

# Accountability within public bodies - acting on early warning signs

Consultation issued by the Committee on  
Standards in Public Life

A submission by:  
CIPFA, the Chartered Institute of Public Finance and Accountancy

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**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at [www.cipfa.org](http://www.cipfa.org)

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## 1. CIPFA's role

- 1.1 CIPFA provides standards and guidance on governance to the UK local government sector. To support practitioners, it provides thought leadership and training. It works with other stakeholders, including government departments, national audit bodies and the Local Government Association (LGA). It also provides advisory services to local authorities and has been commissioned to undertake financial and governance reviews for authorities experiencing difficulties.

CIPFA has a broader role in other parts of the UK public sector and internationally. The majority of our comments draw on the local government sector.

## 2. What are the main reasons why public bodies might fail to act quickly and decisively at the first sign of a problem within the organisation?

- 2.1 CIPFA considers that there are many reasons why a prompt and effective response to an emerging problem might not take place. Usually there is no single reason, but a combination of factors. In local government, the governance structure presents particular challenges, but other circumstances could apply in any public body.

### Governance structure

- Dysfunctional relationships may exist between senior officers and elected representatives. Some local authorities have experienced breakdown in trust between key people at senior levels. This can mean that warning messages are not shared or are ignored, or advice is not acted on. The [Independent Governance Review \(2022\)](#) of Northumberland County Council commented 'leadership at both political and managerial levels is distracted, and no longer focussed on external issues but involved to an unhealthy extent on internal battles'.
- Key officers may not have the seniority they need to make their voices heard. This particularly relates to the monitoring officer and the chief financial officer (section 151 officer) but can also include others, for example the head of internal audit. The Committee on Standards in Public Life (the Committee) noted this risk in its report on [Local Government Ethical Standards in 2019](#).
- The political cycle can make it difficult for an authority to address problems or make longer-term decisions that will be unpopular with the electorate. This can result in a focus on short-term measures to address the symptoms of the problem but not the underlying causes.
- Mechanisms for internal challenge may not function as effectively as they should. Scrutiny, audit committees and internal audit may not have a high profile and may not be as effective as they should be.
  - Where internal audit operates to a narrow scope, or there are weaknesses in the team, there may be gaps in their coverage of critical areas. Their work may lack impact and their recommendations not respected and actioned.
  - The audit committee should be a mechanism to escalate concerns in governance, risk management and internal control, and to strengthen internal accountability. Where the committee is uncertain of its role, lacks training or suffers from splits and tensions among its members, it can fail to address problem areas. If the committee is not highly regarded among other elected members, it may struggle to have influence. Committees that lack co-opted independent members may lack knowledge and experience, further reducing their effectiveness.

- Scrutiny committees may lack officer support, particularly in district councils, or may lack training. Their reviews may lack rigour.
- Where public bodies work in partnership, for example health and local government through integrated care systems, the different governance and financial structures can make it difficult to achieve a shared understanding of issues and appropriate action. This issue was explored in a briefing, [Financial planning and partnership in integrated care systems \(CIPFA/NEP cloud, 2023\)](#).

## Culture and behaviours

- Culture of the authority can play a part, for example the [Report in the Public Interest at London Borough of Croydon \(Grant Thornton, 2021\)](#) referred to a culture of corporate collective blindness among decision makers. This can mean that when concerns are raised, the danger is minimised. The Baroness [Casey Review](#) (2023) of the Metropolitan Police concluded that the force had ‘too much hubris and too little humility’. The Met ‘does not easily accept criticism nor “own” its failures. It does not embrace or learn from its mistakes. Instead, it starts from a position that nothing wrong has occurred. It looks for, and latches onto, small flaws in any criticism, only accepting reluctantly that any wrongdoing has occurred after incontrovertible evidence has been produced.’
- There may be specific issues around the behaviours of senior management or elected representatives. The [Report in the Public Interest for Cheshire East Council \(Grant Thornton, 2023\)](#) highlighted governance weaknesses resulting from the bullying behaviour of the former council leader.

## Resourcing and capacity

- Resourcing pressures can divert attention from longer-term planning and strategies to short-term measures. This can be exacerbated by weaknesses in financial planning or financial management.
- There may be capacity and capability gaps. The [Governance Review](#) at Slough Borough Council identified an over-reliance on interim staff and gaps in capability. All local authorities are struggling to recruit and retain staff in many key areas, including finance and internal audit. Local government finance requires specialist skills and experience, and capacity and capability gaps may mean early indicators of financial difficulties or weak internal controls are missed.

### 3. Can you describe any examples of practical measures used by public bodies to ensure that employees are guided by the Nolan Principles at critical decision points, including but not limited to decision-making models, codes of conduct, guidance and training?

- 3.1 From our work with public bodies, we observe that the Nolan Principles are usually embedded within their ethical frameworks. Examples are given below, but CIPFA has not undertaken an evaluation or comparison of practice in this area.
- Under the Localism Act 2011, all local authorities must have a member code of conduct that is guided by the Nolan Principles. The Committee’s 2019 review noted some good practice in the sector for induction training and ongoing support for councillors, but also recommended improvements. A new model code was developed by the LGA in response.

- For employees, expectations are set out in codes and other policies, again supported by induction and training. The quality of these may vary.

3.2 CIPFA has incorporated the Nolan Principles into its professional standards and guidance to the local government sector. This should help to reinforce the principles among finance, internal audit, and governance practitioners, as well as senior management and elected representatives.

- [Delivering good governance in local government](#) (CIPFA/Solace, 2016) includes Core Principle A, 'Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law'. The supporting guidance requires the authority's values for members and staff to build on the Nolan Principles and ensure they are communicated and understood. Local authorities are required to assess their governance arrangements annually and report publicly through the annual governance statement.
- The Public Sector Internal Audit Standards, which is the professional standards for internal audit in the UK public sector, include the following requirement within the Code of Ethics: Internal auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's [Seven Principles of Public Life](#). Conformance with the standards must be externally assessed at least once every five years.
- CIPFA's [Financial Management Code](#) (2019) sets out good practice principles for local authorities. Financial Management Standard C is 'The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control'. The guidance underpinning the standard refers to the Nolan Principles. Authorities should assess their arrangements against the standards and report effectiveness as part of the annual governance statement.
- CIPFA provides guidance to audit committees through its publication, [Audit committees: practical guidance for local authorities and police](#) (2022). This refers to the Nolan Principles when setting out the committee's responsibilities towards supporting the ethical framework and the annual review of governance arrangements.

## 4. Public bodies are required to manage a variety of risks to the successful delivery of public services. What role can data play in understanding these risks?

4.1 Many risks that public bodies must manage cannot easily be quantified but data can be used to identify and analyse risks. Data can also be used to model alternative courses of action to inform the management of risk.

Through its guidance and analysis services, CIPFA provides tools to support local authorities in their management of risk.

- CIPFA's [Financial Resilience Index](#):
  - Two versions are available, for English local authorities and police.
  - The Index includes comparative data for reserves, levels of external debt and percentage of revenue budget spent on social care.
- The Prudential Code for Capital Finance in Local Authorities (Prudential Code) sets out Prudential Indicators:
  - The Prudential Code (that applies to all UK local authorities) requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the authority.

- The Prudential Code sets a minimum number of Prudential Indicators that must be used in planning and monitoring revenue, capital and balance sheet.
- There are data monitoring and risk tools available to help authorities model their liabilities and revenue consequences of capital expenditure.
- CIPFA stats includes a range of statistical data and analysis tools. It offers comparators through the Nearest Neighbour Model tool and a Value for Money Toolkit that compare costs and performance score against a range of services. CIPFA is starting to explore predictive analytics to help authorities understand where they might be spending more in future years and plan accordingly.

Nationally there are other initiatives to provide data. The Office for Local Government (Oflog) and LGA are developing data sets to support planning and performance monitoring, with Oflog planning to use data to identify when an authority needs support. Other national initiatives include the counter-fraud data-matching programme of the National Fraud Initiative.

CIPFA has observed that it is common for authorities to compile and report complaints data. This includes ombudsman complaints. We know that some authorities reference complaints data as part of their governance evaluation that they publish in their annual governance statements, but it is more difficult to comment on whether authorities are learning lessons from this data.

Data usage to support the management of risk has potential, but there can be barriers to effective use.

- Authorities need investment to overcome legacy IT systems, interconnectivity issues, and the recruitment, training, and retention of staff with the necessary skills.
- Where the use of data involves personal data, then authorities need to ensure adequate protocols are in place and there is a legal basis for data matching and data sharing.

## 5. Are you aware of any examples of organisations that have good processes in place for identifying patterns and spotting problems that need addressing?

- 5.1 Through its standards, guidance and support to public bodies, CIPFA sets out good practice arrangements.

## 6. What practices and behaviours can the boards of public bodies adopt to ensure that they have proper oversight of their organisation?

- 6.1 Effective oversight by boards/governing bodies is essential, but with a public body's wide range of services and responsibilities it is challenging to put into practice.
- CIPFA recommends that public bodies have an assurance framework in place to support the leadership team. It defines an assurance framework as:
    - The means by which leaders, managers and decision makers have confidence that the governance arrangement that they have approved are being implemented, operating as intended, and remain fit for purpose.

The leadership team can draw on a range of assurances from managers, risk and compliance functions, and audit and inspection activities to give confidence in their arrangements and take action where required. Adequate assurance is needed to support both internal and external accountability of public bodies. Public bodies should also consider their assurance needs when working collaboratively with other bodies, when services and functions are contracted, and when arms-length arrangements such as trading companies are established.

In 2023, CIPFA published [Developing an effective assurance framework in a local authority](#) to support leadership teams understand the importance of assurance and encourage effective arrangements. Further guidance is planned during 2024.

- Public bodies should ensure that their organisational culture allows space for concerns to be expressed. Public bodies have formal mechanisms in place to identify potential issues as well as management responsibility. For example, risk management, internal audit, audit committees, scrutiny committees, whistleblowing or speak-up arrangements. In local government, the monitoring officer and section 151 officer have specific responsibilities. Ensuring these mechanisms can operate effectively, requires an organisational culture that is receptive to questions and internal challenge. CIPFA's Practice Oversight Panel issued [Advisory note one](#) in 2022 to reinforce good practice in these areas.
- Bodies should also be receptive to learning, recommendations and interventions from external peers and regulators. Learning from good practice elsewhere or lessons-learned from failures in other bodies should be a regular practice. Peer review or inspection reports should be considered seriously rather than defensively.
- In local government, authorities are required to conduct a review of the effectiveness of its system of internal control each year and prepare an annual governance statement. The review should be an opportunity to identify what the authority is doing well, what needs to be improved and whether arrangements are fit for purpose for the future. Ensuring a range of perspectives and drawing on the assurance framework will support a robust assessment. The review should be a mechanism to reinforce internal accountability as well as supporting the external accountability of the authority. The statement is required by Statutory Instruments and guidance is provided by the CIPFA and Solace publication, [Delivering good governance in local government](#). During 2024/25, CIPFA and Solace will be updating its guidance on the annual review and statement. We would be happy to provide the Committee with an update on our work as it progresses.

## 7. How should public sector bodies conduct their annual board effectiveness evaluations? What does best practice look like?

7.1 In local government there is no formal requirement to conduct an annual board effectiveness evaluation, although the annual review of the system of internal control should consider decision-making and leadership arrangements. The scope of the annual review should cover each of the seven principles of good governance in the framework. CIPFA and Solace will be undertaking a review of its guidance for the annual review during 2024/25. Good practice in undertaking the review includes:

- A wide-ranging assessment, including multiple inputs
- Evidence-based evaluations
- Subject to review before conclusions are drawn
- All key aspects of governance, as set out in the governance principles
- Considers the impact of future developments.

7.2 CIPFA's publication [Leadership matters](#) (2020) encourages the leadership team in a local government body to review their effectiveness. It includes success factors and challenge questions for teams to consider. The guide aligns to the governance framework and covers six broad areas:

- Purpose and outcomes
- Roles and responsibilities
- Ethics and promoting good conduct

- Risk management
- Leadership capability
- Stakeholder and employee engagement.

Use of the guide can inform the review for the annual governance statement.

Where a local authority sets up a company to deliver services, it should also monitor if the company's board has established values and an ethical framework. CIPFA's publication [Local authority owned companies: a good practice guide \(2022\)](#) includes the importance of ethical values.

## 8. Accountability in public life can sometimes be associated with blame. How can public bodies build a culture where people feel safe to speak up about concerns, allowing problems to be addressed early and lessons to be learned?

8.1 CIPFA would suggest the following practices would strengthen the cultures of public bodies.

- Both senior officers and elected representatives should be adequately supported with guidance and training in their roles. Building working relationships in a political environment is especially challenging. CIPFA is currently working with Solace and Lawyers in Local Government to produce guidance for the statutory officers in their role. Training is also being developed to support statutory officers in conjunction with the LGA. Elected representatives need training to fulfil their roles effectively. Peer support and mentoring also help, providing a safe space to discuss difficult issues.
- It is essential that a robust standards regime exists to reinforce the expectations in the Nolan Principles and codes of conduct. CIPFA supported the Committee's recommendations in 2019 to strengthen the standards regime in local government, including legislation covering sanctions.
- Local government is going through a challenging period when difficult decisions need to be taken to support the longer-term sustainability of authorities. Supporting members with training in some of the more complex areas around financial and commercial strategy would encourage greater scrutiny and discussion when key decisions are made.
- Public bodies make decisions in an environment of social media and soundbites. This can encourage a reductive approach to complex issues, for which there isn't an easy fix. Unfortunately, this can have a negative impact by reinforcing a blame culture. Effective questioning and learning of lessons require a safe space and social media eliminates that. Encouraging a greater understanding of the role of public bodies, how decisions are made and the challenges that go with it, among the public would be helpful.
- Those in public life should be careful not to post or share incorrect information through social media or to make posts that undermine a safe speak-up culture.
- CIPFA provides ethics guidance and e-learning to support its professional members and students. This identifies examples of pressures that they might experience, and safeguards needed. CIPFA offers its members confidential advice for ethical dilemmas.



9. The Nolan Principles of honesty and openness require public bodies to be transparent about how they operate and the decisions they make on behalf of the public. Are you aware of any examples of organisations exhibiting good practice in this area?

9.1 Local authorities conduct budget and financial strategy consultations with the public, to provide greater transparency over decisions of spending priorities. This is important where decisions to cut services have to be taken. Two examples of such approaches are:

- [Nottingham City Council](#)
- [Hampshire County Council](#)