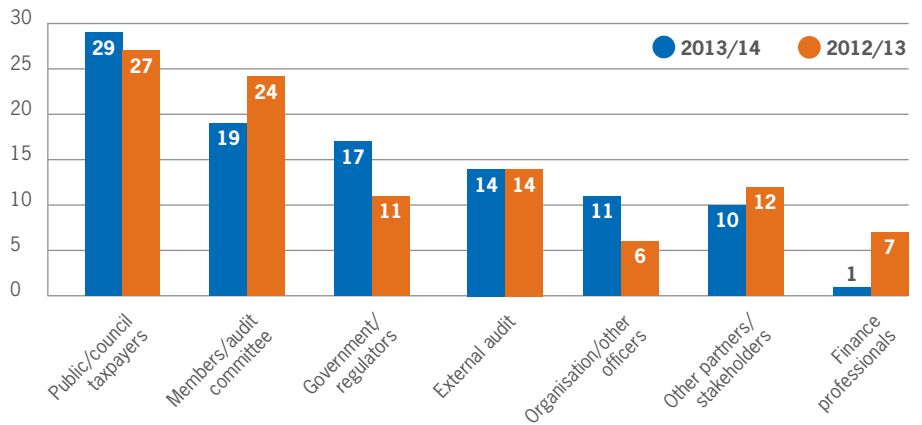


**Users of the accounts**

This year’s survey again asked respondents who they thought the accounts were for. The public and members remain the most frequently cited stakeholders. Compared with last year, significantly fewer thought they were produced for members and audit committees, with a similar ‘swing’ towards the government and regulators such as the Audit Commission. When it comes to internal audiences, more thought the accounts are for the organisation and its non-finance officers rather than for the finance team.

Overall, despite the mixed messages and the continued complexity of the accounts, our respondents seem to increasingly appreciate the value of their financial statements as a tool for communicating with external stakeholders.

**WHO ARE THE ACCOUNTS PRODUCED FOR? (%)**



*Six ways to improve the accounts*

- 1 Set ambitious objectives for improvement.** These might include bringing forward deadlines (including the timing of audit committees), making the accounts shorter and clearer, reducing preparation time, minimising the impact of the audit and integrating financial accounting with financial management.
- 2 Get feedback from members, non-finance managers and other stakeholders.** What do members and stakeholders think of the financial statements? How could they be made easier to understand? What training and support do members need to do their job more effectively? How would managers outside the finance department make the production process more streamlined?
- 3 Carry out a debrief of 2013/14 with your auditors.** This is particularly important for those who changed auditors last year but also applies to those with long-standing relationships with their auditors. The debrief needs to be more than a cosy meeting between the chief accountant and the audit manager and should:
  - be open and honest
  - include the officers and auditors involved in the detailed work. These are the people who usually have the best understanding of what needs to change and will have to implement new ways of working
  - challenge unnecessary content in both the accounts and the auditors’ working paper requirements.

- 4 Secure the commitment of other senior managers and members.** You will be able to make some improvements within the finance department but more radical change will require the support of senior managers and members. And of course, if they don’t know what you are trying to do, you are less likely to get the credit when you achieve your goals.
- 5 Get your project planning in place.** Delivering uncluttered accounts, earlier deadlines and a smooth audit process usually requires strong project management skills and a formal project plan. While your objectives may be ambitious, they may not all be achievable in year one. Your project plan needs to be realistic.
- 6 Concentrate on doing less.** We often spend a lot of time trying to improve the way we do things, but it is often more effective to cut things out altogether. Is that immaterial disclosure really necessary? Do the auditors really need all the working papers they ask for? Why do you need such detailed information on accruals to prepare a set of financial statements?

Source: Room 151 ‘Improving the preparation and audit of your financial statement’

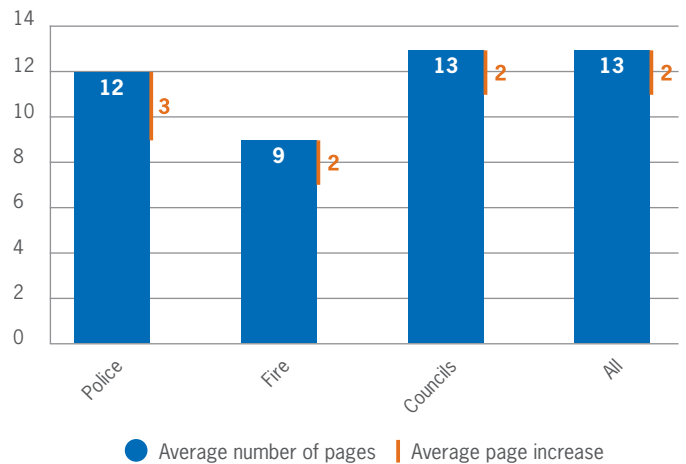


As with the annual accounts, our review of 2013/14 local authority AGSs found an overall increase in length across councils, fire and police bodies, by two pages to an average length of 13 pages.

Here also there is a wide variation between authorities, with some councils having an AGS of more than 40 pages while some are as brief as two pages. Similarly, some fire and police bodies' AGSs weigh in at 25 pages, while the shortest are again only two pages.

This overall increase was in tandem with a rise in the number of significant risks that were included in the 2013/14 AGS compared with the previous year, up on average from four to five. Of these, typically two were financial risks, a clear indication of the pressures brought by austerity.

The AGS has increased in length



*There is a wide variation between authorities, with some councils having an AGS of more than 40 pages while some are as brief as two pages.*

### Innovation in 2013/14 AGSs

#### Halton Borough Council

... summarised its assurance framework in an easy-to-follow one-page flow diagram in the AGS

#### London Borough of Lewisham

... greatly simplified the format of its AGS, setting it out as a series of Q&As, again with use of flow diagrams to reduce text

#### Surrey County Council

... included the AGS in its annual report, in an accessible and brief format with useful links to key governance documents

#### Southwark Council

... opted for a brief AGS of only five pages, which nonetheless sets out clearly the council's assurance framework, effectiveness review and significant risks

**Diversity**

Grant Thornton’s governance reviews have consistently highlighted the issue of female representation at the top of organisations, in both the public and private sector. This year we reviewed the membership of the equivalent of the ‘board’ in councils and fire and police bodies – acknowledging that for councils this is to some extent dependent on the choices made by local parties and the electorate.

From our sample of more than 140 local authorities we found that the gender split of the main decision-making group was, on average, 70% male to 30% female.

This compares well with private sector organisations. Cranfield University’s ‘Female FTSE board report 2013’<sup>4</sup>, found that women accounted for only 17% of FTSE100 directorships and 13% of FTSE250 directorships as at March 2013.

These results are similar to the level we have found in the charity sector of 28% female board membership, but the sector has some way to go to match the NHS level of 40%.

Our results are broadly consistent with the Fawcett Society’s report ‘Sex and Power 2013 – Who runs Britain?’<sup>5</sup>, which found that 32% of councillors in UK public institutions were female, and that women accounted for just 12.3% of council leaders in England, 13.3% of elected mayors and 14.6% of police and crime commissioners. The report called on government and political parties to take a number of actions to remove barriers to women gaining political power, including increasing the number of female candidates at all levels of election.

**Women occupy a minority of positions on decision-making groups at the top of local authorities**



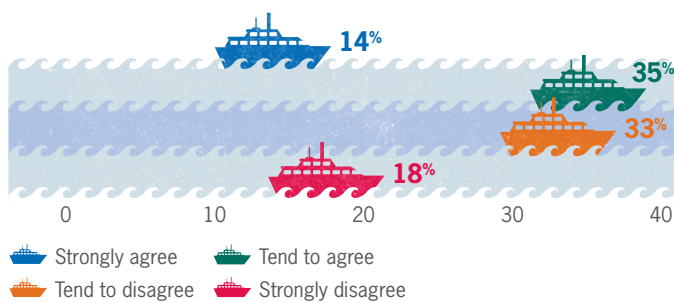
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<sup>4</sup> <http://www.som.cranfield.ac.uk/som/ftse>

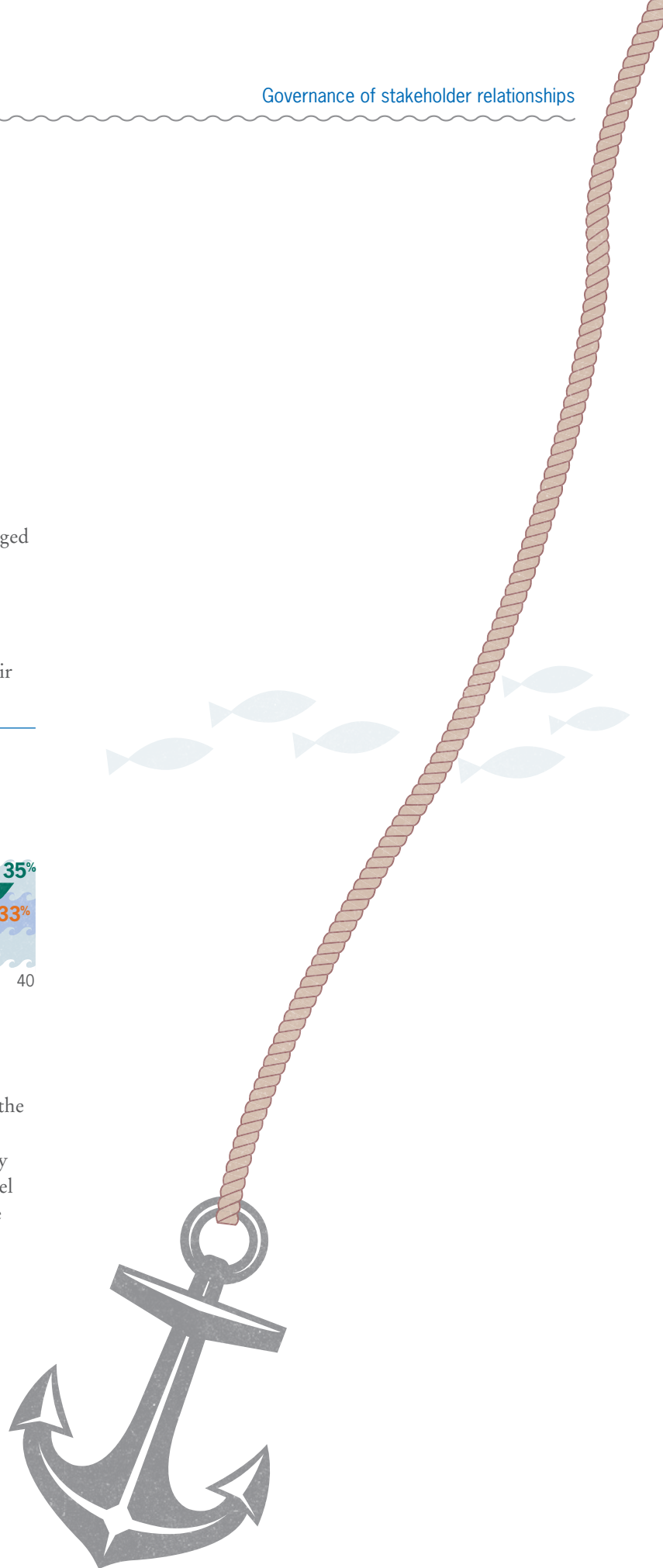
<sup>5</sup> <http://fawcettsociety.org.uk/wp-content/uploads/2013/02/Sex-and-Power-2013-FINAL-REPORT.pdf>

Alongside the issue of gender, it has long been acknowledged by local authorities and most political groups that they should aim for the profile of representatives, elected or otherwise, to reflect the demographic profile of the local population. Our survey asked leading figures within authorities whether they thought this was the case for their members. A majority of 51% did not agree.

**OUR MEMBERS REFLECT THE DEMOGRAPHIC PROFILE OF THE LOCAL POPULATION**



Achieving a ‘mirror image’ of the local population for all the key facets of diversity such as ethnicity, age and disability is often unrealistic in practical terms. However, our survey results indicate a marked degree of concern at a senior level regarding this issue; those who exercise influence over the choice of candidates for local office would be wise to take heed.





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# About us

*Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.*

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 24 locations nationwide. We understand regional differences and can respond to needs of local authorities. But our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well-established market in the public sector and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students in the UK. Our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market. We are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients. We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities. This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships, our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

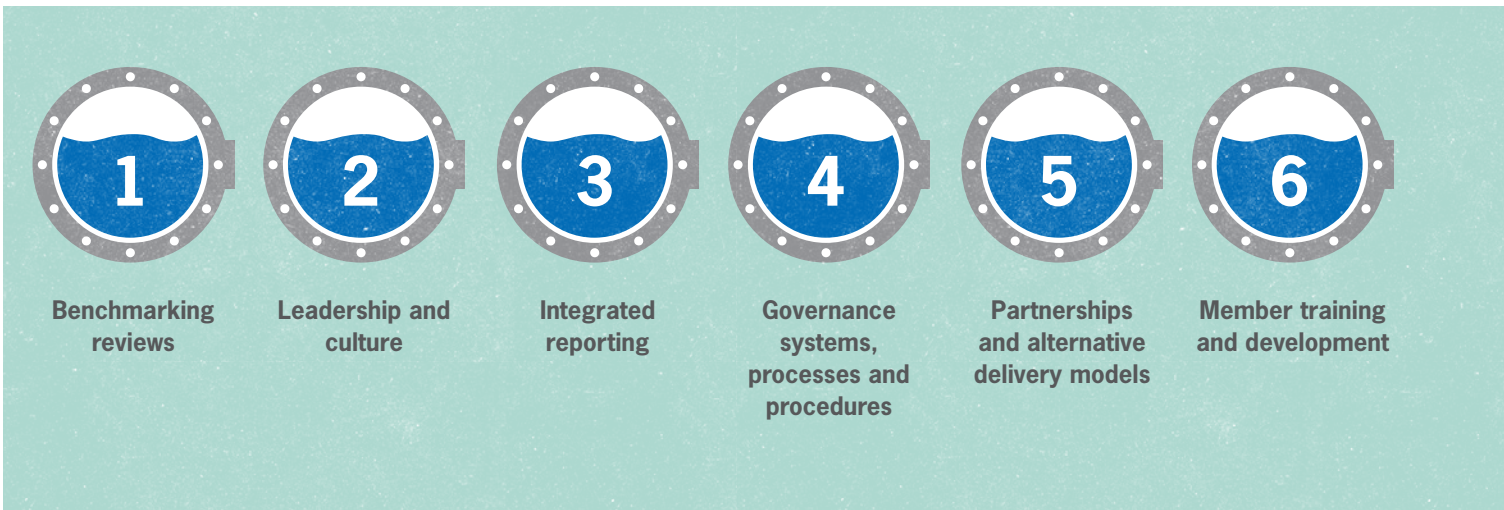
Our approach draws on a deep knowledge of local government combined with an understanding of wider public sector issues. This comes from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector. We take an active role in influencing and interpreting policy developments affecting local government and in responding to government consultation documents and their agencies.

We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.



# The Grant Thornton Governance Institute

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