

TOPICAL BRIEFING –
GOOD GOVERNANCE
FOR THE PUBLIC
SERVICES



Good governance in the private sector is the subject of constant review and has been strengthened significantly through a series of reports including Cadbury, Greenbury and Higgs. These resulted in the *Combined Code on Corporate Governance*, which sets out clearly the principles of good governance and allows shareholders and stakeholders to call upon boards to comply with the commonly accepted standards or explain the reasons for not doing so. *The Combined Code* was developed independently of the regulatory agencies, and then adopted widely by the business community and by the regulators themselves. Governance arrangements in the public services are also keenly observed and sometimes criticised - significant governance failings attract immense attention, as they should. According to the Treasury, UK public expenditure will exceed £500 billion by 2005–2006 and the quality of the services – housing, education, health, policing and many other areas – is vitally important to all taxpayers and citizens. However, the public services were different from the private sector in that there was no equivalent of the *Combined Code*. Instead, there were many different types of individual codes and guidance which apply to the specialised groupings of public bodies. Despite the excellence of much of this work, the overall image has been disjointed and fragmented – particularly to the public.

Concerned about this problem, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Office for Public Management (OPM), working in partnership with the Joseph Rowntree Foundation, established an independent commission in 2004 to address the challenge of distilling the key principles of good governance that should apply to all publicly-funded organisations and partnerships and to develop something like a *Combined Code* for the public services. The commission comprised a small group of eminent leaders from the public, voluntary and private sectors. It was chaired by Sir Alan Langlands, Principal and Vice-Chancellor at the University of Dundee and former Chief Executive of the National Health Service.

In the private sector the board represents the link between the proprietors (the shareholders) and the

managers, and the instrument through which managers are accountable to the proprietors and by which their performance is appraised. The unitary board model combines both a governing, that is monitoring and supervisory, function, represented by non-executive directors independent of line management, and a management function, represented by executive directors employed directly by the company, who are responsible for the day to day management of the business.

‘Boards’ (governing bodies) of public service bodies fulfil a similar role to those of the private sector, with the proprietor – in effect, the government, on behalf of the wider community – being represented directly by the relevant Secretary of State or indirectly by a regulator. However, the public sector is complex, and public service bodies do not operate within a common legislative framework or have a standard organisational shape. For example, NHS trusts use the same model as the private sector, and are unusual for public sector organisations in that they have unified boards comprising executive directors and non-executive directors. Most non-departmental public bodies (NDPBs) have an entirely non-executive board. Other organisations have the chief executive as a member of the board, but no other directors. Supervisory boards tend to be larger than unified boards, often because they are composed of members appointed by or from different stakeholder groups. For example, police authorities in England and Wales are made up of independent or lay members, councillors and magistrates. In local government, the Local Government Act 2000 set out three types of political structure or model separating the executive role from the scrutiny role and required that local authorities develop their own proposals within one or either of the structures. In higher education, the council or board of governors is the executive governing body of the institution.

More than 450,000 people contribute as governors to a wide range of public service organisations and partnerships. There is clear evidence that many have problems in fulfilling their responsibilities. They face a difficult task. They are responsible for

governance – the leadership, direction and control of the organisations they serve – and for ensuring that they address the purpose and objectives of these organisations and that they work in the public interest.

The result of the commission’s work, the *Good Governance Standard for Public Services*, was published at the beginning of 2005. It is intended to be used by:

- Members of the public, to understand the purpose of governance, to assess its effectiveness and to demand improvement if necessary.
- Governing bodies, to review their own effectiveness and to use as a basis for public reporting.
- Public services working in partnership, to share a common approach to good governance which has currency with their private and voluntary partners.
- Organisations that appoint governors, to serve as a basis for inducting new governors.
- Governors themselves, to ensure they receive the guidance and support they need to perform well in complex and demanding roles.
- Those who set up new organisations, to lay the foundations of good governance.
- Those who develop codes of governance for specific sectors, to review and update their guidance.

The standard builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles of good governance for public service organisations. The principles contained in the standard state that good governance means:

- Focusing on the organisation’s purpose and on outcomes for citizens and service users.
- Performing effectively in clearly-defined functions and roles.
- Promoting values for the whole organisation and demonstrating the values of good governance through behaviour.

- Taking informed, transparent decisions and managing risk.
- Developing the capacity and capability of the governing body to be effective.
- Engaging stakeholders and making accountability real.

The standard discusses each principle in detail and identifies steps that organisations must take to apply and meet the standard. This includes many examples of good governance gathered during extensive consultations with public service bodies.

The standard includes a list of questions for governors and governing bodies to ask themselves in order to take a critical look at their own effectiveness. If governing bodies find that they can give complete answers to these key questions, then they are in a position to make a real difference to the people who use public services. The questions are challenging ones, setting a high standard of governance practice to which the commission believes that governing bodies should aspire. The first group of questions illustrates this point:

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

The commission has called on governing bodies to report publicly on the extent to which they live up to the standard and their plans for making any improvement. The questions provided with the standard are challenging ones that will enable governing bodies to take a critical look at their own effectiveness and at their openness and accountability to the public. If governing bodies find that they can give complete answers to the key questions and show what they are doing to improve performance – for example, on accountability, on having information about service users’ satisfaction or about making sure they have all the skills they need – then this can make a real difference to the people who use public services.

The commission recognised from the outset that the governance landscape of the public services is not a greenfield site. On the contrary, there are many sector-specific codes and guidance. The standard is not intended to supplant the detailed codes that exist for specific types of public service organisations but the commission hopes that bodies with responsibility for issuing these codes will use it as a framework for reviewing and refreshing their guidance.

While the standard alone will not ensure that members of the public are able to challenge sub-standard governance, it is a significant step in the right direction. The standard provides a second set of questions for members of the public, their intermediaries and representatives to ask as a means of assessing governance practice and demanding improvement. For example:

- At the top of the organisation, who is responsible for what?
- Can I easily find out what decisions have been taken and the reasons for them?
- How do I find out what decisions were taken as a result of my and others’ decisions being asked for?
- How does the organisation encourage people to get involved in running it?
- Are there opportunities for me and other people to make their views known?

Since the launch in January 2005, the standard has become widely known and used in many different settings. Contact and conversations with people with an interest in or responsibility for governance suggest that information about the Standard has spread widely across the sectors it was intended to reach. The standard is being used by very many individual public service organisations to review and develop governance practice. For example, it has been used by the Standards Board for England. Board members reported that they found the diagnostic tools (the self assessment questions) particularly useful.

CIPFA, in partnership with SOLACE, is currently revising the Framework document *Corporate Governance in Local Government – A keystone for Community Governance* and accompanying guidance notes, published in 2001. The current review is taking full account of the standard, in particular the external or public focus and internal challenge aspects.

Over time, it is hoped that the standard will lead to a consistent view and understanding of what constitutes good governance and ever better practice. This understanding should extend, ultimately, to the public and service users and encourage more of them to participate in governance, thus allowing public governance to draw on a larger and more diverse pool of skilled people to take on governance responsibilities.

The standard can be downloaded from CIPFA’s website at www.cipfa.org.uk/ or the project’s website at www.opm.co.uk/ICGGPS/index.htm. Hard copies can be purchased from the CIPFA shop at www.cipfa.org.uk/shop/