The Good Governance Standard for Public Services

**The Independent Commission
on Good Governance
in Public Services**

Contents

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Sir Alan Langlands, Principal and Vice Chancellor, University of Dundee

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Lord Richard Best, Director, Joseph Rowntree Foundation

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Ms Jo Williams CBE, Chief Executive, Mencap

Co-secretaries to the Commission

Steve Freer, Chief Executive, CIPFA

Adrienne Fresko CBE, Head of the Centre for Public Governance, OPM
(to 30 September 2004)

Jane Steele, Head of Public Interest Research, OPM (from 1 October 2004)

Head of Research for the Commission

Jane Steele, Head of Public Interest Research, OPM

Research and support team

Kerry Ace, Finance and Policy Manager, CIPFA

Andrea Carr, Project Administrator, OPM

Robert Coffey, Researcher, OPM (from September 2004)

Kerri Hampton, Senior Researcher, OPM (to September 2004)

Sandra Harper, Group Administrator, CIPFA

Vernon Soare, Policy and Technical Director, CIPFA

Good Governance Standard for Public Services

Foreword

By 2005/6, public expenditure in the UK will exceed £500 billion[1]. How this money is spent and the quality of services it provides is critically important to us all as users of services and as taxpayers. Because of this we all need governance of our public services to be of a high standard. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes[2].

The governors of our public service organisations face a difficult task. They are the people responsible for governance – the leadership, direction and control of the organisations they serve. Their responsibility is to ensure that they address the purpose and objectives of these organisations and that they work in the public interest. They have to bring about positive outcomes for the people who use the services, as well as providing good value for the taxpayers who fund these services. They have to balance the public interest with their accountability to government and an increasingly complex regulatory environment, and motivate front-line staff by making sure that good executive leadership is in place. Governors shoulder a heavy responsibility in relation to health, education, housing, criminal justice and many other aspects of public service.

More than 450,000 people[3] contribute as governors to a wide range of public service organisations and partnerships. There is clear evidence that many have difficulties in fulfilling these responsibilities[4]. To help them with their tasks, there is an urgent and ongoing need to be clear about the purpose of governance and the role of the governor, expand the supply of governors, improve induction programmes and encourage good relationships between governors and the executive teams who are accountable to them.

It is perhaps surprising that there is no common code for public service governance to provide guidance across the complex and diverse world of public services, which are provided by the public sector and a range of other agencies. The *Good Governance Standard for Public Services* addresses this issue head on. It builds on the Nolan principles[5] for the conduct of individuals in public life, by setting out six core principles of good governance for public service organisations. It shows how these should be applied if organisations are to live up to the Standard and provides a basis for the public to challenge sub-standard governance. I hope that the publication of the Standard will encourage public bodies to review their own effectiveness, and that it will provide commissioners and regulators of public services with a common framework for assessing good governance practice.

It has been a privilege to take part in this work and my personal thanks go to the members of the Commission, the Commission secretaries and the head of research, who simply want to help governors do a difficult job better. I also gratefully acknowledge the support provided by the Joseph Rowntree Foundation and the commitment of CIPFA (Chartered Institute of Public Finance and Accountancy) and OPM® (Office for Public Management).

Sir Alan Langlands
Chair of the Commission
January 2005

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About the Commission

The Independent Commission on Good Governance in Public Services was established by the Office for Public Management (OPM®) and the Chartered Institute of Public Finance and Accountancy (CIPFA), in partnership with the Joseph Rowntree Foundation. The role of the Commission was to develop a common code and set of principles for good governance across public services.

The Commission began work early in 2004. The first stage was to consult a wide range of stakeholders, through face-to-face discussions and meetings around the UK and a process of inviting written contributions from all types of public service organisations. This consultation focused on the potential value of a common code or set of principles for governing all public services, and sought views on what the code should include.

Following this consultation, the Commission produced a draft of the *Good Governance Standard for Public Services*. The draft was the subject of a second round of consultation in the autumn of 2004. This included meetings with service users and citizens, to explore the potential value of the Standard from their point of view. The Standard was then amended to reflect the views expressed in the consultation.

Further information about the work of the Commission and the responses to both rounds of consultation are available at www.opm.co.uk/ICGGPS.

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1   *Spending Review 2004*, HM Treasury
2   For example, standards of corporate governance have a central place in the Audit Commission's comprehensive performance assessment of the quality of services provided by local authorities
3   Estimated number of members of governing bodies of public services in the UK
4   For example *Rubber Stamped*?, OPM, 2003
5   Committee on Standards in Public Life, 1995

Using the Standard

The purpose of the Standard

We intend the *Good Governance Standard for Public Services* as a guide to help everyone concerned with the governance of public services not only to understand and apply common principles of good governance, but also to assess the strengths and weaknesses of current governance practice and improve it. We hope that the Standard will be useful to governors who are striving to do a difficult job better, and to individuals and groups who have an interest in scrutinising the effectiveness of governance.

The Standard focuses on the ways different functions of governance can support each other. Governance is dynamic: good governance encourages the public trust and participation that enables services to improve; bad governance fosters the low morale and adversarial relationships that lead to poor performance or even, ultimately, to dysfunctional organisations.

Scope of the Standard

The *Good Governance Standard for Public Services* is intended for use by all organisations and partnerships that work for the public, using public money. Most of these are public sector organisations whose services are used directly by members of the public or who are responsible for less visible activities, such as regulation and policy development.

However, the use of public money to provide public services is not limited to the public sector. The public also has an interest in the governance of non-public sector organisations that spend public money, and the Standard is designed to help them too.

Relationship with other codes and guidance

While the Standard has a wide scope, it does not seek to duplicate the codes and guidance that already exist for some specific types of organisation. We hope that those who develop and set these codes will refer to the Standard in updating and reviewing their own codes, and use it to enhance the debate about governance within and between different sectors. Where codes and guidance do not already exist, as in many formal and informal partnerships, we hope that the Standard will provide a shared understanding of what constitutes good governance.

Applying the Standard to different governance structures and sizes of organisation

The principles form a universal Standard of good governance and we encourage all organisations to show that they are putting it into practice in a way that reflects their structure and is proportionate to their size. We recognise that not all parts of the Standard will appear to be directly applicable to all types and size of organisation.

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The many types of organisations to which the Standard applies – central government and local service providers, and public sector and independent organisations – have a wide range of governance structures; for example, some governing bodies will be elected and some appointed. Organisations also vary enormously in size and complexity, from, for example, a small school to a large hospital trust.

We call on governing bodies to report publicly on the extent to which they live up to the Standard, and explain why and how they have adapted any of the principles and their applications to suit their type and size of organisation. In doing so, we ask organisations to demonstrate the spirit and ethos of good governance, which the Standard aims to capture and which cannot be achieved by rules and procedures alone.

Putting the Standard into practice

The Standard comprises six core principles of good governance, each with its supporting principles. The 'Application' box next to each supporting principle explains what should be done to put it into practice. At the end of each section, good practice examples illustrate ways of putting the principles into practice.

Appendix A comprises questions that governing bodies should ask themselves to test how far they live up to the Standard, and to develop action plans for making any necessary improvements.

Appendix B comprises questions for members of the public or their representatives to ask if they want to understand or challenge the governance of public service organisations. We also suggest that organisations ask themselves these questions to test their own openness and accountability to the public. The questions could be used as a basis for 'frequently asked questions' (FAQs) on public websites.

Terminology

In order to be applicable to different kinds of organisation, the Standard uses some general terms, with the following definitions:

- **Governing body**: the body with overall responsibility for directing and controlling an organisation. For example, the police authority; the governors of a school; the board of a housing association, an NHS trust or a non-departmental public body; the council in local government

- **Governor**: member of the governing body, whether elected or appointed. For example, member of a police authority, school governor, board member of a housing association or non-departmental public body, executive or non-executive director of an NHS trust, elected member or councillor of a local authority

- **Non-executive**: governors without executive responsibilities (non-executive directors are sometimes referred to as independent directors)

- **Executive**: the senior staff of the organisation. Some types of boards include executive directors as governors.

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The term 'executive' has a different meaning in local government in England and Wales, where the executive comprises elected representatives. There are three possible structures for the 'executive': a council leader, elected by the full council, who appoints councillors to a cabinet; a directly elected mayor who appoints councillors to a cabinet; a directly elected mayor and a council manager, who is an officer. In NHS foundation trusts, the 'governing body' is the board of directors while the group known as governors form a separate body.

We hope that the Standard will help all those with an interest in public governance to assess good governance practice.

Sir Alan Langlands	Mr Bob Kerslake
Lord Richard Best	Mr Ed Mayo
Sir Ian Blair	Dr Greg Parston
Mr Jim Coulter	Ms Bharti Patel
Ms Lucy de Groot	The Honourable Barbara Thomas
Ms Liz Kerry	Ms Jo Williams CBE

Members of the Independent Commission on Good Governance in Public Services
January 2005

Principles of good governance

The standard comprises six core principles of good governance, each with its supporting principles.

Engaging stakeholders and making accountability real

Performing effectively in clearly defined functions and roles

Promoting values for the whole organisation and demonstrating good governance through behaviour

Focusing on the organisation's purpose and on outcomes for citizens and service users

Developing the capacity and capability of the governing body to be effective

Taking informed, transparent decisions and managing risk
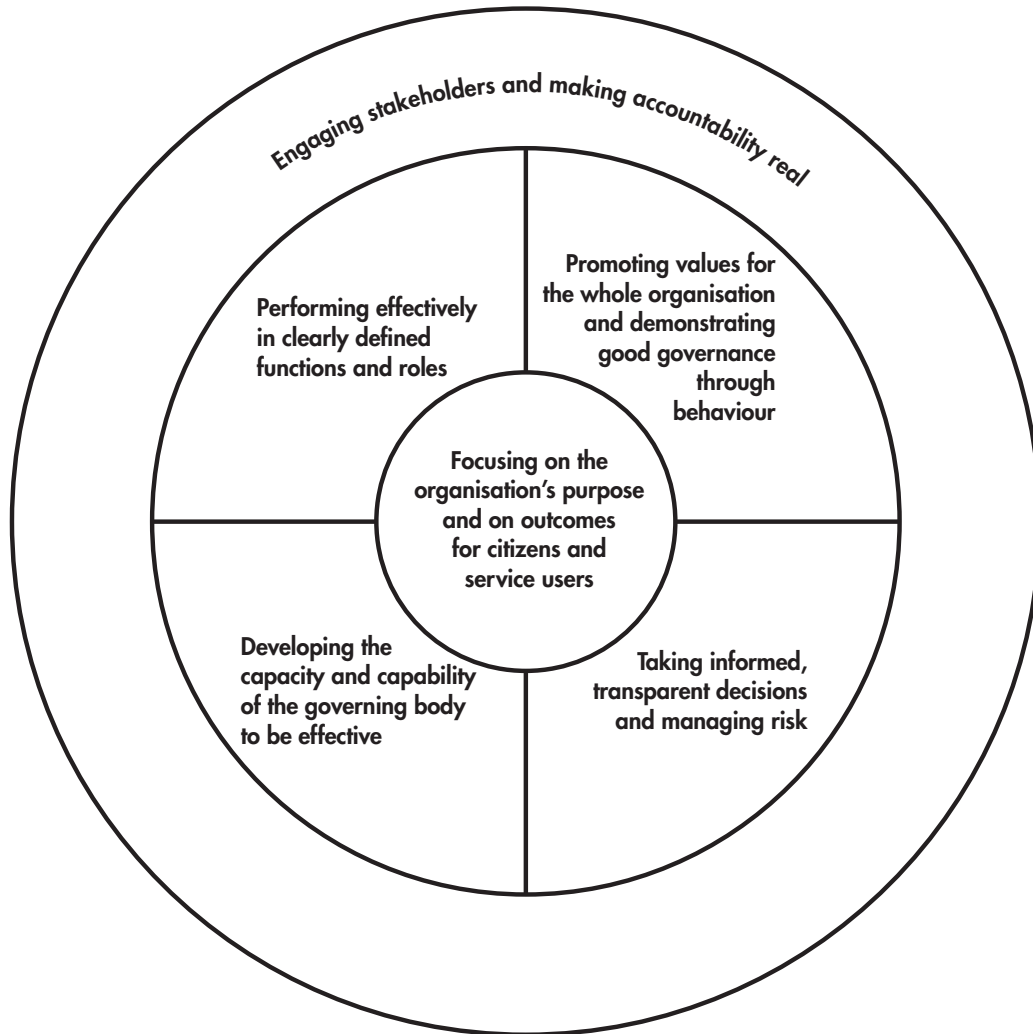
1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users

1.1   Being clear about the organisation's purpose and its intended outcomes for citizens and service users

1.2   Making sure that users receive a high quality service

1.3   Making sure that taxpayers receive value for money

2. Good governance means performing effectively in clearly defined functions and roles

2.1   Being clear about the functions of the governing body

2.2   Being clear about the responsibilities of non-executives and the executive, and making sure that those responsibilities are carried out

2.3   Being clear about relationships between governors and the public

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

3.1   Putting organisational values into practice

3.2   Individual governors behaving in ways that uphold and exemplify effective governance

4. Good governance means taking informed, transparent decisions and managing risk

4.1   Being rigorous and transparent about how decisions are taken

4.2   Having and using good quality information, advice and support

4.3   Making sure that an effective risk management system is in operation

5. Good governance means developing the capacity and capability of the governing body to be effective

5.1   Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well

5.2   Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

5.3   Striking a balance, in the membership of the governing body, between continuity and renewal

6. Good governance means engaging stakeholders and making accountability real

6.1   Understanding formal and informal accountability relationships

6.2   Taking an active and planned approach to dialogue with and accountability to the public

6.3   Taking an active and planned approach to responsibility to staff

6.4   Engaging effectively with institutional stakeholders

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users
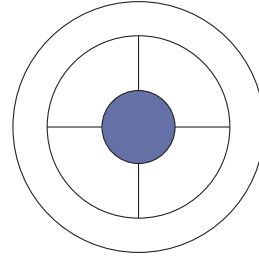
The function of governance is to ensure that an organisation or partnership[6] fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner[7]. This principle should guide all governance activity.

Each organisation has its own purpose. There are also some general purposes that are fundamental to all public governance, including providing good quality services and achieving value for money.

The concept of 'public value' can be helpful when thinking about the unique purpose of public services and therefore of their governance. Public value refers to the things that public services produce, either directly or indirectly, using public money. Public value includes: outcomes (such as improved health and improved safety); services (such as primary care services and policing); and trust in public governance.

1.1 Being clear about the organisation's purpose and its intended outcomes for citizens and service users

Having a clear organisational purpose and set of objectives is a hallmark of good governance. If this purpose is communicated effectively, it can guide people's actions and decisions at all levels in an organisation.

For many organisations, others (in particular, central government[8]) play a major role in determining policy and resources and in setting or agreeing objectives. In these circumstances, it is critically important that there is a common view of the organisation's purposes and its intended outcomes.

Application

The governing body should make sure that there is a clear statement of the organisation's purpose and that it uses this as a basis for its planning. It should constantly review the decisions it takes, making sure that they further the organisation's purpose and contribute to the intended outcomes for citizens and users of services.

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6   Throughout the document, 'organisation' should be read to include 'partnership'.

7   For example, a school's purpose might be to educate children; its intended outcomes might include improved literacy and numeracy of children by the age of 11.

8   Often described as a 'dominant stakeholder' role.

1.2 Making sure that users receive a high quality service

All public service organisations provide a service to other people and/or organisations, although not all provide services directly to members of the public. The quality of service is an important measure of how effective an organisation is, and so it is particularly important in governance.

Users of public services, unlike consumers in the private sector, usually have little or no option to go elsewhere for services or to withdraw payment[9]. Providers of public services have fewer direct financial incentives than private companies to improve consumer satisfaction. Organisations that provide public services therefore need to take additional steps to ensure that services are of a high quality.

Application

The governing body should decide how the quality of service for users is to be measured and make sure that it has the information it needs to review service quality effectively and regularly.

As part of this, it should ensure that it has processes in place to hear the views of users and non-users from all backgrounds and communities about their needs, and the views of service users from all backgrounds about the suitability and quality of services. The governing body should use this information when making decisions about service planning and improvement.

1.3 Making sure that taxpayers receive value for money

All organisations that spend public money, either in commissioning services or providing them directly, have a duty to strive for economy, efficiency and effectiveness in their work. Citizens and taxpayers have an important and legitimate interest in the value for money provided by organisations that use public money.

Application

The governing body should decide how value for money is measured and make sure that it has the information it needs to review value for money effectively, including information about similar organisations, for comparison. It should use this information when planning and reviewing the work of the organisation.

Good practice examples: focusing on the organisation's purpose and on outcomes for citizens and service users

- Compare information about the efficiency, effectiveness and quality of service provided by similar organisations; analyse why levels of efficiency, effectiveness and quality are different elsewhere.
- Give non-executive directors a specific responsibility to ensure that information about users' experiences is collected, brought to the attention of the governing body and used in its decision making.

9   Government policy is to increase choice in public services; nevertheless, consumer choice is either not available or limited in most areas of public services.

2. Good governance means performing effectively in clearly defined functions and roles
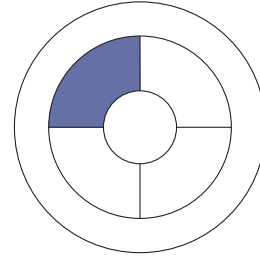
Good governance requires all concerned to be clear about the functions of governance and their own roles and responsibilities and those of others, and to behave in ways that are consistent with those roles. Being clear about one's own role, and how it relates to that of others, increases the chance of performing the role well. Clarity about roles also helps all stakeholders to understand how the governance system works and who is accountable for what.

2.1 Being clear about the functions of the governing body

Members of governing bodies are elected or appointed to *direct and control public service organisations in the public interest*[10].

The primary functions of the governing body are to:

◆   establish the organisation's strategic direction and aims, in conjunction with the executive

◆   ensure accountability to the public for the organisation's performance

◆   assure that the organisation is managed with probity and integrity.

In order to direct strategy and ensure that this is implemented and that the organisation achieves its goals, the governing body has to:

◆   allocate resources and monitor organisational and executive performance[11]

◆   delegate to management

◆   oversee the appointment and contractual arrangements for senior executives, and make sure that effective management arrangements are in place

◆   understand and manage risk.

Ways of achieving these primary functions include:

◆   constructively challenging and scrutinising the executive

◆   ensuring that the voice of the public is heard in decision making

◆   forging strategic partnerships with other organisations.

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10   Governors of charities (trustees) have an overriding duty to act in the interests of their charity and its beneficiaries, who are defined as part of its registration as a charity. Industrial and provident societies (mutuals) may be either for the mutual benefit of their members or of the community, depending on their form of registration.

11   Throughout, the term 'executive' is used to refer to the senior members of the organisation's paid staff.

Some of these functions are the particular responsibility of non-executive directors, where the governing body comprises both non-executive and executive members (see 2.2).

> **Application**
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> The governing body should set out clearly, in a public document, its approach to performing each of the functions of governance. This should include a process, agreed with the executive, for holding the executive to account for achieving agreed objectives and implementing strategy. The governors should explain how and why their approach to each function is appropriate for the size and complexity of the organisation.

2.2 Being clear about the responsibilities of non-executives and the executive, and making sure that those responsibilities are carried out

Different public services have different types of governing body. In some cases, executive directors are members of the governing body; in other cases the governing body is made up entirely of non-executives. For example, NHS trusts have 'unified boards' that usually comprise five executive directors, five non-executive directors and the non-executive chair. In contrast, police authorities and some national public bodies have a 'supervisory body' made up entirely of non-executives. Government departments and non-departmental public bodies have accounting officers (usually the permanent secretary of a government department and the chief executive of an NDPB) who have personal responsibility to Parliament for the use of public funds.

In all cases, the governors take collective responsibility for the governing body's decisions. In both unified and supervisory arrangements, non-executives have specific responsibilities in relation to the executive.

Non-executive

The non-executive role is to:

◆ contribute to strategy: non-executives bring a range of perspectives to strategy development and decision making

◆ make sure that effective management arrangements and an effective team are in place at the top level of the organisation

◆ delegate: non-executives help to clarify which decisions are reserved for the governing body, and then clearly delegate the rest

◆ hold the executive to account: the governing body delegates responsibilities to the executive. Non-executives have a vital role in holding the executive to account for its performance in fulfilling those responsibilities, including through purposeful challenge and scrutiny

◆ be extremely discriminating about getting involved in matters of operational detail for which responsibility is delegated to the executive.

Chair and chief executive (or lead executive)

The chair and chief executive share in the leadership role. The chair's role is to lead the governing body, ensuring it makes an effective contribution to the governance of

the organisation; and the chief executive's is to lead the organisation in implementing strategy and managing the delivery of services. A good working relationship between the two can make a significant contribution to effective governance.

The deputy chair's role includes supporting the chair in his or her role, and, on occasion, informing the chair of any concerns that governors have about the conduct of the governing body.

Application

The governing body should clarify that all its members have collective responsibility for its decisions and have equal status in discussions. The chair and other governors should challenge individual governors if they do not respect constructive challenge by others or if they do not support this collective responsibility for fulfilling the organisation's purpose and for working towards intended outcomes for citizens and users of services.

The governing body should set out a clear statement of the respective roles and responsibilities of the non-executives and the executive and its approach to putting this into practice.

The roles of chair and chief executive should be separate and provide a check and balance for each other's authority. The chair and the chief executive should negotiate their respective roles early in the relationship (within a framework in which the chair leads the governing body and the chief executive leads and manages the organisation) and should explain these clearly to the governing body and the organisation as a whole.

2.3 Being clear about relationships between governors and the public

Governors and governing bodies need to be clear about the nature of their relationship with the public. The governing body's role is to direct and control the organisation in the public interest (see 2.1) and to ensure accountability to the public (see 6.2). Being clear about this increases the chances that governors and others will understand governors' responsibilities to the public and be aware of the limitations of what they can be expected to do.

Public service governors are either elected directly by the public or appointed by governing bodies and/or government[12] . All governors share collective responsibility and accountability for the governing body's decisions[13]. This includes the governing body of a partnership, whose members may come from a range of organisations. As governors of the partnership, they are responsible for taking decisions that support the partnership's purpose, not simply the interests of their 'parent' organisation.

Their different routes to becoming a governor mean that elected and appointed governors have different types of relationship with the public. However, both are

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12   Some charity trustees or governors of other independent not-for-profit organisations, such as housing associations, are appointed by a wider voting membership or by other external bodies.

13   Organisations in which political parties are prominent, e.g. local authorities, may by convention operate a system of collective responsibility within the controlling party or alliance, rather than within the governing body as a whole.

accountable to the public and should develop a dialogue that connects the organisation properly with the public they serve (see 6.2). The electoral process provides an additional accountability mechanism for elected governors and they can be said to represent the public, in the democratic sense of 'represent'.

Appointed governors' backgrounds and experience are often factors in their appointment. This means that they bring particular perspectives or expertise, but their views cannot be expected to be 'representative' or typical of others with similar backgrounds.

It is very important that a wide range of experiences and perspectives inform governance decisions. This is enhanced by the participation of a cross-section of the public in governance decision making (see 5.1).

Application

Governors should recognise their collective responsibility for the governing body's decisions and strive to make decisions that further the organisation's purpose, rather than the interests of any specific group or organisation with which they are associated.

The governing body should value the perspectives which governors appointed from different backgrounds bring, but should make clear that these appointed governors are not expected to provide the only source of information about the specific groups whose background or experiences they share. Where appointed governors are asked to provide authoritative information about the views and experiences of such groups, they should have access to systems for collecting this information.

The governing body, whether elected or appointed (or made up of both elected and appointed governors) should ensure that the organisation engages effectively with the public and service users to understand their views, and that the governing body has access to reliable information about the range of public opinions and the satisfaction of all groups of users of services.

Good practice examples: performing effectively in clearly defined functions and roles

- The governing body can meet its responsibility for strategy by scrutinising and challenging proposals developed by the executive, or by involving itself actively in strategy formulation from the earliest stages.
- In developing and pursuing the organisation's strategic direction, the governing body is advised to make judgements about, and help to regulate, the scale and pace of change that the organisation can handle successfully.
- In appointing and remunerating the top team, it is good practice to establish a remuneration and appointments committee, made up of governors who are free of vested interests, to make recommendations to the governing body.
- Publishing job descriptions for the chair, deputy chair and chief executive can help others to know what to expect.
- Even for small organisations or partnerships with limited resources, separation of the chair and the executive role is advisable, with the executive being responsible for putting decisions into practice.

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour
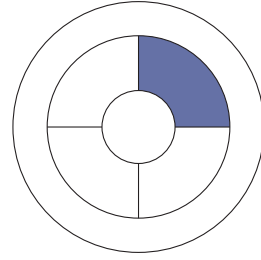
Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life. Known as the Nolan principles, these are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

3.1 Putting organisational values into practice

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example, equal opportunities and anti-discrimination.

> **Application**
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> The governing body should take the lead in establishing and promoting values for the organisation and its staff. These values should be over and above legal requirements (for example, anti-discrimination, equal opportunities and freedom of information legislation) and should build on the Nolan principles. They should reflect public expectations about the conduct and behaviour of individuals and groups who control public services[14]. The governing body should keep these values at the forefront of its own thinking and use them to guide its decision making.

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14   For example, *National Centre for Social Research and Centre for Research into Elections and Social Trends Guiding Principles: Public Attitudes Towards Conduct in Public Life,* The Committee on Standards in Public Life, January 2003

3.2 Individual governors behaving in ways that uphold and exemplify effective governance

Individual behaviour is a major factor in the effectiveness of the governing body, and also has an influence on the reputation of the organisation, the confidence and trust members of the public have in it and the working relationships and morale within it. Conflicts, real or perceived, can arise between the organisation's

> **Application**
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> Governors should live up to the Nolan principles and to any approved codes or guides to ethical conduct for their organisation or sector. They should also demonstrate through their behaviour that they are focusing on their responsibilities to the organisation and its stakeholders.

interests and those of individual governors (see 4.1). Public trust can then be damaged unless the organisation implements clear procedures to deal with these conflicts.

Good practice examples: promoting values for the whole organisation and demonstrating the values of good governance through behaviour

The governing body promotes and upholds values for the organisation. These may include:

- responding to a diverse public and striving to reduce inequality among service users
- committing to openness and transparency in decisions and use of resources
- striving for public good and ignoring personal interests
- promoting good relationships within the organisation, with the public and service users and with other organisations.

The governing body makes clear the standards of behaviour that it expects from governors and staff. Good practice in the behaviour of individual governors may include:

- attending regularly and being actively involved in decision making
- informing oneself and preparing for decision making
- making contact with other organisations and forging and maintaining links with the world outside the organisation
- engaging willingly and actively with the public, service users and staff, within an agreed communication framework.

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4. Good governance means taking informed, transparent decisions and managing risk
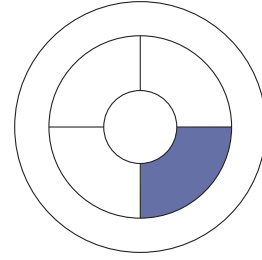
Decision making in governance is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, governors must be well informed.

Governors making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently. A governing body may, for example, adopt the discipline of formally reviewing implementation of a new policy after a defined initial period, to see whether it is working as intended.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

4.1 Being rigorous and transparent about how decisions are taken

Different types of organisation have different statutory requirements for the publication of their decisions[15]. Over and above these requirements, transparent decisions that are clearly explained are more likely to be understood by staff, the public and other stakeholders and to be implemented effectively. It is also easier to evaluate the impact of decisions that are transparent, and therefore to have evidence on which to draw in making future decisions.

A hallmark of good governance is a clearly defined level of delegation by the governing body to the executive for decision making. The governing body sets policies as parameters within which the executive works on the behalf of the governing body. For this to work well, it is important that governors do not concern themselves with levels of detail that are inappropriate for their role, while ensuring that they are not too far removed to provide effective oversight and scrutiny.

Application

The governing body should draw up a formal statement that specifies the types of decisions that are delegated to the executive and those that are reserved for the governing body.

Governing bodies should state clear objectives for their decisions. In their public record of decisions and in explaining them to stakeholders, they should be explicit about the criteria, rationale and considerations on which decisions are based, and, in due course, about the impact and consequences of decisions.

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15   There are also statutory requirements for the types of decisions and information that can or must be excluded from the public domain, e.g. information about individuals.

Conflicts can arise between the personal interests of individuals involved in making decisions and decisions that the governing body needs to make in the public interest. To ensure probity and to avoid public concern or loss of confidence, governing bodies have to take steps to avoid any such conflicts of interest, whether real or perceived.

4.2 Having and using good quality information, advice and support

Good quality information and clear, objective advice can significantly reduce the risk of taking decisions that fail to achieve their objectives or have serious unintended consequences. Governors need to receive rigorous analyses of comprehensive background information and evidence, and of the options for action. As governance decisions are complex and can have significant consequences, governors also need professional advice. This includes advice on, for example, legal and financial matters and governance procedures. Such professional advice is also needed at other levels in the organisation where decisions are taken.

Application

The governing body should ensure that it is provided with information that is fit for purpose. It should be tailored to the functions of the governing body (see 2.2) and not to detailed operational or management issues, with which the governing body should not, in general, be concerned. Information should provide a robust analysis and not obscure the key information by including too much detail.

The governing body should ensure that information is directly relevant to the decisions it has to take; is timely; is objective; and gives clear explanations of technical issues and their implications. The governing body should also ensure that professional advice on legal and financial matters is available and used appropriately in its own decision making and elsewhere throughout the organisation when decisions that have significant legal or financial implications are taken.

The governing body should not be reluctant to use the organisation's resources to provide the information and advice that is needed for good governance. However, it should not make disproportionate demands on the executive by asking for information that is not necessary or appropriate for the governing body's role. The governing body should arrive at a judgement about its information needs in discussion with the executive.

4.3 Making sure that an effective risk management system is in operation

Public service organisations face a wide range of strategic, operational and financial risks, from both internal and external factors, which may prevent them from achieving their objectives. Risk management is a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective.

A risk management system should consider the full range of the organisation's activities and responsibilities, and continuously check that various good management disciplines are in place, including:

◆ strategies and policies are put into practice in all relevant parts of the organisation

◆ strategies and policies are well designed and regularly reviewed

◆ high quality services are delivered efficiently and effectively

◆ performance is regularly and rigorously monitored and effective measures are put in place to tackle poor performance

◆ laws and regulations are complied with

◆ information used by the organisation is relevant, accurate, up-to-date, timely and reliable

◆ financial statements and other information published by the organisation are accurate and reliable

◆ financial resources are managed efficiently and effectively and are safeguarded

◆ human and other resources are appropriately managed and safeguarded.

A risk management system also supports the annual statement on internal control that many public service organisations now have to produce. Appropriate responses to risk will include implementing internal controls, insuring against the risk, terminating the activity that is causing the risk, modifying the risk or, in some circumstances, accepting the risk.

Application

The governing body should ensure that the organisation operates an effective system of risk management. This should include:

• identifying key strategic, operational and financial risks

• assessing the possible effects that the identified risks could have on the organisation

• agreeing on and implementing appropriate responses to the identified risks (internal control, insure, terminate, modify, accept)

• putting in place a framework of assurance from different sources, to show that risk management processes, including responses, are working effectively

• reporting publicly on the effectiveness of the risk management system through, for example, an annual statement on internal control, including, where necessary, an action plan to tackle any significant issues

• making it clear that the governing body carries ultimate responsibility for the risk management system.

Good Governance Standard for Public Services

Good practice examples: taking informed, transparent decisions and managing risk

- It is helpful to draw on the support of an officer or independent adviser who can advise on legal issues and procedure, and who has the authority and status to challenge governance practice if necessary. This works best where there are safeguards and reporting relationships in place to make sure that advice is not easily ignored.

- A register of governors' and executives' interests will make governing bodies and others aware of any real or perceived conflicts of interest and facilitate the exclusion of people with personal interests in a decision from influencing or taking part in that decision.

- Documenting all risks in a risk register, together with the risk 'score' and the job title of the person responsible for ensuring that the risk is managed, will help with risk management.

- The highest risks in the register can be given priority in review procedures to provide assurance on the effectiveness of risk responses.

- Gaining assurance that risk management arrangements are working effectively can be delegated to an audit committee or equivalent body, where the size of the organisation makes this practical.

- Relevant work of internal audit, external audit, review agencies and inspectorates can be drawn on to provide assurance on the effectiveness of risk management.

- From time to time, governing bodies may decide to commission information from independent sources, outside the executive, in order to supplement or validate information from the executive.

5. Good governance means developing the capacity and capability of the governing body to be effective
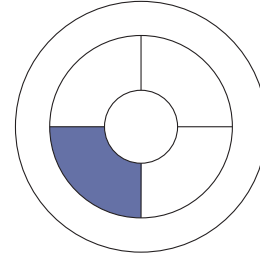
Public service organisations need people with the right skills to direct and control them effectively. Governing bodies should consider the skills that they need for their particular situation. To increase their chances of finding these people – and to enrich governance deliberations by bringing together a group of people with different backgrounds – governing bodies need to recruit governors from different parts of society. Public trust and confidence in governance will increase if governance is not only done well, but is done by a diverse group of people who reflect the community.

Governance is also likely to be more effective and dynamic if new people with new ideas are appointed regularly, but this needs to be balanced with the need for stability to provide continuity of knowledge and relationships.

5.1 Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well

Governance roles and responsibilities are challenging and demanding, and governors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience[16].

Good governance means drawing on the largest possible pool of potential governors to recruit people with the necessary skills. Encouraging a wide range of people to apply for appointed positions or to stand for election will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of governors in terms of age, ethnic background, social class and life experiences, gender and disability[17].

Paying governors for their time may make participation in governance a practical option for more people and encourage a wider range of people to take part; it can also be a way of publicly recognising the seriousness of governance responsibilities[18].

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16   For example www.london.edu/tysonreport/Tyson_Report_June_2003.pdf – *Tyson Report on the Recruitment and Development of Non-Executive Directors*, London Business School, June 2003 (A report commissioned by the Department of Trade and Industry following the publication of the Higgs Review of the Role and Effectiveness of Non-Executive Directors in January 2003).

17   See, for example, *A Simple Step Guide to Recruitment*, Office of the Commissioner for Public Appointments.

18   Approaches to paying governors are generally determined by statute and vary between types of organisation. For example, charities are generally prohibited from paying their governors (trustees).

Application

The governing body should assess the skills that appointed governors need to fulfil their functions. It should appoint governors who have these skills, using an open and skills-based recruitment process.

A governing body with elected members should commit itself to developing the skills that it has decided its members need, so that they can carry out their roles more effectively.

Where governing bodies are responsible for their own recruitment processes, they should establish an appointments committee and ensure that their recruitment processes can identify and attract the types of people they want. Where an outside body makes appointments, it should consult the governing body about the skills and experience it considers to be necessary or desirable in the new appointee. In these cases, the process should include an independent assessor – a person from outside the organisation who can advise on the suitability of candidates.

Where other organisations nominate people to become governors, the governing body should set out clearly to the nominating body the set of skills and perspectives that would be most helpful.

The governing body should decide how to encourage more people, from a wider cross-section of society, to come forward as potential governors. This includes reviewing the governor's role to make sure that: it is fulfilling and coherent; it is feasible to do within the time and with the support available; and it is sufficiently well understood by potential governors. The search for a more diverse membership of the governing body should not be at the expense of a membership that has the necessary skills.

5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Governors need both skills and knowledge to do their jobs well. Skills need to be developed continually to improve performance in the functions of the governing body (see 2.1). The necessary skills include the ability to scrutinise and challenge information received from the executive, including skills in financial management and the ability to recognise when outside expert advice is needed. Knowledge also needs to be updated regularly to equip governors for changing circumstances.

An appraisal and performance review of individual governors demonstrates that their role and contribution is important and valued and provides an opportunity for them to take stock of their own development needs. The governing body can improve its collective performance by taking the time to step back and consider its own effectiveness.

Application

New governors should receive a thorough induction that is tailored to their role in the organisation. All governors should have opportunities to develop further skills and to update their knowledge throughout their period of membership of the governing body, and should take seriously their responsibilities to identify and address their development needs.

Individual governors should be held to account for their contribution through regular performance reviews. These should include an assessment of any training or development needs.

The governing body should regularly review its performance as a whole. The review should involve assessing its ways of working and achievements and agreeing an action plan to put in place any necessary improvements.

5.3 Striking a balance, in the membership of the governing body, between continuity and renewal

All governing bodies need continuity in their membership, so that they can make the most of the pool of knowledge and understanding and the relationships that have been formed both inside and outside the organisation. It is also important that governing bodies are stimulated by fresh thinking and challenge and that they avoid lapsing into familiar patterns of thinking and behaviour that may not best serve the organisation's purpose. However, turnover in membership that is too extensive or too frequent can mean that the organisation loses the benefit of longer-serving members' learning and experience.

Application

The governing body should decide how to strike the necessary balance, in its appointed membership, between continuity in knowledge and relationships on the one hand, and renewal of thinking on the other. It should explain the reasons for its policy.

Where an outside body appoints governors, the governing body should explain its preferred approach to continuity and renewal.

Options include fixed terms of membership or limits on the number of terms a governor can serve. Another option is to assess individual governors for their continuing objectivity every time they are being considered for reappointment; independence of mind and the ability to take new approaches are enduring characteristics of some individuals.

Good Governance Standard for Public Services

Good practice examples: developing the capacity and capability of the governing body to be effective

- Bodies that nominate governors for other organisations are advised to present more than one nominee for interview.

- People appointing governors to public service organisations could consider what they might do to develop further the pool of people interested in public service governance, and to develop the capability of potential governors who do not yet have the skills needed for the role.

- It is good practice to review continually the range of expertise needed on the governing body, so that any gaps can be filled when posts become vacant and when training and development plans are made.

- A skills audit of the members of a governing body is a useful way of identifying their strengths and any skills gaps.

- The governing body can avoid over-dependence on a few individuals by making sure that enough governors have the critical skills.

- Induction for governors could include an introduction to the local environment and the sector, the organisation's relationships with other bodies and the context for the organisation's strategy.

- It can be useful to review a governor's needs for further information or explanation six months or a year after his or her induction.

- Paying governors for their time (as well as meeting expenses) is controversial in some sectors. Considering the advantages and disadvantages can help organisations decide whether payment will strengthen the membership and performance of the governing body or undermine its values.

- By sharing specific responsibilities among its members on a rota basis, the governing body can ensure that important knowledge is not vested in one or a few individuals.

6. Good governance means engaging stakeholders and making accountability real
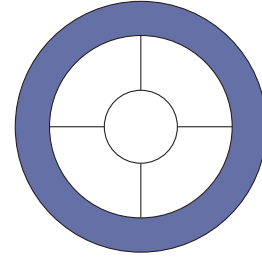
Governing bodies of public services have multiple accountabilities: to the public (citizens) and to those who have the authority, and responsibility, to hold them to account on the public's behalf. These include: commissioners of services, Parliament, ministers, government departments and regulators[19].

Real accountability requires a relationship and a dialogue. The Public Services Productivity Panel[20] said that accountability involves an agreed process for both giving an account of your actions and being held to account; a systematic approach to put that process into operation; and a focus on explicit results or outcomes. Real accountability is concerned not only with reporting on or discussing actions already completed, but also with engaging with stakeholders to understand and respond to their views as the organisation plans and carries out its activities.

6.1 Understanding formal and informal accountability relationships

The range and strength of different accountability relationships varies for different types of governing bodies. For any governing body, some relationships will be, or will feel, more formal and possibly more important than others. For example, the board of a non-departmental public body is likely to have a closer and more direct relationship with a minister than a school would have. However, the large majority of governing bodies need to be particularly active in developing and maintaining a dialogue with the public.

Governing bodies that are elected by the public (such as local councils) have accountability relationships with central government that are less direct and less powerful than, for example, the relationships that non-departmental public bodies have with central government. But even elected bodies are held to account by central government and regulators for some responsibilities. This is why it is important for central government and regulators to facilitate good governance in the organisations they direct or hold to account.

Application

The governing body should make clear, to itself and to staff, to whom it is accountable and for what. It should assess the extent to which each relationship serves its purpose, including whether any relationships need to be strengthened and whether any dominate to the detriment of serving the purpose of the organisation and being accountable to other stakeholders. If so, the governing body should discuss those tensions and work to fill any gaps in its accountability. It should also raise any concerns with those organisations to which it is formally accountable and, where possible, try to negotiate a more balanced position.

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19   Outside the public sector, accountability is not to citizens but to their own stakeholders and to regulators acting in the public interest.

20   *Accountability for Results*, Public Services Productivity Panel, HM Treasury, 2002

Good Governance Standard for Public Services

6.2 Taking an active and planned approach to dialogue with and accountability to the public

For elected governors, the manifesto and the ballot box are the foundation of the accountability relationship; but good governance also requires an ongoing dialogue between them and their electorate. Appointed governing bodies also have to develop an accountability relationship through dialogue.

The fuel of this dialogue is interest and confidence. If dialogue is to develop and continue, organisations need to encourage and maintain the interest and confidence of the public and service users. Although these two groups overlap to a large extent in their relationship with public service organisations, the relationship with the public is one of accountability, whereas the relationship with service users is one of consultation and responsiveness. Both groups are diverse, consisting of people with different characteristics and experiences and from many different backgrounds. Approaches to developing a dialogue have to recognise these differences, so that the views of a full range of people are heard.

Confidence and interest can both be damaged easily, especially when things go wrong. The organisation's ability to respond to such circumstances is also an important demonstration of its accountability.

Application

The governing body should make it clear that the organisation as a whole seeks and welcomes feedback, and ensure that it responds quickly and responsibly to comment. Complaints are a vital and necessary part of feedback, and there should be clear leadership within the governing body on handling and resolving them, and ensuring the lessons learnt are used to improve the service.

The governing body should ensure that the organisation has a clear policy on the types of issues on which it will consult or engage the public and service users, respectively. This policy should clearly explain how the organisation will use this input in decision making and how it will feed these decisions back to the public and to service users. The policy should make sure that the organisation hears the views and experiences of people of all backgrounds.

Each year, the governing body should publish the organisation's purpose, strategy, plans and financial statements, as well as information about the organisation's outcomes, achievements and the satisfaction of service users in the previous period.

6.3 Taking an active and planned approach to responsibility to staff

Staff are accountable to the governing body, but the governing body also has serious responsibilities, as an employer, to the staff. Recruiting, motivating and keeping staff are vital issues if public services are to be effective. The governing body needs to provide an environment in which staff can perform well and deliver effective services, by creating a culture that welcomes ideas and suggestions, responds to staff views

and explains decisions. The governing body is itself the last point of appeal for staff with complaints or concerns that they have not been able to deal with through the organisation's management structures.

> **Application**
>
> The governing body should have a clear policy on when and how it consults and involves staff and their representatives in decision making.
>
> The governing body should make sure that effective systems are in place to protect the rights of staff. It should make sure that policies for whistle blowing, and support for whistle blowers, are in place.

6.4 Engaging effectively with institutional stakeholders

Institutional stakeholders are other organisations with which the organisation needs to work for formal accountability or to improve services and outcomes. Public services have a complex network of governance relationships involving lateral relationships between partners and hierarchical relationships between Parliament, central government and local organisations. Some of these are accountability relationships, while others are to do with working together to achieve better outcomes.

Few public service organisations can achieve their intended outcomes through their own efforts alone. Relationships with other organisations are important, especially if they provide similar or related services or serve the same users or communities. Developing formal and informal partnerships may mean that organisations can use their resources more effectively or offer their services in a different and, for service users, more beneficial way.

> **Application**
>
> The governing body should take the lead in forming and maintaining relationships with the leaders of other organisations, as a foundation for effective working relationships at operational levels.

Good Governance Standard for Public Services

Good practice examples: engaging stakeholders and making accountability real

- It is good practice to assess the effectiveness of policy and arrangements for dialogue with service users and accountability to the public, to evaluate their impact on decisions and to decide what improvements may be needed.

- Organisations can use a range of models, from citizens' juries to community time banks (mutual volunteering by members of the public, working alongside service providers to support their neighbours), to promote public and user involvement in public service design, delivery and evaluation.

- It is good practice to publish information on research into the public's views of the organisation and information on service users' views of the suitability and quality of the services they receive. It is important to include the diversity of the public and of service users in this information, to give a complete and accurate picture.

- The Independent Commission on Good Governance recommends that governing bodies assess the extent to which they are applying these principles of good governance, and report publicly on this assessment, including an action plan for improvement where necessary.

- By organising systematic '360-degree' feedback from a representative sample of stakeholders, governing bodies can gain valuable insights about the organisation's relationships.

Appendix A: Assessment questions for governors and governing bodies to ask themselves

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and users

◆ How clear are we about what we are trying to achieve as an organisation? Do we always have this at the front of our minds when we are planning or taking decisions? How well are we doing in achieving our intended outcomes?

◆ To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality? Do we receive regular and comprehensive information on users' views of quality? How could this information be improved? How effectively do we use this information when we are planning and taking decisions?

◆ To what extent does the information that we have on costs and performance help us to make rigorous decisions about improving value for money? How effectively do we use this information when we are planning and taking decisions? How well do we understand how the value we provide compares with that of similar organisations?

2. Good governance means performing effectively in clearly defined functions and roles

◆ Do we all know what we are supposed to be doing?

◆ Is our approach to each of the governing body's main functions clearly set out and understood by all in the governing body and the senior executive? What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?

◆ How clearly have we defined the respective roles and responsibilities of the non-executives and the executive, and of the chair and the chief executive? Do all members of the governing body take collective responsibility for the governing body's decisions?

◆ How well does the organisation understand the views of the public and service users? Do we receive comprehensive and reliable information about these views and do we use it in decision making?

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

◆ What are the values that we expect the staff to demonstrate in their behaviour and actions? How well are these values reflected in our approach to decision making? What more should we do to ensure these values guide our actions and those of staff?

◆ In what ways does our behaviour, collectively as a governing body and individually as governors, show that we take our responsibilities to the organisation and its stakeholders very seriously? Are there any ways in which our behaviour might weaken the organisation's aims and values?

4. Good governance means taking informed, transparent decisions and managing risk

◆ How well do our meetings work? What could we do to make them more productive and do our business more effectively?

◆ Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the governing body? Is this set out in a clear and up-to-date statement? How effective is this as a guide to action for the governing body and the executive? How well do we explain the reasons for our decisions to all those who might be affected by them?

◆ Is the information we receive robust and objective? How could the information we receive be improved to help improve our decision making? Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?

◆ How effective is the organisation's risk management system? How do we review whether this system is working effectively? Do we develop an action plan to correct any deficiencies in the systems? If so, do we publish this each year?

5. Good governance means developing the capacity and capability of the governing body to be effective

◆ What skills have we decided that governors must have to do their jobs effectively? How well does our recruitment process identify people with the necessary skills and reach people from a wide cross-section of society? What more could we do to make sure that becoming a governor is practical for as many people as possible?

◆ How effective are we at developing our skills and updating our knowledge? How effective are our arrangements for reviewing the performance of individual governors? Do we put into practice action plans for improving our performance as a governing body?

◆　What is our approach to finding a balance between continuity of knowledge and renewal of thinking in the governing body? What are our reasons for this approach? Do we need to review it?

6. Good governance means engaging stakeholders and making accountability real

◆　Who are we accountable to and for what? How well does each of these accountability relationships work? Do we need to take steps to clarify or strengthen any relationships? Do we need to negotiate a shift in the balance between different accountability relationships?

◆　What is our policy on how the organisation should consult the public and service users? Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives? Do we need to review this policy and its implementation?

◆　What is our policy on consulting and involving staff and their representatives in decision making? Is this communicated clearly to staff? How well do we follow this in practice? How effective are systems within the organisation for protecting the rights of staff?

◆　Who are the institutional stakeholders that we need to have good relationships with? How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?

Applying the good governance Standard

◆　To what extent does the *Good Governance Standard for Public Services* apply to our organisation, bearing in mind its type and size?

◆　Are we upholding and demonstrating the spirit and ethos of good governance that the Standard sets out to capture?

◆　Do we have a process for regularly reviewing our governance arrangements and practice against the Standard? What further improvements do we need to make?

◆　Are we making public the results of our reviews and our plans for future improvements and are we inviting feedback from stakeholders and service users?

Appendix B: Questions for members of the public and their representatives to ask if they want to assess and challenge standards of governance

Organisations can also ask themselves these questions if they want to test their openness and responsiveness to the public and their service users.

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users

◆   What is this organisation for?

◆   Can I easily find a clear explanation of what this organisation is doing?

◆   Can I easily find out about the quality of service provided to the public?

◆   What is being done to improve services?

◆   Can I easily find out about the organisation's funding and how it spends its money?

2. Good governance means performing effectively in clearly defined functions and roles

◆   Who is in charge of the organisation?

◆   How are they elected or appointed?

◆   At the top of the organisation, who is responsible for what?

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

◆   According to the organisation, what values guide its work?

◆   Does it follow these values in practice?

◆   What standards of behaviour should I expect?

◆   Do the senior people in the organisation put these standards of behaviour into practice?

◆   Do they put into practice the 'Nolan' principles for people in public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)?

4. Good governance means taking informed, transparent decisions and managing risk

◆ Who is responsible for what kinds of decisions in the organisation?

◆ Can I easily find out what decisions have been taken and the reasons for them?

◆ Are the decisions based on up-to-date and complete information and good advice?

◆ Does the organisation publish a clear annual statement on the effectiveness of its risk management system?

◆ Does the organisation publish a clear annual account of how it makes sure that its policies are put into practice? Is the statement reassuring? How does it compare with my own experience?

5. Good governance means developing the capacity and capability of the governing body to be effective

◆ How does the organisation encourage people to get involved in running it?

◆ What support does it provide for people who do get involved?

◆ How does the organisation make sure that all those running the organisation are doing a good job?

6. Good governance means engaging stakeholders and making accountability real

◆ Can I easily get information to answer all these questions?

◆ Are there opportunities for me and other people to make our views known?

◆ Does the organisation publish an annual report containing its accounts for the year? Are copies freely available? Is the content informative?

◆ How do I find out what decisions were taken as a result of my and others' opinions being asked for?

◆ Are there opportunities to question the people in charge about their plans and decisions?

◆ Can I easily find out how to complain and who to contact with suggestions for changes?