Going Forward with Good Governance

October 2007
1. Introduction

The Good Governance Standard for public services was published in 2004 as a guide to the governance of organisations providing public services (funded in whole or in part by government and serving the public).

This report summarises what we know about how the standard has been used, the new challenges arising from the changing policy context for governance, and how good governance might be taken forward in the public interest.

Background

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management (OPM), with support from the Joseph Rowntree Foundation, established an independent Commission to develop a common standard of good governance for all public services. The Commission was chaired by Sir Alan Langlands, now Principal and Vice Chancellor of the University of Dundee and formerly Chief Executive of the National Health Service. In his words, the Standard was an attempt to ‘help governors to do a difficult job better’.

Made up of leaders from the public, voluntary and private sectors, the Commission:

- identified the main issues and any related research that was needed
- considered submissions of evidence
- constructed a common standard for good governance in public services.

The resulting Standard comprises six core principles of good governance, as illustrated below.
The Good Governance Standard for Public Services is available to download from OPM’s website at: www.opm.co.uk/icggps/ and from the CIPFA and JRF websites.

More than two years later, it is timely to review how the Standard has been used. Initially, we undertook desk research and circulated a draft report on the use of the Standard to the individuals from across public services who attended the conference Going Forward with Good Governance, held on 28 June 2007.

The one-day conference, chaired by Sir Alan Langlands, aimed to test how the Standard has been used in practice and to examine how best to take forward its principles in the changing policy climate. There were contributions from:

- Lord Richard Best (Chair of OPM’s Public Interest General Council): developments in public services governance
- Paul Jagger, Deputy Chair of Yorkshire and Humberside Regional Assembly: his experience of using the Standard across the region
- Steve Freer, Chief Executive of CIPFA: using the Standard to deliver good governance in local government
- Derek Elliot, Head of Good Conduct and Counter Fraud Network, and Alison Kelly, Strategy Advisor on Governance of the Audit Commission: an introduction to the good governance standard diagnostic tool
- Julia Unwin, Director of the Joseph Rowntree Foundation: summary speech.

Facilitated by Judith Smyth, Principal, Public Governance at OPM, conference participants contributed experiences of using the Standard and talked about new challenges for public governance and ways forward.

2. Use of the Good Governance Standard

Good governance ensures that organisations are fit for purpose, are well led and managed, take appropriate risks, and are sustainable as businesses, learning from experience and through review. The public (tax payers and service users) have a right to expect that commissioners and service providers using public money are governed well and to see evidence of accountability and public engagement.

Since the Cadbury review of the governance of public limited companies, there has been an increasing awareness of the importance of good governance in all sectors. The Langlands Commission’s work was informed by, for example, the Nolan principles on standards in public life and the Higgs report on the role of non-executive directors. It built on the increasing emphasis on good governance in public services over the last 20 years and the guidance produced by regulators, inspectors, and professional and trade bodies.

Although it is not possible to quantify exactly how many organisations have adopted or referred to the Standard, we have built a picture of its use, which is set out in the appendix. This shows that the Standard’s six principles are widely accepted and that current guidance to public services is now either derived from, or is very similar to, the principles in the Standard. Notably, the Standard has been the basis for the new CIPFA
SOLACE governance framework for local and police authorities and for an Audit Commission diagnostic tool for all public bodies. The Audit Commission’s tool not only provides a database against which governing bodies can benchmark their governance performance but also helps to diagnose governance strengths and areas for development both within and across sectors.

Many individual organisations across the public and voluntary sector have used the Standard’s underlying principles to guide or assess their own governance arrangements or have adapted them to meet their own purposes. The Standard also serves as a good tool for induction and the on-going training and development of members of governing bodies.

At the conference it was noted that one of the great strengths of the Standard is that it appeals to hearts and minds and, drawing on the self-assessment questions in Appendix A, is a very useful tool for board review. In addition, the questions for members of the public in Appendix B are suitable to be used very widely.

In summary, the Standard is a success and is already in the DNA of the governance of many public services.

3. New challenges for the governance of public services

The Good Governance Standard has so far proved fit for purpose; but the policy context moves on, and there are new, emerging challenges for the governance of public services. A number were identified at the conference:

- **Increasing emphasis on commissioning and commissioner/provider separation.** Where local government is responsible for place-shaping and well-being, rather than for service provision, for example, there is enhanced emphasis on local councillors as community leaders in the light of the Lyons Review and the local government White Paper *Strong and Prosperous Communities*. Local authorities are increasingly working in partnership to commission services from a range of providers.

- **Partnership and multi-agency working.** Accountability is often far from clear in local partnerships that involve public, private and voluntary organisations focusing on ‘wicked’ problems such as drugs or social exclusion. It is important to be clear about the purpose, functions and governance of such partnerships so that the public and others can hold them to account. The increased role for overview and scrutiny committees to hold to account Local Area Agreement (LAA) partner bodies and to increase public involvement has the potential to strengthen accountability and governance, but this has yet to be widely tested and there are some questions as to the capacity of scrutiny committees to do this effectively. The introduction of the Audit Commission’s new inspection framework, Comprehensive Area Assessments (CAA), in 2009 will focus on integrated governance and the LAA partnership.

- **Increased plurality of providers of public services.** Across sectors, there has been strong emphasis on a choice of providers, and commissioners have been encouraged to choose from a diversity of providers from the public, private and third sectors. Examples are NHS payments to private healthcare providers when patients choose
them for certain procedures and recent announcements that childcare should not be provided within the public sector. This increased plurality is presenting new challenges for accountability and governance. For example, how far should we expect a private sector provider of public services to uphold all the principles in the Good Governance Standard? How do we ensure that the voice of citizens and service users is incorporated into the design and delivery of services, whoever provides them? Should adherence to the Standard’s principles be required of all providers – through accreditation or contract precondition, or through carefully designed contracts?

- **The emergence of new organisational structures.** New organisational forms are emerging, such as employee-owned companies and social enterprises. These provide their own sets of questions, opportunities and challenges, both in relation to the Standard and for governance more widely in the coming years. It would help volunteer governors of public service providers, and the public, if there was general acceptance of the principles of the Standard regardless of the constitutional differences between an increasing variety of organisational forms.

- **Public disenchantment with the political and democratic processes.** There are increasing concerns about public apathy about politics and the decline of involvement in democratic processes, including elections at all levels. Some argue that declining voter turnout in elections is in tension with the growth in powers for local government to take over other services. Is there sufficient understanding of the relationship between good politics and good governance at local level? Could the application of the Standard’s principles encourage people to be more actively involved in the governance of public services?

- **Variable progress across sectors.** Some school governance is out of line with the Standard’s principles, particularly in the requirement to include staff on the governing body, and may need reform in order to provide good governance to children’s centres and extended schools. While the capability reviews of government departments look at aspects of governance, and are raising some issues about how departmental boards function, good governance principles seem to be inconsistently applied at central government level or by Parliament in holding the executive to account.

- **Membership of governing bodies.** Membership of governing bodies must be fit for purpose. An independent board is a good safeguard against risk, but being a governor can be a lonely and challenging role. ‘Service user’ boards often find it hard to govern well in the public interest. Likewise ‘expert’ boards can find it hard to access really independent financial and legal advice. What should a good public interest governing body look like? While there are lessons to be learned from the ‘for profit’ corporate world, there remains a need to learn more about public service, public interest governance. Does ownership make a difference to the quality of governance? In addition, boards and governing bodies are still not sufficiently diverse and representative of the communities they serve and, as expectations about standards of good governance are raised, the demands on members of governing bodies increase. How can the process of recruitment to public bodies and investment in the development of governors after appointment be made more open, with greater recognition of the diversity of skills and competencies required?
4. Taking good governance forward

Attendees at the conference were asked to consider ways in which the Standard could best be taken forward in the public interest, drawing on their knowledge of progress in the governance of public services and of the emerging challenges from the new policy context.

Generally, there was support for continuing to promote effective use of the Standard and its principles. This is about stimulating reflective use of the Standard which encourages personal 'ownership', not about reducing it to checklists and tick boxes. Specific suggestions included:

- Using the Standard as a framework for the collection of examples of good practice which can be used for board development
- Regulators and inspectors applying the Standard more consistently across public services. For example, they could require annual reports to contain a statement of compliance with the Standard
- Using the Standard to help a local authority and its partners to improve the performance and accountability of partnerships in preparation for CAA and LAA. The Standard is an excellent tool for induction and on-going training and development and can be used for member training as well as partnership development
- Applying good governance more widely in central government, including using the Standard as a benchmarking tool
- Making the case for strong governance as the foundation for better public services. This might include research into the link between good governance and good outcomes, poor governance and poor outcomes
- Considering the advantages of introducing a process for accreditation of good governance.

In relation to the discussion about the changing policy context, there was particular interest in:

- Community and stakeholder engagement. The sixth principle of the Standard is about engaging stakeholders and making accountability real. A clear message from the conference was the need for this principle to be strongly applied. However, it was also recognised that, while it is the duty of governors to ensure that stakeholder opinion and experience informs their decisions, good governance is nevertheless about effective leadership. Should those commissioning and providing public services be required to demonstrate how they have effectively balanced the views of stakeholders and how engagement has made a difference to their decisions?
- The challenge to governance of commissioner and provider separation. In the current policy climate, there is a need for more understanding about how the Standard’s principles apply in practice to public bodies or partnerships that are focusing on commissioning and about what can be expected in governance terms from an increasingly plural market of providers of public services.
5. Conclusions

The principles of the Standard are clearly standing the test of time and are being widely applied across public services.

We hope that this report will help to promote a continuing focus on the good governance of public services and will help the work of the Langlands Commission to continue to be built upon. In particular, application of good governance principles in different and changing contexts requires continuous development and further work on some of the specific issues highlighted above would, we conclude, be helpful.
Appendix – Use of the Good Governance Standard

Demand for the Standard

CIPFA’s records show that 2,000 complimentary copies of the Standard have been distributed and a further 1,248 copies have been sold. A further 600 copies have been issued to users of various CIPFA services which have a governance theme. OPM’s records show that we have sold approximately 1,000 copies of the Standard, bringing the approximate total to just under 5,000. In addition to hard copies, since June 2005 over 3,600 copies have been downloaded from CIPFA’s website, and in 2007 alone over 4,500 copies were downloaded from OPM’s website. There have also been downloads from the JRF website.

Many of the bulk purchases of hard copies have been by organisations who intend to provide personal copies to governors. Purchasers of the Standard are wide ranging across the public services and include:

- local authorities
- health bodies – NHS trusts, foundation hospitals, strategic health authorities
- housing associations
- education organisations – universities and colleges
- criminal justice agencies
- police authorities
- the Scottish Parliament
- regulators and inspectorates
- umbrella and professional membership bodies
- voluntary and community organisations.

There has also been significant international interest.

The following sections outline different contexts where the Standard has been used or adopted in the UK.

Regional assemblies

Yorkshire and Humber Assembly developed a workbook to support public and voluntary sector organisations to improve their governance procedures and initiated the Good Governance Yorkshire and Humber pilot programme. Organisations were invited to self-assess their current governance arrangements using the workbook. This provided the opportunity for organisations to determine the actions they need to take to reach the standards laid out in the Standard.

The workbook is based on the Standard and uses the questions at the end to help participants to explore their current arrangements and calculate their score, which can
inform their action at a later date. An evaluation of the pilot has shown that there is almost unanimous agreement that participation and use of the workbook has been beneficial to organisations.\(^1\) Facilitated sessions were more highly rated than self-assessment without a facilitator (facilitation was provided by The Back to Work Company). The evaluation also demonstrated how the Standard has added value for many organisations because its principles can be applied universally. For more information, visit: [www.yhassembly.gov.uk](http://www.yhassembly.gov.uk).

### Local government

**Guidance for corporate governance in local government, CIPFA and SOLACE**

CIPFA and SOLACE launched the new and updated governance framework for local authorities on 13 June 2007. The framework, *Delivering Good Governance in Local Government*, wholly updates the original CIPFA/SOLACE framework published in 2001. It takes account of key developments in local authority governance since then and of the six principles in the Good Governance Standard. In particular, the revised framework includes emphasis on:

- strong and clear political arrangements and the need for effective dialogue and engagement with the public
- partnership working and strategic and community leadership issues
- the role of audit committees and standards committees.

The framework places high standards of conduct at the heart of good governance. It is intended to act as a renewed impetus for local authorities to develop their own codes and review mechanisms to identify their own particular strengths and priorities for improvement.

The framework is supported by separate guidance notes for local government in England, Wales, Scotland and Northern Ireland and for police and fire authorities. See [www.cipfa.org.uk](http://www.cipfa.org.uk)

The Standard is also used by a range of partnerships which are often led by local authorities and involve a wide range of partner agencies from the public, private and voluntary sectors. During the conference, the framework was praised for its clear, straightforward nature and its strong focus on community. Some participants felt that the Standard has a strong human focus, and does not just focus on systems and processes.

### Audit Commission

The Audit Commission has developed a diagnostic tool based on the Standard for local authorities and other sectors. As at June 2007, the self-assessment toolkit had been used with 40 local authorities and it is expected that more bodies will come on board over the next few years. It has been designed so that it is suitable for all public bodies (national and regional government, health, police, fire, housing) and the voluntary sector, and it is

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being piloted in some of these sectors. It has the added benefit of enabling local authorities to benchmark where they stand on governance in relation to other authorities.

**Commissioners**

A number of local authorities are looking for a benchmark of good governance that they can use in their commissioning frameworks and are considering using the Standard with service providers from different sectors. Commissioning is one of the central functions of local government described in the 2006 Local Government White Paper: *Strong and Prosperous Communities*, and many believe it is in the interests of both commissioners and the public – as citizens and service users – to know what to expect from the governing bodies of providers of public services.

**Health**

**Department of Health**

The Department of Health’s *Integrated Governance Handbook*, 2006 provides guidance to NHS boards on integrated governance and states that it builds on other governance literature, including *The Good Governance Standard*. See: [www.dh.gov.uk/assetRoot/04/12/96/15/04129615.pdf](http://www.dh.gov.uk/assetRoot/04/12/96/15/04129615.pdf)

**Audit Commission**

As noted above, the Audit Commission’s good governance diagnostic tool can also be used by health organisations.

**NHS bodies and trusts**

Many organisations have used the Standard to review and develop NHS boards, including emerging and new foundation trusts. Discussions at the conference confirmed that the Standard has been used successfully with health boards and can help in particular to legitimise questioning if there are any problems on Trust boards.

**Best practice resource**

In addition, the Standard was quoted as a key document by the Institute for Innovation and Improvement in an article on improving the performance of NHS boards. It is positively promoted by the Appointment Commission’s website. NHS Education Scotland used it to assess its own governance arrangements.

**Central government**

Central government has its own code of governance – *Corporate Governance in Central Government Departments: Code of Good Practice* – which is separate from the Standard. The code has been assembled to guide central government departments, focusing on the role of departmental management boards and how they can support ministers and heads of departments.

The Standard is used by a range of Non-Departmental Public Bodies both nationally and regionally.
Further education

In 2005, the standard was presented to the Association of Clerks to the Boards of Governing Bodies of FE colleges. A show of hands indicated that about 60 per cent of those present knew of the Standard and were using it in a variety of ways. Several colleges have included the six principles of the standard as part of their governance arrangements.


Police

The Association of Police Authorities (APA) worked with CIPFA to tailor the CIPFA/SOLACE framework, based on the Standard, for use with police.

Some police authorities’ governance arrangements are assessed against the Standard, including West Mercia Police Authority.

The Association of Chief Police Officers (ACPO) has not adopted the Standard but has its own Code of Governance.

Housing associations

The National Housing Federation published a code for registered social landlords in 2005. The principles are very similar to the Standard’s. A number of housing associations have also adopted the Standard as a framework for their governance arrangements, or have used it (and the questions at the back of the standard) to review and develop governance.

In addition, the Scottish Executive Agency, Communities Scotland, based their Regulatory Code of Governance, November 2006, on the Standard’s principles.

Voluntary sector


Some voluntary groups have bought the Standard. This suggests they have used it either as a reference document or as a guide to good governance.
The Health and Social Care Alliance in Herefordshire has used the principles of the Standard to inform the acquA accreditation system for voluntary and community organisations. In 2007 Herefordshire County Council only approved health and social care organisations which had gone through the acquA process for contracts as providers.

The Charity Commission has recently been consulting about the definition of public benefit as a core purpose of registered charities. This is likely to result in a further review of governance codes for this sector.