# Governance Principles & Governance Framework for the Local Government Sector

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# Foreword

Fundamentally, good governance in the local government sector and wider public sector is about delivering priorities, achieving objectives, behaving with integrity and acting in the public interest and in ways that are consistent with legal, regulatory and government policy obligations. Corporate governance has been defined simply as "the system by which organisations are directed and controlled". Within local authorities, it involves the set of relationships between councillors, management, staff and wider stakeholders, and good governance assists in determining priorities, in deploying resources, in delivering quality services, in managing risks and uncertainties and in ensuring that the public interest is served at all times.

The City and County Management Association, the Association of Irish Local Government in conjunction with the Institute of Public Administration have developed this principles-based framework to provide a clear and comprehensive summary of the principal aspects and elements of corporate governance within a local authority context and to clarify governance, legal and other requirements for the benefit of councillors, senior managers, staff, key stakeholders and the wider public. The framework will also provide councillors, managers and staff with much of the basic information needed to understand their duties, roles and governance responsibilities.

Adopting and implementing good governance practices within the sector helps to restore and enhance public trust and confidence in local authorities. Good governance arrangements help to ensure good management, good performance, good stakeholder engagement and good outcomes. Achieving good outcomes is, in essence, how effectiveness and efficiency of the local government sector is measured.

# Introduction

Governance is concerned with developing the appropriate structures and processes for directing and managing an organisation so that stakeholders can be assured that the organisation is operating effectively and efficiently.

Local Government is an integral part of the public sector with the rationale and purpose of local government, outlined in legislation, as providing a forum for the democratic representation of the local community and providing civic leadership for that community, and promoting the community interest. Local Government has also been given constitutional recognition in Article 28A of Bunreacht na hEireann 1937 *in providing a forum for the democratic representation of local communities, in exercising at local level powers and functions conferred by law and in promoting by its initiative the interests of such communities.*

In the case of local authorities, governance focuses on the legal, regulatory, policy and service obligations and on the sets of relationships between the council, the committees, the individual members, the chief executive, the executive management team, staff and stakeholders in determining the direction and performance of the organisation.

The leadership role of the elected members and the chief executive in promoting and ensuring standards of good governance within the local authority has been widely acknowledged. The council, as a collective body, has a very important and challenging task: to lead and direct the organisation through policy determination and to ensure that governance obligations are appropriately fulfilled. Members are expected to observe the highest ethical and professional standards and to work constructively with the chief executive, management team and staff.

Local authorities in Ireland operate in complex legislative, political and local contexts, and they are both regulators and regulating bodies, with significant legal and government policy obligations. Local government is expected to play an active leadership role within the community. This leadership role must be exercised through good corporate governance structures and principles, which will further inspire trust in the local government sector and strengthen the relationship that must exist between local authorities and the communities they serve.

Effective governance encourages the efficient use of resources, strengthens accountability for the stewardship of those resources, improves management and service delivery, and thereby contributes to improving people's lives. Effective governance is also essential for building greater trust and confidence in public sector entities.

## Governance Principles

The following six governance principles and supporting principles have been developed and are modelled on the International Framework: Good Governance in the Public Sector (IFAC/CIPFA, 2014) and the Good Governance Standard for Public Services (Independent Commission on Good Governance in Public Services, 2004).

*Good governance in the public sector encourages better informed and longer term decision-making as well as the efficient use of resources. It strengthens accountability for the stewardship of those resources. Good governance is characterised by robust scrutiny, which places important pressures on improving public sector performance and tackling corruption. Good governance can improve organizational leadership, management, and oversight, resulting in more effective interventions and, ultimately, better outcomes. People's lives are thereby improved. (IFAC/CIPFA, 2014).*

## CORE PRINCIPLE (1)

Good governance means focusing on the purpose of the authority, on outcomes that deliver sustainable economic and societal benefits and on implementing a vision for the local authority.

### SUPPORTING PRINCIPLES

O   Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision through the corporate plan and ensuring that service users receive a high-quality service.

O   Ensuring that the authority, through its service delivery plan priorities, makes best use of resources to ensure achievement of outcomes is optimised.

## CORE PRINCIPLE (2)

Good governance means members and officials working together to achieve a common purpose within a framework of clearly defined functions and roles.

### SUPPORTING PRINCIPLES

O   Exercising effective leadership throughout the authority, being clear about reserved and executive functions and the respective roles and responsibilities of members and officials.

O   Creating a constructive and respectful working relationship between members and officials and ensuring that the functions of the authority are performed to a high standard.

## CORE PRINCIPLE (3)

Good governance means promoting and demonstrating public service values through upholding high standards of conduct and behaviour.

### SUPPORTING PRINCIPLES

O   Ensuring members and officials, in exercising leadership, behave in ways that exemplify high standards of conduct, ethical behaviour and effective governance.

O   Fostering a culture and ensuring mechanisms that encourage and enforce adherence to ethical values and to the organisational values as espoused in the corporate plan.

## CORE PRINCIPLE (4)

Good governance means taking well informed and transparent decisions and managing risks and performance.

### SUPPORTING PRINCIPLES

- Being rigorous and transparent about the decision-making process and having good-quality information, advice and support available to decision makers.

- Ensuring that effective risk, financial and performance management systems are in place which address uncertainties and exposures, enforce financial discipline, and emphasise strategic resource allocation and the efficient and effective delivery of services.

## CORE PRINCIPLE (5)

Good governance means developing the organisational capacity and the leadership capability and competencies of members and officials to operate effectively and fulfil the purpose of the organisation

### SUPPORTING PRINCIPLES

- Ensuring that members and officials have the supports and appropriate structures they need to perform effectively in their roles.

- Developing the capability of those with governance and leadership responsibilities to ensure outcomes achieved are consistent with good governance obligations.

## CORE PRINCIPLE (6)

Good governance means engaging openly and comprehensively with local people, citizens and other stakeholders to ensure robust public accountability.

### SUPPORTING PRINCIPLES

- Providing clarity in relation to accountability relationships and organisational assurance, audit and scrutiny functions.

- Ensuring there is a process and mechanisms that deliver clear communication, effective stewardship and accountability to stakeholders.

## CORE PRINCIPLE 1

**Good governance means focusing on the purpose of the authority, on outcomes that deliver sustainable economic and societal benefits and on implementing a vision for the local authority.**

### SUPPORTING PRINCIPLES

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision through the corporate plan and ensuring that service users receive a high-quality service.

- Ensuring that the authority, through its service delivery plan priorities, makes best use of resources to ensure achievement of outcomes is optimised.

### INTRODUCTION

This chapter will expand on the supporting principles by examining the purpose, rationale and components of local authority corporate plans and service delivery plans, and will demonstrate the role these plans play in ensuring high-quality service provision. It will also consider performance reporting and oversight arrangements within local government.

### CORPORATE PLANS

The corporate plan serves as the local authority's strategic framework for action for the period of the plan. The 2014 Local Government Reform Act[1] provides the statutory background to the development of the corporate plan, which, in a local election year, must be prepared within six months from the date of the annual meeting.

Adoption of the corporate plan is a reserved function of the council. The plan may be reviewed by the local authority at any time or at the Minister's request, in which case the review must take place within six months of the date of the resolution or review request, respectively. The corporate plan must be prepared in consultation with the elected members and the Corporate Policy Group (CPG).

It may include the following:

O A statement of the principal activities of the local authority;

O The objectives and priorities for each of the principal activities and strategies for achieving those objectives;

O The manner in which the authority proposes to assess its performance in respect of each activity, taking account of relevant service indicators and performance baselines and of the need to work towards best practice in service delivery and in the general operation of the local authority;

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[1] S 49 2014 Local Government Reform Act (which amends S 134 of the 2001 Local Government Act).

O   Human resource activities, including training and development, to be undertaken for the staff of the local authority and the elected members and committees.

O   The organisational structure of the local authority, both elected council and staff, including corporate support and information technology and the improvements proposed to promote efficiency of operation and customer service and in general to support the corporate plan.

O   Corporate plans are the key corporate strategy documents for the local authorities and outline the organisations' Vision, Mission and Objectives.

## SERVICE DELIVERY PLANS

The 2014 Local Government Reform Act[2] requires all local authorities to produce service delivery plans from the beginning of 2015. The service delivery plan of a local authority will be consistent with the budgetary provisions estimated to be necessary for the authority to carry out its functions during the financial year to which that plan relates. The legislation states that the service delivery plan should be based on the following objectives:

| | |
|---|---|
| A | Developing a statement of the principal services that either will continue to be provided or will otherwise be provided by the local authority in respect of the financial year to which the plan relates. |
| B | Establishing the objectives and priorities for the delivery of each of the services to which the statement refers and the strategies for achieving those objectives and priorities. |
| C | Developing the performance standards intended to be met in the delivery of services, including reference to each appropriate performance standard prescribed by the Minister. |
| D | Assuring the manner in which the local authority proposes to assess its performance in respect of the delivery of services, including identification of relevant indicators. |

The adoption of the service delivery plan is a reserved function of the Council. In preparing the service delivery plan the executive and the council must take cognisance of the corporate plan and indeed any other relevant plan, statement or strategy.

Examples of such statements/strategies/plans include the City/County Development Plans, a key document with the aim of establishing a framework for coordinated and sustainable economic, social, cultural and environmental development within the local authority. Other key strategies relate to economic development, environment and waste management, housing, community, library services, etc.

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[2] S 50 of the 2014 Local Government Reform Act.

# PERFORMANCE REPORTING

The chief executive must prepare an annual progress report in respect of the corporate plan, which must be submitted to the elected council at the same time as the authority's draft budget or at any other time as the elected council may decide by resolution. Details of progress must be included in the authority's annual report.

In accordance with legislation, the chief executive is required to produce monthly management reports (known as management reports) for the council. The management reports sets out details of services provided, policy implementation and other performance details. The management reports facilitates communication between the elected members and the chief executive.

Notwithstanding the requirement to prepare reports for the full council on a monthly basis, efficiencies are achievable through integrating management reporting for committees of the council including the strategic policy committees (SPCs), the audit committee and the corporate policy group (CPG).

## Annual Progress Report

The annual progress report should be a brief and concise document and should be included in the local authority's annual report.

## Monthly Management Reports

Departmental guidelines recommend that management reports should include, inter alia: major expenditure and income lines for each service division; performance of local authority revenue collection; recourse to overdraft facility; emergency capital works; operation/progress of the Local Community and Development Committee; performance of Local Enterprise Offices; and progress in preparing reports/material requested by the council.

It is recognised that circumstances will inevitably alter during the period of the corporate plan. It is important that local authorities respond to changing environments, and the annual progress report, and the monthly management report are the appropriate vehicles to signal changes in the direction and objectives of the organisation.

## ANNUAL REPORT

The Local Government Act 2001[3] states that no later than 30 June each year, every city and county council shall prepare and adopt the annual report in relation to the performance of its functions during the preceding year and provide this to each Elected Member and any other interested parties. A draft of the report must be provided to the Elected Members by 30 April each year. The adoption of the annual report is a reserved function.

## CONCLUSION

This chapter has identified the governance role of the council in relation to the provision of information and overall performance reporting in the context of corporate and service delivery plans and in setting and achieving objectives.

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[3] *S 221of the Local Government Act 2001 as amended by the 2014 Local Government Reform Act.*

## CORE PRINCIPLE 2

**Good governance means members and officials working together to achieve a common purpose within a framework of clearly defined functions and roles.**

### SUPPORTING PRINCIPLES

● Exercising effective leadership throughout the authority, being clear about reserved and executive functions and the respective roles and responsibilities of members and officials.

● Creating a constructive and respectful working relationship between members and officials and ensuring that the functions of the authority are performed to a high standard.

## INTRODUCTION

This chapter will expand on the supporting principles by identifying the leadership roles within local authorities, by considering the framework of executive and reserved functions and by outlining the key requirements for effective working relationships within the authority.

## LEADERSHIP

The leadership team within the local authority comprises the Cathaoirleach, elected members, chief executive and senior managers, who have primary responsibility for ensuring that an effective and properly functioning governance system operates within the organisation. The Corporate Policy Group (CPG) also have a key leadership role[4] and are supported in this role by the Strategic Policy Committees[5]. The CPG comprises the Cathaoirleach of the authority as its chairperson together with the chairpersons of each of the Strategic Policy Committees (SPCs) and in the case of a municipal district without an SPC chairperson, a representative of the municipal district concerned.

The CPG responsibilities include supporting the Council in the discharge of specific reserved functions; co-ordinating the work of the SPCs and monitoring their work programmes; requesting SPCs to consider particular policy issues where appropriate and providing feedback to the SPC and monitoring overall performance of the local authority.

The CPG, like the SPC, is a committee of the council and is supported in its work by the Chief Executive. The Cathaoirleach reports to the full council on the work of the CPG.

Leading by example is vital and is evidenced by elected members and senior management conducting themselves in accordance with codes of conduct and behaviour standards and norms expected of those in leadership and governance positions. The importance of the "tone at the top" and the example this sets for the rest of the organisation and in the relationship with stakeholders should not be underestimated. The "tone at the top" influences the culture and this in turn influences whether effective governance can prevail.

[4] S 133 of the 2001 Local Government Act as amended
[5] s48 of the 2001 Local Government Act as amended

Strong leadership is a central influence on how the organisation develops its attitude and approach to governance. The leadership team establishes the organisational vision, generates clarity about strategy and objectives, roles and responsibilities, maintains a focus on good performance, ensures robust accountability and fosters productive and professional relationships with internal and external stakeholders. By consistently and regularly sending the same messages to reinforce the organisation's governance culture, leaders encourage employees to take their governance responsibilities seriously and to be active participants in the governance processes.

## RESERVED AND EXECUTIVE FUNCTIONS

The Local Government Reform Act 2014 is the basic legislation governing local government structures, operations and functions in Ireland today. The Act consolidates much previous local government legislation and provides the framework for the local government system. In addition, the operation of local authorities is affected by a range of other legislation, very often dealing with specific services.

The list of "reserved powers" granted to elected members has changed over the years, reflecting the evolution of local government functions and new local government legislation. The reserved functions of a local authority are performed by the elected members by resolution adopted at a meeting of the local authority. Key aspects of reserved and executive functions are outlined in the following table.

| RESERVED FUNCTIONS | EXECUTIVE FUNCTIONS |
|---|---|
| Performed by the elected council; | Performed by the chief executive and/or staff to whom functions are delegated; |
| Defined by law; | Involve day-to-day operation of the authority within the policy parameters determined by the elected members; |
| Specified across a range of enactments; Comprise mainly decisions on matters of policy and finance; | Any function of a local authority that is not specified in law as a reserved function is deemed to be an executive function; |
| The Minister for the Environment is empowered by order to add to the list of reserved functions; | The chief executive operates within a framework of policy laid down by the elected members, within the context of regional, national and European policy frameworks, decisions and instructions; |
| The exercise of the policy remit is a fundamental role of the elected council and brings with it a responsibility for necessary preparatory work and proper consideration. | Duty of the chief executive to advise and assist the elected council in respect of the performance by them of their reserved functions; |
| | The chief executive must carry into effect all lawful directions given by the council in relation to the performance of the reserved functions; |
| | Performed by means of chief executive's order – written, signed and dated orders setting out decisions made and available for review. |

The 2014 Local Government Reform Act[6] prescribes 45 reserved functions that may be performed at municipal district level, 24 reserved functions that may be performed at either municipal district level or plenary council level, and 113 reserved functions that may only be performed at plenary council level.

## CONSTRUCTIVE RELATIONSHIPS

Reserved functions must be exercised only by resolution of the Council as outlined in the previous section. All other functions are executive functions and are the responsibility of the chief executive.

Subject to legal and statutory obligations, the functions of the chief executive shall be performed in accordance with the policy of the local authority as determined by the council.

The chief executive, in performing his or her functions shall have regard to the views of the elected members of the council[7], expressed in any of the following ways:

(a) at a meeting of the council;
(b) at a meeting of the municipal district members;
(c) at a meeting of any committee of the council;
(d) in responses in writing to any request for input to the development by the local authority of a new policy or an amendment of an existing policy.

The chief executive shall, when requested by the elected council, report on the actions already taken and planned to be taken in exercise of his or her executive functions.

The law provides a precise division of functions so that responsibility for their exercise is clearly defined. Within the council, the policy and executive roles are intended to be complementary with councillors and chief executives working in cooperation with each other to achieve mutual goals, within an environment and relationship based on mutual respect.

The overall role of the local authority is that of a multi-functional organisation acting as a development corporation which operates in the best interests of the citizens being served. This involves delivering a wide range of services including infrastructural, social, economic, cultural, recreation/amenity, social inclusion and many others.

The role of the chief executive is to ensure that arrangements to achieve the objectives and to implement the policies determined by the elected representatives are in place while also ensuring compliance with all statutory obligations. To this end, resources in terms of personnel, finance, technology and information generally are assembled and assigned in a manner appropriate to fulfil the role of the executive.

## CONCLUSION

This chapter identifies that even though there is a clear distinction in law between functions that are reserved specifically to councillors and functions assigned to the executive, effective operation of the local authority can only be achieved on the basis of mutual respect between the council and the executive.

[6]Parts 1, 2 and 3 of schedule 3 of the 2014 *Local Government Reform Act.*
[7]S149 of the 2001 *Local Government Act as amended*

# Chapter 3: Values, Ethics and Behaviour

## CORE PRINCIPLE 3

Good governance means promoting and demonstrating public service values through upholding high standards of conduct and behaviour.

### SUPPORTING PRINCIPLES

- Ensuring members and officials, in exercising leadership, behave in ways that exemplify high standards of conduct, ethical behaviour and effective governance.

- Fostering a culture and ensuring mechanisms that encourage and enforce adherence to ethical values and to the organisational values as espoused in the corporate plan.

### INTRODUCTION

This chapter will expand on the supporting principles which require that councillors and staff behave in ways that exemplify high standards of conduct and ethical behaviour. It will also identify the relationship between effective leadership and culture in promoting and demonstrating good governance and in upholding high standards of conduct and behaviour. The chapter will also develop the second supporting principle: the need to foster an organisational culture in order to facilitate adherence to good public service organisational values.

### PUBLIC SERVICE VALUES

While legislation, policies and procedures are important in ensuring that standards of behaviour are maintained, the role of values and their impact on organisational culture is profound. Values are essential components of organisational culture and are instrumental in determining, guiding and informing behaviour.

Common public service values include impartiality, integrity, honesty, respect and fairness. Striking the right balance between the values of efficiency and fairness, accountability and innovation, and confidentiality and transparency requires understanding and skill. The following are the seven principles[8] that should guide the conduct of those in public life and that form the basis for the codes of conduct for councillors, management and staff.

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[8]Principles of Public Life (known as the Nolan Principles)

| SELFLESSNESS | Holders of public office should act solely in terms of the public interest. They should not act in order to gain financial or other material benefits for themselves, their family, or their friends. |
|---|---|
| INTEGRITY | Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties. |
| OBJECTIVITY | In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit. |
| ACCOUNTABILITY | Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office. |
| OPENNESS | Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands or is legally necessary. |
| HONESTY | Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest. |
| LEADERSHIP | Holders of public office should promote and support these principles by leadership and example. |

## ORGANISATION CULTURE

Standards of behaviour are defined as "how the organisation exercises leadership in determining the values and standards, which define the culture of the organisation and the behaviour of everyone in it".

Councillors, the chief executive and senior management are role models and set the "tone at the top" through ensuring that the values of the local authority guide behaviour and decisionmaking.

It is therefore essential that effective procedures are in place to ensure that all staff and councillors are committed to high standards of personal behaviour and that they treat one another with respect and maintain open and honest relationships with each other, the public and those representing other organisations.

Local government operates within an ethical legislative framework and staff and councillors benefit from codes of conduct that make explicit local government values, that guide and direct decision-making, and that define the ground rules of behaviour. Legislation, policies and procedures have been developed to guide behaviour with regard to specific activities and processes within the local government sector.

# ETHICS FRAMEWORK

The Local Government Act 2001[9] and the related Local Government Regulations set out the ethics framework for the local government sector. The purpose of the ethics framework is to support and promote the honesty, impartiality and prioritisation of the common good that must underlie the interaction of communities with local authorities. An effective and transparent ethics framework is necessary to ensure public confidence in the local government system in the conduct of local affairs.

### To this end, the framework:

Sets out clearly for members and employees the standards of conduct expected of them.

Facilitates demonstration of compliance with those standards through annual declarations of interest and the withdrawal from proceedings/decision-making where a member or employee has an interest.

## ANNUAL DECLARATION OF INTERESTS

The legislation[10] requires that the chief executive assign a staff member to carry out the duties of ethics registrar, and that staff member shall not perform these functions for a continuous period exceeding two years. The ethics registrar is required, before every annual meeting, to issue a signed and dated notice in writing to each council member informing them of their requirements under the legislation to prepare and furnish an annual declaration of interests, and to bring the issue of the notice to the attention of the members at the next meeting of the authority following the notice's issue.

The legislation also requires the ethics registrar to keep, on behalf of the local authority concerned, a public register with two parts: (i) containing members' interests and (ii) containing employees' interests, for those employees to which the legislation and guidance applies.

## CODES OF CONDUCT FOR COUNCILLORS AND EMPLOYEES

Having an effective code of conduct is one of the basic requirements of good governance. Codes of Conduct for Councillors and Employees were issued by the Minister for the Environment, Heritage and Local Government in June 2004 and were revised in January 2007. The 2004 code is the relevant code for councillors and the revised 2007 code is applicable to employees. The codes are statute-based in accordance with the Local Government Act 2001[11]. The purpose of the codes is to set out principles and standards of conduct and integrity for councillors and local authority employees, to inform members of the public of the conduct the public is entitled to expect and to uphold public confidence in local government.

The codes represent a standard against which the conduct of all those involved in local government can be judged in the performance of their duties. They add to and supplement the specific requirements under the Local Government Act 2001, forming an integral part of the ethics framework to which both the Courts and the Standards in Public Office Commission may have regard in carrying out their duties.

[9]Part 15 of the Local Government Act 2001.
[10]S 172, 173 and 174 of the Local Government Act 2001.
[11]S 169 of the Local Government Act 2001.

**The codes requires all councillors and staff to:**

treat their colleagues, one another and the public with courtesy and respect;

act in a way which enhances public trust and confidence;

avoid conflicts of interest and never seek to use improper influence;

make decisions based solely on consideration of the public interest and the common good;

serve their local authority and its people conscientiously, honestly and impartially;

promote equality and avoid bias;

perform their functions in a responsible and diligent manner.

## CONCLUSION

This chapter highlighted the codes of conduct and standards of behaviour required in local government in order to promote and demonstrate values of good governance. The chapter also highlighted the need to foster a culture that will facilitate adherence to good public service organisational values.

## CORE PRINCIPLE 4

Good governance means taking well informed and transparent decisions and managing risks and performance.

### SUPPORTING PRINCIPLES

- Being rigorous and transparent about the decision-making process and having good-quality information, advice and support available to decision makers.

- Ensuring that effective risk, financial and performance management systems are in place which address uncertainties and exposures, enforce financial discipline, and emphasise strategic resource allocation and the efficient and effective delivery of services.

### INTRODUCTION

This chapter will expand on the supporting principles by examining the decision-making process, the provision and sources of information and advice, and the systems necessary to appropriately manage risk, performance and the finances of the local authority.

### DECISION-MAKING

The quality of strategic and operational decision-making and the processes that inform democratic decision-making within the authority are key criteria in assessing good governance[12]. As was outlined earlier, local government provides a forum for democratic representation of local communities and the interests of the community is promoted through the functions and decisions of the local authority.

The range, nature and extent of decisions made, and the authority to make such decisions within the local authority, create impacts at all levels of the organisation. The distinctive nature of executive and reserved functions are considered in Chapter 2. Many day-to-day operational decisions are taken by those officials who have been delegated authority by the chief executive or who act based on the level of advice and information provided.

Decision-making arrangements and the nature and extent of delegations within the executive require similar levels of clarity to those needed in relation to reserved and executive functions.

The quality of the information, the nature of the advice available, the level of support, the key decision criteria, the option appraisals, the legal considerations, the serving of the public interest and the business case are normative expectations for those charged with making strategic and significant operational decisions within the authority.

At a policy level, the public spending code developed by the Department of Public Expenditure and Reform emphasises the importance of robust decision-making, appraisal, review and evaluation, efficiency, effectiveness and value for money considerations.

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[12] s136 of the Local Government Act 2001 as amended

## RISK MANAGEMENT

The Cathaoirleach, elected members, chief executive and senior managers must exercise leadership within a framework of prudent and effective controls which enables risks to be assessed and managed.

While local authorities traditionally incorporate risk assessment, implicitly or explicitly, as part of the strategic and operational decision-making process, the development of a Risk Management Framework and Policy commits the organisation to identifying, assessing and mitigating risk and to ensuring the ongoing review and improvement of risk management approaches in a changing operational environment.

Risk management involves the identification, analysis, treatment and possible toleration of those risks that might prevent the authority from achieving its objectives. It enables a consideration of the potential impact of all types of risks on functions, services and activities.

Risk management must be integrated and integral to policy, planning and operational management and embedded into the culture and management arrangements and processes within the authority. The outputs from successful risk management include compliance, assurance and enhanced decision-making.

## FINANCIAL MANAGEMENT

The key governance criterion in relation to financial management is that the local authority establishes, implements and ensures, on an ongoing basis, robust financial management systems and an effective system of internal control over the use of its financial resources. Effective internal financial control encompasses safeguarding the organisation's assets from losses of all kinds and ensuring that value for money is achieved in the use of financial resources.

Financial management is the system by which the financial aspects of the council are directed and controlled to support the delivery of key priorities and objectives.

| The main objectives of financial management include: |
| --- |
| Ensuring that the council demonstrates probity and propriety, including sound financial administration and the stewardship of public funds. |
| Ensuring compliance with legal and regulatory obligations and internal control systems. |
| Providing clarity of financial accountability and responsibility throughout the organisation. |
| Supporting the achievement of value for money in organisation activities. |
| Supporting operational and strategic decision-making. |
| Facilitating budgetary forecasting and financial planning. |
| Providing quality information in the financial aspects of performance. |
| Delivering on financial reporting, public audit and accountability requirements. |
| Providing and supporting the analysis of key performance indicators. |
| Providing instruction, appropriate training and support for managers and employees to develop and enhance knowledge, skills and expertise. |

In relation to internal control systems, the priority for all managers is to ensure that effective systems and procedures are in place so as to ensure that financial transactions are legal, properly incurred and correctly accounted for. This supports the production of accurate and timely accounts, compliance with financial obligations and achieving objectives within a secure control environment.

# PERFORMANCE MANAGEMENT

Good governance arrangements within the local authority address compliance and performance obligations. In essence, a high performing local authority must be aware of and fulfil its statutory and policy obligations while ensuring that strategic priorities and objectives are achieved. The success or failure of governance implementation is reflected in the service delivery outcomes and impacts on the reputation of the authority.

The corporate plan and the service delivery plan set out the objectives, priorities, functions and activities. A key component of demonstrating and evidencing implementation of those plans is the use of performance management and measurement systems including performance indicators.

The setting of and reporting on indicators allows those in a governance and leadership role to monitor performance on an ongoing basis linked to the service delivery plan targets. The indicators also facilitate performance evaluation of policy, projects and initiatives over a longer term basis. Performance management is facilitated by capturing and reporting information relating to resource inputs, activities, results, and outputs and outcomes.

The management report and other performance information collated locally or nationally through the national service indicator process facilitate the assessment of organisational and sectoral performance and inform decisions on local authorities that are performing effectively and those that could improve organisational performance.

## INTERNAL CONTROLS

The "internal control system" comprises the control environment and control procedures. It includes all the policies and procedures (internal controls) adopted by management to assist in achieving the objective of ensuring, as far as practicable, the orderly and efficient conduct of the organisation's activities, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. Senior management has responsibility for implementing an adequate and appropriate internal control system and for ensuring that the system is fit for purpose.

The "control environment" refers to the overall attitude, awareness and actions of management and staff regarding internal controls and the importance of those controls in the organisation. The control environment encompasses the management style and corporate culture and values shared by all employees. It provides the background against which the various other controls are operated.

"Control procedures" are those policies and procedures in addition to the control environment that are established to achieve specific objectives. They include, in particular, procedures and processes designed to prevent or to detect and correct control weaknesses, to address compliance gaps and to prevent, detect and correct errors.

In the context of good governance and the assurance processes, the effectiveness or otherwise of the internal control system, control environment and control procedures will be subject to regular assessment including by internal audit, audit committees and the local government audit service.

Internal audit, audit committees and the local government audit service is discussed in chapter 6 on Stakeholders and Public Accountability.

## CONCLUSION

This chapter explored the need to have in place a rigorous and transparent decision-making process and examined the area of risk management, internal control, financial management and performance management at a corporate level.

## CORE PRINCIPLE 5

Good governance means developing the organisational capacity and the leadership capability and competencies of members and officials to operate effectively and fulfil the purpose of the organisation

### SUPPORTING PRINCIPLES

- Ensuring that members and officials have the supports and appropriate structures they need to perform effectively in their roles.

- Developing the capability of those with governance and leadership responsibilities to ensure outcomes achieved are consistent with good governance obligations.

### INTRODUCTION

This chapter will expand on the supporting principles by examining organisational capacity, governance and leadership capabilities and by considering the requisite supports to assist members and officials to perform effectively in their roles.

### PERFORMING EFFECTIVELY

Councillors and officials need knowledge, skills, expertise and supports to do their jobs well. Skills need to be developed continually to improve performance. Councillors must be enabled to regularly update their knowledge levels to meet the challenges of the changing environment in which local government operates.

All elected councillors should receive a thorough induction that is tailored to their role in the organisation. All councillors should have opportunities to develop further skills, to update their knowledge throughout their period of membership of the council, and to identify and address their development needs.

The Association of Irish Local Government (AILG) has been given the mandate for training and development for all councillors.

The role of the AILG includes:

- Organising induction training for newly elected and re-elected councillors in all aspects of the council including identifying their roles and responsibilities; financial management; key services
- Ongoing training and development (for the term of the council) from an accredited and non-accredited perspective and ongoing skills based training and development

In the context of local authority staff, an effective Performance Management and Development System (PMDS) has been developed to facilitate staff to perform effectively in their roles and duties.

In overall terms, developing the capacity and capability of the leadership team and employees will ensure that local authorities will be equipped to respond effectively to changing legal, regulatory and government policy obligations and to evolving economic, environmental and societal demands.

## REPRESENTATION ON STAKEHOLDER BODIES

In addition to the leadership and governance roles of councillors, management and staff within the local authority, there is also a requirement for the authority to be represented on external stakeholder bodies; for example, company boards. Elected members, management and staff are nominated to these entities and there is a requirement to ensure that these roles are performed effectively and appropriately. As nominated Board members, elected members and staff have primary responsibilities to undertake their fiduciary duties on behalf of the company including acting in the best interests of that company.

Many authorities operate companies, joint ventures or alternative corporate structures in areas such as economic development, tourism, heritage, sports, the arts and community development. The company information maintained must include details of Directors, Memorandum of Association, Articles of Association and most recently audited financial statements and Annual Accounts. Relevant data for filing returns and details must be submitted to the Companies Registration Office and Revenue Commissioners as required by compliance legislation.

## EVALUATION OF THE ELECTED COUNCIL AND COMMITTEES

The Good Governance in the Public Sector Framework (2014) asserts that the purpose of good governance is to achieve the organisations objectives which should be consistent with legal, regulatory and policy obligations while acting in the public interest.

The Corporate Plan implementation, monitoring and review framework involves, on an annual basis, both the management team and the strategic policy committees identifying annual and multi annual priorities. The effectiveness of the council in achieving the corporate plan objectives will be monitored on an ongoing monthly basis by management and staff. In addition, external reporting on achievement of objectives is undertaken through a number of mechanisms such as: monthly management report to council; annual progress report to council; the council's annual report; National service indicators report and annual financial statement and audit reports.

An annual review and evaluation of the corporate plan will be undertaken by the corporate policy croup. In the context of changes within the operating environment of the council, the annual review will determine the continued validity of strategies, with a view to making any necessary adjustments. The content of the annual review and evaluation will be incorporated into the council's annual report for publication each year.

In the case of audit committees, the 2014 regulations require each committee to undertake an annual evaluation of its performance and report the findings to the plenary council. Other committees for example SPC's could also implement this requirement as a good governance practice.

The preceding paragraphs have focused on performance and evaluation issues at committee levels. The following section considers individual performance issues.

## PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

Developing the skill sets of the local authority work force assists in ensuring that it is better managed, more motivated, more involved and systematically trained to deliver cost-effective and quality services to the public. To achieve this,

it is critical that all grades of local authority staff receive ongoing training and development so that they can respond effectively to factors that are driving the changes in the local government sector, including changing customer expectations and a constantly evolving legislative framework, both national and European.

Staff training and development are important factors in influencing performance in the workplace and in assisting staff members to meet personal and organisational needs through their work. Personal needs include promotion, job satisfaction, motivation, etc., while organisational needs include greater output, efficiency, loyalty, etc. The aim of training and development is to provide the workforce with the knowledge, skills and information that they require in order to achieve the organisational goals set out in the Corporate and other plans.

## CONCLUSION

This chapter explored the importance of knowledge, skills, expertise and experience to support the strategic and operational decision-making processes, to monitor and assess performance, to ensure effective accountability and to perform the representational role. The chapter also considered the potential for a review and evaluation of committees on a periodic basis. It concluded by examining arrangements for the management of performance and for the provision of development opportunities for councillors and officials.

## CORE PRINCIPLE 6

**Good governance means engaging openly and comprehensively with local people, citizens and other stakeholders to ensure robust public accountability.**

### SUPPORTING PRINCIPLES

● Providing clarity in relation to accountability relationships and organisational assurance, audit and scrutiny functions.

● Ensuring there is a process and mechanisms that deliver clear communication, effective stewardship and accountability to stakeholders.

### INTRODUCTION

This chapter will expand on the supporting principles by providing clarity in relation to accountability relationships and organisational assurance and the scrutiny functions which ensure that there is a process to support accountability to stakeholders.

### STAKEHOLDER ENGAGEMENT

Consistent with statutory consultation requirements, elected representatives should ensure active engagement with and participation by stakeholders and the wider public through implementing government guidelines on engagement. Effective arrangements for public participation include the following elements:

○ the process should be user-friendly and perceived as fair, just and respectful;
○ the avenues for public participation should be accessible to all;
○ the public participation process should provide participants with the information they need to participate in a meaningful and accessible manner;
○ the public's role in decision-making and the limits of their influence should be clear from the outset; and
○ the public should have the opportunity to be involved and/or monitor the implementation of the decision or outcomes.

### PUBLIC PARTICIPATION NETWORKS

As part of its mandate to engage with citizens and to consult with and promote effective participation of local communities, each local authority must implement a framework for public engagement. The Public Participation Network (PPN) enables community and voluntary, social inclusion and environmental groups to actively participate in relevant policy making and oversight committees of the local authority. The effectiveness of the arrangements are a key determinant of the success of the PPN.

## RANGE OF STAKEHOLDERS

A local authority operates in a complex environment, in which it influences, and is influenced by, a range of internal and external stakeholders. The nature of these relationships can vary depending on the department, service or activity. In many cases, a high level of cooperation and communication is required in order to deliver a particular service or activity.

The types of bodies influencing and/or with which local authorities must engage include those at local (development agencies, community groups, advisory bodies, interagency committees), regional (regional assemblies, state agencies, advisory bodies), national (government departments, national agencies, advisory bodies) and European (European Commission, European Parliament) levels.

At the national level, many different government departments interact with local authorities. The Department of the Environment, Community and Local Government oversees the operation of the local government system and implements policy in relation to local government structures, functions, human resources and financing. However, the work of local authorities is also influenced by the policy decisions implemented by, and activities of, other government departments, most notably the Department of Public Expenditure and Reform, Department of Finance and Department of Transport, Tourism and Sport. The work of several national agencies including the Environmental Protection Agency and National Roads Authority also impact significantly on the local authority.

At a local level, special purpose companies are a key stakeholder. Councillors, management and staff represent local authorities on a number of these company boards which operate in functional areas such as economic development, tourism, heritage, sports, the arts and community development.

## CITIZENS AND SERVICE USERS

Citizens and service users are key stakeholders. An effective democracy demands that citizens can and do participate in public life and this is achieved and facilitated through effective consultation. Consultation supports greater transparency, which is an important principle of good governance. It helps to ensure that the operations of public sector bodies are conducted with greater clarity and openness. It recognises that public policy-making can be enhanced through the active involvement and contribution of all stakeholders with an interest in particular policy developments. By ensuring that interested parties can express their views about a particular proposal, the decision-making process becomes better informed, more rigorous and more accountable.

Many of the functions of a typical local authority require statutory consultation with members of the public. However, the relationship between the local authority and citizens and service users extends beyond the formal consultation structures.

Daily interaction with citizens and service users through the delivery of services significantly influences how the local authority is perceived in the eyes of the citizen. Communications, formal and informal, whether through staff, elected members or the media, is key to this interaction, as is the quality of service provided, actual and perceived.

## STAKEHOLDER AGREEMENTS

Given the complexity and diversity of the stakeholder interaction ranging from informal public consultation through to quasi-legal and contractual obligations with peer organisations, the use and prevalence of service level agreements (SLAs), memorandums of understanding (MOUs), memorandums of agreement (MOAs), and compact or agreement letters has increased significantly.

A service level agreement is an agreement between a service provider and a user of the service, which sets out the services to be provided and the minimum quality of service required, and specifies what is to occur if the quality of service fails to meet minimum service levels. Recent examples of SLAs for local authorities include those relating to the transition of responsibility for water services from local authorities to Irish Water and the establishment of Local Enterprise Offices requiring SLAs between local authorities and Enterprise Ireland and Local Government Shared Services[13].

Typical contents of an SLA include: introduction and purpose of agreement; mutual commitments and values; principal roles and statutory responsibilities; financing and resourcing systems; performance and evaluation arrangements; communications arrangements and mediation and arbitration processes.

## PUBLIC ACCOUNTABILITY

Accountability, a key public service value, is defined as follows:

*Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.*

Within local authorities, through the legislative and governance arrangements in place for local government, there is chief executive and management accountability to Council for implementation of policy decisions, members are accountable to the public for the making of appropriate policy and staff are accountable for the proper and effective discharge of business and the use of public resources.

Elected representatives are a key element of the scrutiny, oversight and assurance framework within local authorities to ensure robust public accountability. The other elements of the framework include external audit, public financial management and stewardship obligations, external agency reviews, audit committee charter and work programmes, the risk management system, internal audit, internal control systems, performance monitoring and reporting obligations, chief executive and management assurances and the approval of the annual financial statements. Councillors should ensure that public accountability is demonstrated in relation to the activities of the council and should provide assurance to stakeholders that scrutiny and oversight are being exercised.

Clarity about roles and responsibilities assists stakeholders to understand better how the local authority governance system works and who is accountable to whom and for what.

## INTERNAL AUDITOR

The role of the internal audit function is to provide a critical and independent opinion on the adequacy and effectiveness of the control framework across the organisation. As part of the overall governance and control environment in the council, it provides audit assurance that all significant operating risks are identified, managed and controlled effectively. The internal audit function is independent in the performance of its duties and in its reporting arrangements.

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[13] *s149A of the 2001 Local Government Act as amended*

## LOCAL AUTHORITY AUDIT COMMITTEES

The Local Government Reform Act 2014 provides for the establishment of audit committees by all local authorities and confers specific responsibilities on audit committees in relation to the auditor's report and audited financial statement.

> **The statutory functions of an audit committee as set out in the Act are:**
>
> to review financial and budgetary reporting practices and procedures within the local authority that has established it;
>
> to foster the development of best practice in the performance by the local authority of its internal audit function;
>
> to review any audited financial statement, auditor's report or auditor's special report in relation to the local authority and assess any actions taken within that authority by its chief executive in response to such a statement or report, and to report to that authority on its findings;
>
> to assess and promote efficiency and value for money with respect to the local authority's performance of its functions; and
>
> to review systems that are operated by the local authority for the management of risks.

## LOCAL GOVERNMENT AUDIT SERVICE

Local government auditors undertake independent external financial audits of local authorities and are required to give an audit opinion on the annual financial statements of local authorities and other audited bodies.

In addition to the audit opinion, it is custom and practice to issue statutory audit reports to the elected members on the major audits, covering any matter or matters which the auditors feels should be reported. The chief executive of a local authority is required to respond to this report and his/her comments may be included as part of the final report, which is an important part of public accountability.

Auditors also assist local authorities in improving their accounting and internal control systems by issuing management letters as part of the external audit process.

> **The Local Government Audit Service[14] (LGAS) provides independent scrutiny of the financial stewardship of local authorities and other local bodies. Its role is to:**
>
> carry out the audit of local government bodies in accordance with its statutory Code of Audit Practice, thereby fostering the highest standards of financial stewardship and public accountability; and
>
> undertake value for money audits, publish reports thereon and thereby assist local authorities in achieving better value for money.

[14]*Established under S 116 of the Local Government Act 2001.*

## OVERSIGHT ARRANGEMENTS

Management reports are considered by the elected members at the next local authority meeting following circulation of the report, and sufficient time should be allocated to consider and discuss this key performance report. Monthly management comment are not an item for inclusion on the agenda for meetings of municipal districts. The monthly management report is also required to comment on recommendations contained in any relevant report of the National Oversight and Audit Commission(NOAC).

**NOAC's functions include:**

Monitor and evaluate adherence to service level agreements entered into by any local government body;

Oversee how national local government policy is implemented by local government bodies;

Monitor and evaluate public service reform implementation by any local government body or generally;

Scrutinise performance of any local government body against relevant indicators as selected by NOAC (to include customer service) or as prescribed in Ministerial regulations;

Scrutinise financial performance, including value for money, of any local government body in respect of its financial resources;

Support best practice (development and enhancement) in the performance of their functions by local government bodies; and

Monitor adequacy of corporate plans prepared by Regional Assemblies and councils and evaluate implementation of the plans by any local government body or generally.

## CONCLUSION

This chapter provided an overview of the key external relationships that exist between a local authority and local, regional, national and European stakeholders and the arrangements in place to manage these interactions. The chapter also considered the scrutiny, oversight and assurance arrangements and the role of audit committees, internal audit and local government audit service and the National Oversight and Audit Commission.

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