

## BACKGROUND

CIPFA in association with SOLACE developed *Corporate Governance in Local Government: A Keystone for Community Governance* and accompanying guidance notes which have been successfully used throughout the local government sector since their publication in 2001. It was always our intention that the Framework should be reviewed after a number of years to see how it was working in practice and to consider any changes that might be necessary to ensure that it remained 'fit for purpose'.

Since 2001 local government has been subject to continued reform intended to improve local accountability and engagement. These are challenging as well as exciting times for local authorities as the change agenda continues. The community local government white paper, the Lyons Inquiry into local government, the introduction of new electoral systems in Scotland in 2007, the Beecham review of public services in Wales and the restructuring of local government in Northern Ireland will result in a period of significant upheaval for councils across the UK. This year, in England, the drives for higher performance, increased efficiency and the emphasis on the role of political and managerial leadership have remained key but at the same time the Government's agenda for local government and the Lyons Inquiry have contributed to a debate on the very purpose of modern local government.

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

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

Increasingly, local authorities work with and through a range of organisations and partnerships in order to deliver services and enhance local prosperity. Partnerships are regarded as an essential part of the pattern of public service provision. Working in partnership can bring many benefits that public bodies could not achieve by other means. Local authorities have a key role in the Government's agenda for partnership working, such as through creating shared services (a public-public partnership) or through the creation of public/private partnerships (PPPs). Local authorities are expected to take a lead in developing Local Strategic Partnerships (LSPs) – umbrella partnerships comprising all sectors of society (public, private, community, voluntary) with the objective of working together to improve the quality of life in a particular locality. However, partnership working brings governance challenges. A one-size-fits-all approach to governance is inappropriate. Governance arrangements must be proportionate to the risks involved. In future it is likely that authorities will be less concerned with direct service delivery and more with commissioning and regulation, influencing behaviour and supporting their communities. Community leadership may become the most important feature of local governance.

In August 2005, we invited local authorities to complete a brief questionnaire asking about their experience in using the CIPFA/SOLACE Framework. We wished to take initial soundings and give authorities the opportunity to influence the update which started in November 2005.

The consultation showed the Working Group that the majority of respondents found the Framework easy to use and the guidance notes helpful. There were, however, several areas which a new framework could usefully address and provide further guidance. They included:

- the role of standards and audit committees
- partnership arrangements
- risk management
- the relationship of the Framework with the Statement on Internal Control (SIC)
- the relationship of the Framework with the 'Good Governance Standard'.

It would be useful if you could bear the above in mind when reading through the draft and considering whether they have been adequately covered.

#### PURPOSE OF THE CURRENT CONSULTATION

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

The Working Group is asking for views on a number of specific questions about the value and content of the framework and comments on any other aspects of the draft.

Your views will be used in revising the draft Framework and developing the guidance notes. The Working Group intends to publish a final version of the Framework in Autumn 2006.