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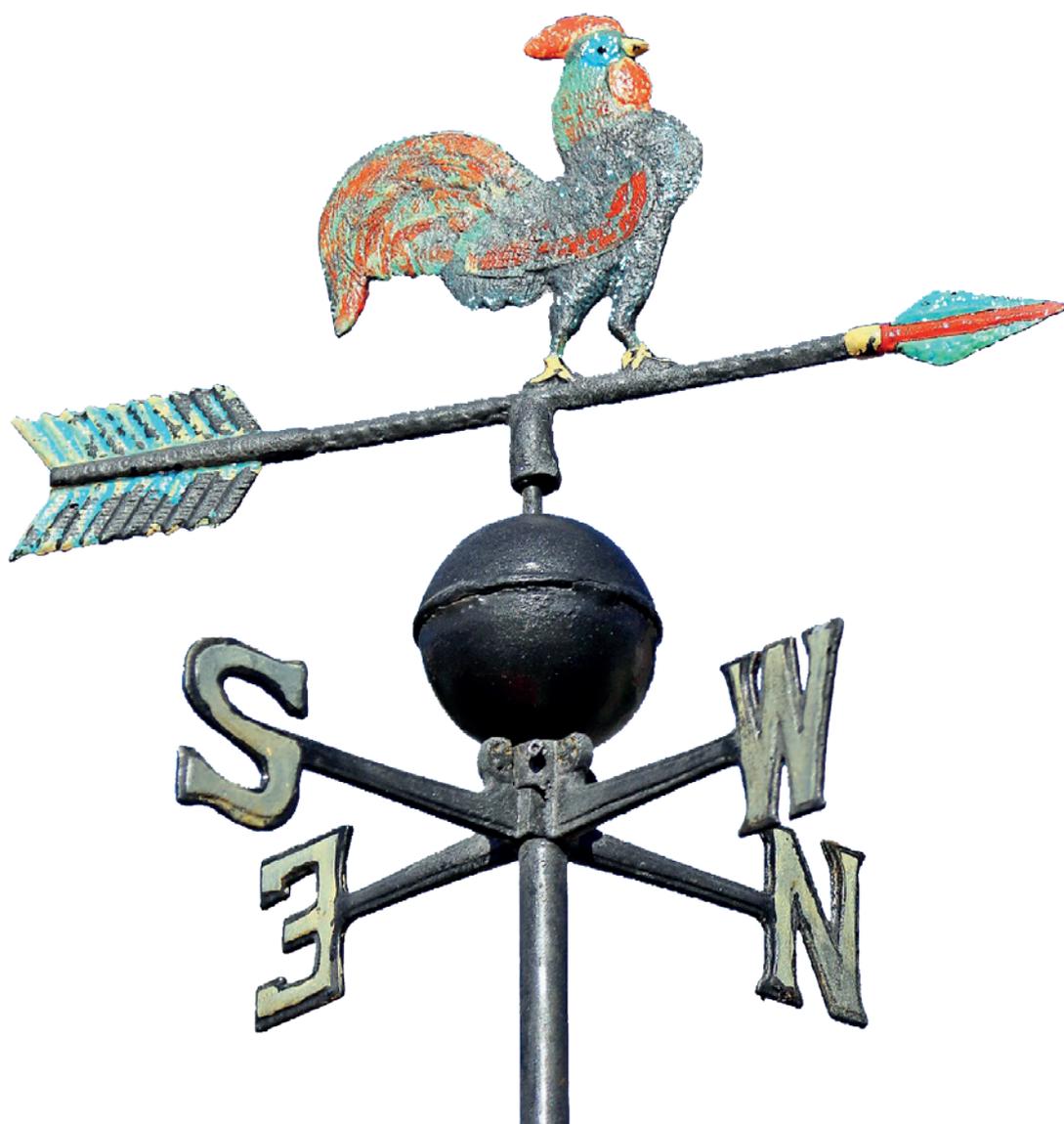# \delivering good governance

Guidance Notes for Policing Bodies
in England and Wales
2016 Edition

Association of
Police and Crime
Commissioners

NPCC
National Police Chiefs' Council

PACCTS
Police and Crime Commissioners
Treasurers' Society

apace
Association of
Policing and Crime
Chief Executives

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Introduction

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK

1   *Delivering Good Governance in Local Government: Framework* ('the Framework'), published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. The Framework was reviewed in 2015 and an updated edition published in April 2016. The context for the update includes:

- the significant changes which continue to be made in local government directly driven by the austerity programme, which has meant local organisations adapting the way they are organised, what they do and how they do it

- structural and constitutional change for local services bringing new roles, responsibilities and greater flexibility, plus new challenges for good governance, including:
  - new policing arrangements under the Police Reform and Social Responsibility Act 2011
  - integrated health and social care programmes
  - devolution and mayoral proposals
  - the wider aspects of the Localism Act 2011

- the publication of the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014), which contains seven principles for good governance applicable to local government

- the expansion of the 'enabling' role, and new forms of organisational and delivery arrangements for local services, in particular commissioning, collaboration and partnerships – each initiative has its own features which will shape governance

- the need for effective communication with the public, service users and stakeholders to explain changes and new developments.

AIMS AND STATUS OF THE FRAMEWORK

2   The concept which underlies the Framework is about helping local government organisations to develop an informed approach to governance, aimed at achieving the highest standards but in a measured and proportionate way. It defines the principles that should underpin the governance of each local government organisation, and provides a structure to help organisations with their approach to governance.

3   The form of governance in any area will be shaped by local circumstances and no two arrangements will be the same. The Framework enables any organisation to test its governance structures against a set of principles. There are three elements to the process:

- reviewing existing governance arrangements

- developing and maintaining an up-to-date local code of governance including arrangements for ensuring ongoing effectiveness

- reporting to the public on an annual basis about compliance with the local code, and on how the organisation has monitored the effectiveness of its governance arrangements in the year and on planned changes.

4   In practice a local code may comprise a series of documents which describe the various elements of the structure.

5   The Framework's core and sub-principles provide a basis for organisations to design and review their arrangements. The results of these processes should be incorporated in updated versions of a local code, so that it is always an up-to-date and relevant statement of current practice.

6   Good governance is not only about processes, rules and procedures. The Framework should be applied in a way which also demonstrates the spirit and ethos of good governance. Shared values which are integrated into the culture of an organisation and are reflected in behaviour and policy are essential hallmarks of good governance.

7   The Framework is applicable to a system involving several local government organisations or partners as well as the individual organisations. One-size-fits-all approaches are inappropriate. The Framework will be applied in different ways reflecting the structures put in place locally and proportionate to their scale. Under any arrangement, however, governance should ensure that it focuses on the principles of good governance which are summarised below:

- ethics and integrity

- openness and stakeholder engagement

- defining outcomes

- determining interventions

- developing leadership

- managing risks and monitoring performance

- demonstrating effective accountability.

These principles should be embedded within organisations and subject to regular oversight to ensure that they are effective in a practical sense as well as on paper.

8   As the landscape for local services evolves, so do the implications for governance. Rather than amending existing arrangements and processes, it is often more appropriate to redesign governance from the ground up. This is particularly the case when joint arrangements are established. Governance must provide for shared outcomes supported by effective mechanisms for control and management of risks.

9   The Framework also draws on earlier longstanding work on governance which is briefly outlined on page 13 and summarised in Appendix D.

10   Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (CIPFA/LASAAC, 2016) notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, and the equivalent regulations issued for Northern Ireland, Scotland, and Wales, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control.

The way in which the review is reported in conjunction with the accounts is defined in specific regulations for each part of the UK. In England, Scotland and Northern Ireland, the statement is defined as an annual governance statement.

The Code of Practice goes on to say:

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirement in England, Scotland, Northern Ireland and Wales for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore local authorities in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

The Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

APPLICATION OF THE FRAMEWORK WITHIN THE POLICE SECTOR

11   The organisational framework within the police sector is unique in local government, and the governance arrangements must take this into account. The key features of the police arrangement which differentiate it from other sectors are as follows:

- The police and crime commissioner (PCC) is elected and held to account by the community on the basis of a mandate for action.

- The PCC's role includes delivering specified community safety services in addition to responsibilities in connection with the force.

- Both the PCC and the chief constable have been established in statute as corporations sole.

- The chief constable's powers to act independently on contracts and holding property are subject to the consent of the PCC.

- Section 151 powers are vested separately in the roles of the PCC's chief financial officer (CFO), often referred to as the treasurer, and the chief constable's CFO.

- The PCC is empowered to act independently without reference to committee or cabinet arrangements.

- The police and crime panel (PCP) has been established to review or scrutinise decisions made and actions taken by the PCC. The panel can review and has the power to veto the level of the PCC's proposed precept and the appointment of the chief constable.

- The chief constable is appointed by the PCC, but holds office under the Crown and exercises operational independence in the service of the public. The post is accountable to the law for the exercise of police powers, and to the commissioner for the delivery of efficient and effective policing, and management of the resources of the force.

12   The PCC and the chief constable are both responsible for governance within their organisations. The Framework and these Guidance Notes apply equally to both individuals. Local governance arrangements must be established to give clarity to the way that the two corporations sole will govern both jointly and separately.

13   The principal statutory framework within which the corporations sole operate includes the following:

- Police Reform and Social Responsibility Act 2011
- Policing Protocol Order 2011
- Financial Management Code of Practice (Home Office, 2013)
- Strategic Policing Requirement (Home Office, 2015).

PURPOSE OF THE GUIDANCE NOTES

14   These Guidance Notes are intended to be used in conjunction with the Framework to assist PCCs and chief constables in reviewing and testing their governance arrangements against the principles for good governance. They help interpret the principles and terminology contained in the Framework in a way that is appropriate for the constitutional and statutory arrangements established within the police service.

15   The Guidance Notes are not prescriptive. The Framework sets out high level principles, and every individual organisation should consider how best to apply the principles in a way that reflects local structures, functions and relationships. This includes:

- undertaking reviews of governance arrangements
- developing governance arrangements for new styles of delivery including partnerships, shared services and alternative delivery models
- developing and updating the local codes of corporate governance
- demonstrating compliance with the principles of good governance.

16   Appendix A of these Guidance Notes outlines the schedules demonstrating the application of the seven principles of good governance in policing, including required behaviours and examples of evidence to demonstrate recognition of the principles. Appendix B provides a comparison between the principles in the 2007 Framework and the 2016 Framework. Appendix C outlines the application of the principles of good governance in partnerships and other joint arrangements, and Appendix D summarises the key reports that have influenced the development of good governance in local government.

17   These Guidance Notes have been drawn up in conjunction with the professional officer organisations in policing. Members of the Association of Policing and Crime Chief Executives (APACE), the Police and Crime Commissioners Treasurers' Society (PACCTS), and the National Police Chiefs' Council (NPCC) are responsible for managing the service on a day-to-day basis. They live with and manage the practical side of governance, and are in many ways in the best position to balance the need for a formal framework with the realities of designing arrangements which are in tune with what their commissioners and forces are aiming for, and the local implications of how they are going about it.

Good governance

PRINCIPLES OF GOOD GOVERNANCE SET OUT IN THE 2016 FRAMEWORK

18   The 2016 Framework sets out seven principles of good governance which are taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) ('the International Framework') and interprets them for local government. The seven principles are:

A – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B – ensuring openness and comprehensive stakeholder engagement

C – defining outcomes in terms of sustainable economic, social and environmental benefits

D – determining the interventions necessary to optimise the achievement of the intended outcomes

E – developing the entity's capacity, including the capability of its leadership and the individuals within it

F – managing risks and performance through robust internal control and strong public financial management

G – implementing good practices in transparency, reporting and audit to deliver effective accountability.

19   The first two principles underpin the whole 2016 Framework and are implicit in the remaining five principles. The Framework also emphasises that local government organisations must try to achieve their objectives while acting in the public interest at all times.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times

The diagram below is taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'), and is reproduced in the 2016 Framework. It illustrates the various principles of good governance in the public sector and how they relate to each other.
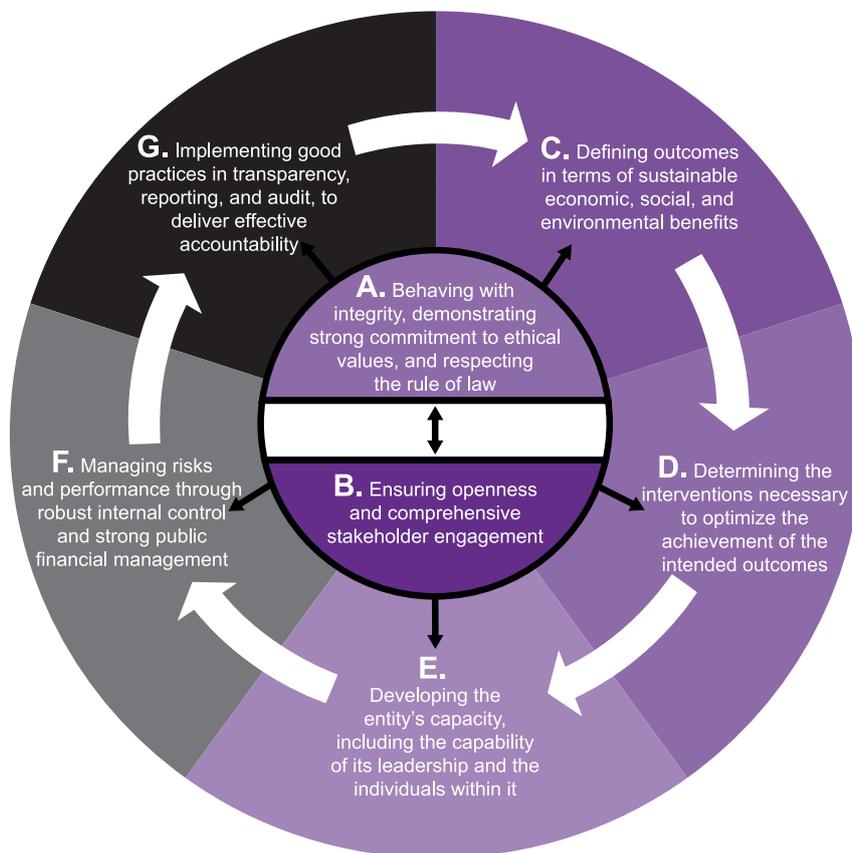
20   There is a substantial element of common ground between the seven principles introduced in the 2016 Framework and the six core principles used in the original 2007 Framework. While PCCs and chief constables will apply the new principles from 2016/17 in defining local governance arrangements, it should not mean major changes to the local structures and processes which have been built around the 2007 Framework and the 2012 Guidance Notes. The process is evolutionary. Nothing in the world of governance stands still, and it will continue to develop. A comparison between the 2007 and 2016 Framework principles is included with this guidance in Appendix B.

Partnerships

21   One of the major challenges for governance in the public sector over the last five to ten years has been the expansion of partnership arrangements, devolved and outsourced services and commissioning. While the fundamentals of good governance are expressed in terms which apply universally, virtually every individual arrangement which involves two or more participants, either in a partnership or a client/contractor relationship, will incorporate features which are unique to that arrangement. The range of joint arrangements is widening; recent proposals for closer integration between police and fire will introduce new challenges.

It is dangerous to assume that existing codes of governance will automatically apply. One of the first priorities in establishing any new arrangement must be to carry out an evaluation to ensure that it accords with the recognised codes of good governance.

22 Joint arrangements are now a significant element of the way that police and crime services are delivered. Appendix C of these Guidance Notes has been included to highlight questions that PCCs and chief constables might consider when looking at, implementing or reviewing partnership arrangements. The criteria are summarised under the seven principles from the 2016 Framework. The ways in which partnership arrangements are overseen will be influenced by local circumstances. In some cases, establishment of formal joint oversight committees may provide the required oversight. In other cases, less formal arrangements may suffice.

THE LOCAL FRAMEWORK OF CORPORATE GOVERNANCE

23 The corporate governance framework within which the two corporations sole will govern both jointly and separately comprises four distinct levels:

- a statement of corporate governance, making reference to the statutory framework and local policy

- a code of corporate governance, setting out how the core principles will be implemented

- a scheme of corporate governance, which defines the parameters within which the corporations sole will conduct their business

- protocols or policy and procedure statements for each corporation sole, and the two corporations sole acting jointly.

USING THE FRAMEWORK AND GUIDANCE NOTES TO DEVELOP AND REVIEW POLICE GOVERNANCE

24 These Guidance Notes are aimed primarily at officers and advisers, particularly those who support the leadership within the PCCs' and the chief constables' offices.

25 In order to draw up and review appropriate governance arrangements, the leadership within the service should nominate individuals or groups of individuals who have appropriate knowledge, expertise and levels of seniority to:

- consider the extent to which the organisation complies with the principles and elements of good governance set out in the Framework

- identify systems, processes, and documentation which provide evidence of compliance

- identify the individuals and groups responsible for monitoring and reviewing the systems, processes and documentation which have been established

- identify issues that have not been addressed by the organisation and how they should be progressed

- identify the individuals who would be responsible for undertaking the actions which are required

- agree the frequency of the update and review of governance arrangements.

26   The primary responsibility for preparing the annual governance statement (AGS) rests with the PCC and the chief constable. It should be reported to the audit committee or another appropriate body, which will review it prior to its approval. As specified in the Accounts and Audit Regulations 2015, it is a requirement to publish the AGS with the published accounts of the organisation. In doing this, the aim is to provide an opinion on the level of assurance that the governance arrangements can provide. It therefore considers whether:

- governance arrangements are adequate and working effectively in practice and
- where the reviews of governance arrangements have revealed significant gaps which will impact on the achievement of objectives, action will be taken to ensure effective governance.

More information on the AGS is contained in Chapter four.

GOOD GOVERNANCE IN PRACTICE

Introduction

27   The 2016 Framework uses the definition of governance set out in the International Framework:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

The principles of good governance on their own do not define the organisation's aims or its policies, and they do not address whether a policy decision turns out to be correct. Good governance is about how decisions are made, focusing on matters such as understanding and clarity of aims, the integrity, fairness and transparency of decisions made by individuals and teams, and the effectiveness of controls and accountability mechanisms.

28   Governance is a living concept. It acknowledges that there is always an element of subjectivity in any decision making process, but locates this within an objective framework. Most commentaries – this guidance included – make extensive reference to principles, processes and challenges, and this might suggest a very prescriptive approach, almost encouraging a tick-box mentality. This would be misleading. The real challenge for governance lies in the way that organisations live and breathe, how services and relationships evolve, and how they learn from experience. All of this is dynamic, and the processes of good governance must evolve in the same way.

29   It is easy to oversimplify, but good governance means **doing what is right and doing it properly.** There are two elements here. An organisation can do one and not the other, but there is no guarantee that by doing so it will achieve the required standard.

30   An overemphasis on processes and criteria for success fails to recognise that good governance is a reflection of the culture of the organisation. The best standards of governance will be attained when the principles are enshrined in the way it is managed. It is easy for codes of corporate governance to sit prominently on an organisation's homepage as if to prove the worth of the organisation. Nothing will be achieved unless the principles are communicated and embedded.

31   Good governance is more than a statement of rules and actions, it is also about impressions given and implications perceived. High level statements and aspirations must create confidence in stakeholders that the organisation means what it says. The reputation of organisations is damaged when governance fails, and takes a long time to recover.

32   The checklists and criteria set out in the Framework and Guidance Notes have an important place in the concept, but they are essentially a means to an end. Leaders and staff at all levels must be prepared to buy in to the principles which lie behind the criteria. It is easy to pay lip service to matters such as consultation, communication, equity, transparency, ethics and integrity. Only if the organisation has a positive and active commitment to them can it hope to attain the standards. Economy and efficiency in decision making can be worthwhile, but individuals should not deliberately ignore weaknesses in information and performance, or fail to challenge (and do something about) anything which is or could be perceived as conflicting with the organisation's commitment to good governance. As a general rule **'if something doesn't feel quite right, it probably isn't right, and it needs attention'.**

Good governance in policing

33   While the Framework sets out broad principles for good governance, it is important that their application is not seen purely in process terms. Governance is as much an organisational culture as a set of rules. Designing and reviewing local arrangements will be of more practical benefit if it is approached from that perspective; the key is to mainstream it into the everyday business of PCCs and forces.

34   The Framework, as applied through these Guidance Notes, provides the overall parameters for designing and monitoring all types of governance arrangements. Governance will evolve as expectations change and as the mechanisms for delivering public service change. While the principles set out in the Framework will remain, their application will be shaped by experience.

35   It is also important to supplement the Framework and Guidance Notes by reference to other documents and processes. The concepts identified by Cadbury and Nolan up to 25 years ago are still relevant to all public services. More recently the College of Policing's Code of Ethics, published in 2014, sets out nine principles and standards of professional behaviour for the police profession. The principles involved (accountability, fairness, honesty, integrity, leadership, objectivity, openness, respect and selflessness) are all fundamental components of a sound governance structure for both forces and the PCC.

36   Her Majesty's Inspectorate of Constabulary (HMIC) is trialling during 2016 the application of force management statements, which will collate information on activities and organisational resources across the infrastructure of the force. They will provide evidence for chief constables in preparing their AGS. In addition, the statements and accompanying assessments by

HMIC will provide valuable assurance for the PCC in monitoring the overall local governance arrangements.

Governance in a changing world

37   Governance must keep pace with the way that society and public services evolve. Local codes which were designed to express the principles of good governance for traditional services provided by police authorities or PCCs, and delivered by the force, will not automatically be appropriate where, for example, a service is provided by a joint public/private partnership and commissioned from a third party. The principles themselves may be the same, but the way they are applied will almost certainly be different.

38   Those with responsibility for governance must be alive to these factors. Governance must be near the top of every project plan, and responsibility allocated at the most senior levels.

39   It is not only new arrangements which must be carefully designed. Legal and financial rules are constantly changing. Society's expectations and perceptions about fairness and transparency will change. Arrangements established even a few years ago may be in need of overhaul. The annual governance review must be a genuine process of testing and questioning. The review's conclusions must be communicated to those responsible for governance and acted on. Only if all these stages are carried out diligently can the organisation say that it is taking its responsibilities seriously.

40   The International Framework is the latest international expression of the principles. While the CIPFA/Solace Framework and Guidance Notes interpret the principles, there is no substitute for an objective and testing assessment of whether the way that the organisation undertakes its activities meets the real test of good governance, ie 'doing the right things and doing them properly'. The best governance reviews will start at that conceptual level and keep digging deeper and deeper, using the Framework and Guidance Notes as a reference rather than an instruction manual.

41   The local code of governance is a way of bringing the process to life, translating the written principles into an expression of the organisation's essence and its leadership.

EMBEDDING GOOD GOVERNANCE

42   The Framework notes that it is crucial that governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance, which cannot be achieved by rules and procedures alone. As emphasised earlier, good governance needs to be embedded in an organisation. It needs to permeate every aspect of the organisation's culture. Hearts and minds must be won over, and the need for good governance must be explicit.

43   The following are issues to consider in ensuring that good governance is successfully embedded:

■   How is governance perceived in the organisation? Is it regarded as an enabler in terms of innovation or a barrier to it?

■   How has the organisation tried to embed good governance in its culture? Has this been successful?

■   Are the benefits of good governance transparent? For example:

- better informed and improved decision making
- clear demonstration of integrity and probity
- clear focus on outcomes
- developing a risk management culture.

- How are the benefits of good governance communicated to those who may not be aware of them?

- How does the organisation engage with its staff and partners on governance and how might this be improved?

- Do those involved feel free to raise any concerns?

- Is the organisation's code accessible and easy to understand?

- How are good governance principles communicated to the organisation's contractors and partners? How effective is that communication?

- How is the importance of maintaining standards communicated? Is it successful?

- Is appropriate induction and training available to those who need it?

- Does the concept of good governance have support from the top of the organisation, ie the PCC or the chief constable? How is this demonstrated?

- How does the organisation ensure that governance structures continue to be up to date and relevant? Examples include decision making frameworks, roles and responsibilities and schemes of delegation or consent.

- What is the monitoring officer's role in enabling and facilitating good governance?

Use of technology in embedding the principles of good governance

44 Reinforced by the use of appropriate social media and other consultation and communication techniques, information and communications technology (ICT) can promote good governance in several ways:

- increasing transparency, information and accountability
- facilitating accurate decision making and public participation
- enhancing the efficient delivery of public goods and services.

45 Deployment of new technology can also pose serious risks and cause many problems when either the technical or organisational aspects of its implementation and operation are not properly planned and managed. Oversight of ICT programmes is therefore an essential component of the governance structure. The right skills will be required by the organisations both during and after implementation. The governing bodies (ie the PCC or the chief constable) should approve ICT strategies and ensure there is appropriate oversight of ICT projects. It is also important to ensure that senior management addresses ICT security, and specifically cyber security, whether developed in-house or outsourced.

Training and professional development

Overview

46   Governance is now recognised as a primary focus for everyone working in or involved with a public organisation. There is a particularly high level of obligation on leaders and senior managers who will carry the main responsibility to ensure that governance arrangements are properly codified and implemented, but also have an obligation to ensure that the concept is conveyed meaningfully throughout the organisation.

47   One of the messages of these Guidance Notes is that good governance is not something which can be taught beyond a certain point. Real success means achieving the situation where the principles are implicit in the way that leaders, managers and staff think, act and interact. Initially the normal processes of raising awareness and reference to the principles, codes, and examples of good practice can be applied, but governance is a dynamic concept, and the processes of raising awareness must evolve accordingly. A substantial body of evidence and experience has been accumulated since 2012 which will support this process.

48   Maintaining levels of awareness and understanding must be seen as an ongoing process. The office of the police and crime commissioner (OPCC) and forces must ensure that awareness and updating sessions are undertaken as part of the induction process for new PCCs, deputy PCCs, and officers in both the force and the OPCC. There should also be a programme of refresher training covering all members of the two organisations.

49   It is particularly important that continuing professional development programmes make provision for updating knowledge and for sharing real practical experience about the characteristics of good governance in differing circumstances. Practical learning through circulation and analysis of case studies can play an important role.

Skills, techniques and mechanisms

50   These Guidance Notes, and the Framework which sits above them, draw out the essential components of good governance. They translate the seven principles of good governance into behaviours and actions which together demonstrate that good governance is in place and operating effectively.

51   A central theme of these Guidance Notes is the importance of embedding the concept of good governance throughout the organisation and everyone who works in it. It has been achieved when the principles are acknowledged by everyone involved as the natural way of working. Behaviours, actions and other criteria are simply the means of operating the system according to those principles.

52   Part of the process of learning is to understand the history of governance, and why so much attention has been devoted over the last 25 years to instilling the concept within organisations throughout the public and private sectors.

53   While good governance will only be achieved when the concept is fully understood and believed in, the machinery and processes of governance also have an influential role in how the system actually operates. Training and professional development should include familiarisation with the techniques which promote sound thinking about governance, such as:

- scrutiny

- counter fraud and corruption strategies

- standards and ethical principles

- audit

- value for money

- risk management

- strategic planning and resource allocation

- monitoring and performance management

- consultation

- communication strategies

- effective management of partnerships

- alignment of objectives between organisations

- professional development.

54   For more information on the above, see Delivering Good Governance in Local Government: Guidance Notes for English Authorities (CIPFA/Solace, 2016) which provides additional background on scrutiny, audit, fraud and standards.

Sources of guidance

55   While the Framework and the supporting Guidance Notes are substantial documents themselves, they represent only a part of the whole suite of governance processes.

56   It is important for leaders and managers in particular to be aware of the guidance on governance included separately in documents such as:

- CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012)

- Financial Management Code of Practice (Home Office, 2013)

- Code of Ethics (College of Policing, 2014)

- model financial regulations

- model contract standing orders

- local policy making and information sharing protocols

- model schemes of delegation and authorisation.

57   A number of key reports have influenced the development of good governance in local government, including:

- The Cadbury Report (1992)

- Reports from the Committee on Standards in Public Life (1995–present)

- Good Governance Standard for Public Services (CIPFA/OPM, 2004)

- International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014)

For more information on these see Appendix D.

Formal mechanisms for supporting governance

58   Good governance will be facilitated when the required skills and techniques are adopted throughout the organisation. Most of the personal skills described above will be applied directly through the normal management processes operating within the OPCC and the force. For example, most organisations will develop risk management and value for money strategies. Alongside these, there will be a small number of critical processes which underpin the whole structure.

59   Ensuring that these are in place and operating effectively will create the foundations upon which the wider and more specific processes of good governance are implemented. These include:

- community and partner engagement principles
- media and other communication strategies
- the police and crime plan
- the force annual report
- the medium term financial strategy, budget and precept preparation.

STATUTORY STRUCTURES FORMING PART OF THE LOCAL GOVERNANCE FRAMEWORK

The audit committee

60   Internal and external audit functions are overseen by the audit committee. Both the PCC and the chief constable are required to ensure that audit functions are carried out effectively and are adequately resourced. Recognised best practice is to appoint a single audit committee to cover both corporations sole.

The police and crime panel

61   The role of the police and crime panel (PCP) is unique in local government. The Police Reform and Social Responsibility Act 2011 and the Policing Protocol Order 2011 gave panels a wide range of functions. The most regularly visible of these is the approval of the PCC's annual precept, in relation to which the PCP has a (limited) power of veto designed to lead to engagement between the PCC and the panel before the precept is set. Other duties include approval of the police and crime plan and the force annual report, and specific roles involving complaints and charges against the PCC, and unexpected vacancies in the position.

62   Membership of the PCP reflects the broad geographical and political balance within the PCC area, and includes a minimum of two independent members.

63   Operating the Framework means applying the principles described in these Guidance Notes throughout the OPCC and the force, and also the bodies which have been established internally and externally to oversee the arrangement. This includes the PCP.

64   Best practice guidelines for the PCP itself, and for the organisations and individuals who are involved – such as the PCC – are still being developed through practical experience. Factors

which have already been identified as critical to ensuring that the relationship between the PCC and the PCP is effective and transparent include:

- appointing members to the panel who have the appropriate skills

- maintaining those skills and knowledge

- effective use of independent members

- ensuring that the PCP is linked to the wider local government structure for the area

- open sharing of information

- sound working relationships between the PCC and the panel, based on a mutual understanding of the duties and responsibilities involved

- an organised workplan for the PCP, which is aligned with the PCC's plans

- adequately resourced support for the panels.

Risks and tensions

INTRODUCTION

65 Corporate governance contributes to the quality of public services and poor governance is often at the heart of many high profile failures.

66 There are many examples of such failures in public services. In most cases the causes can be traced back to fundamental gaps or weaknesses in the way that things were organised and managed.

67 Weaknesses in themselves are not the issue; as noted earlier, governance will evolve continuously. The critical factor in most cases of failure is that gaps and weaknesses were not spotted or, even more critically, they were ignored or only superficially addressed. The ability to be honest about faults and weaknesses is an important part of governance.

68 In the context of this guidance, it is illuminating to focus on some of the gaps and weaknesses (listed below) revealed in recent cases, and which with hindsight were sometimes obvious but nevertheless not properly addressed:

- longstanding concerns and suspicions that were never properly confronted

- dominant – often charismatic – individuals who 'floated above' the organisation and avoided the normal requirements of accountability

- vagueness about who is actually responsible for what

- separation of the leadership from the day-to-day management

- failure to challenge behaviours which most people would deem unacceptable

- plans based wholly on aspirations but lacking robust business planning and monitoring

- projects which become forgotten once the initial enthusiasm has passed and the organisation's attention has moved onto something else, but which continue to commit resources and reflect on the organisation's public image

- inadequate standards of recording, accounting and reporting so that questions asked later cannot be satisfactorily answered

- conflicts between the words and the spirit of laws, rules and agreements

- failure to challenge underperformance, and to ask regularly whether the project is achieving what it set out to do and if not, is it time to change?

- failure to apply normal controls, checks and balances to projects which operate at arm's length

- matters which should be brought to the attention of management or the public but are consciously not disclosed

- ■ 'off the record' agreements or undertakings which conflict with the project's underlying aims or which deliberately or accidentally sidestep the normal controls and accountabilities

- ■ failing to take proper action to investigate and deal with complaints

- ■ failure to benchmark performance expectations for new projects, with the result that benefits realisation and performance cannot be tracked and monitored

- ■ ignoring evidence of gaps and weaknesses, and failure to gain adequate assurance from key third parties and partners in delivering services.

69   In every case, would the basic test of 'rightness' have been met and in many cases to what extent had there been a nagging feeling that something might in fact be wrong?

POTENTIAL RISKS AND TENSIONS IN POLICING

70   The new arrangements for policing introduced in 2012 placed ultimate responsibility for a major public service in the hands of a single individual, and at the same time recognised the operational independence of the chief constable. Within the statutory constraints set by Parliament and ministers, the PCC – working with the chief constable – has the freedom to set the direction for local policing without reference to a traditional governing body.

71   It is true that, within precisely defined parameters, the police and crime panel exercises a limited scrutiny and oversight role. This does not extend to shaping policies and programmes. Beyond this, however, the PCC's accountability is to the community, with the ultimate measure of an election every four years.

72   The intention of the Police Reform and Social Responsibility Act 2011 was that chief constables assumed greater responsibility for staff and day-to-day finances. This aim was reinforced by the 'Stage 2' staff orders in 2014. The chief constable's statutory position as a separate corporation sole was reflected by giving the force CFO the same statutory duties (Section 151) as the PCC's CFO. This arrangement of two CFOs responsible for the same funds is unique in local government.

73   The national Policing Protocol Order 2011 came in to force from January 2012, supported by the Financial Management Code of Practice (Home Office, 2013). In many areas these frameworks are supplemented by local protocols between the PCC and the force, setting out the terms of engagement, spheres of operation, obligations on the sharing of information and the exercise of overlapping responsibilities.

74   The government's objective in replacing police authorities with elected PCCs was to strengthen the link between communities and the body which sets local policing strategy and priorities, and to use those links in order to strengthen accountability. The arrangements were at the time unique, and introduced some complex relationships and processes for which the service had no previous working experience. This raised the risk of tensions and uncertainties which could challenge traditional governance and accountability arrangements.

75   For these Guidance Notes, updated material from the *Statement of Corporate Governance for PCCs and Chief Constables* (APACE, 2012) has now been incorporated into Appendix A. Reference to this combined guidance will help identify and manage potential tensions.

76   Every PCC and chief constable will have their own examples of risks and tensions. The list which follows is not exhaustive, and is designed simply to express the principles of good governance in terms of the real world of policing. Every potential risk or tension is also a potential threat to the standards of good governance. At the core of most of the examples is a human element, which underlines again how important it is to get beyond the checklists and criteria and focus on how people and organisations interact.

77   Some examples of risks and tensions in policing include:

- unstable or ineffective working relationships between the PCC and the chief constable or between the senior officers of the OPCC and the force

- gaps in communication between the PCC and the force on aims and priorities, or on what is actually happening on the ground (and which are allowed to continue)

- failure to codify the issue of consents in areas such as award of contracts and acquisition of property, leading to future uncertainties

- announcements or commitments made by the PCC acting independently and without consultation which would conflict with current force operational plans, or involve significant reallocation of resources

- announcements or commitments made by the force to meet operational needs, acting independently and without consultation, and which would conflict with priorities in the police and crime plan

- working arrangements between the PCC and deputy PCCs which marginalise the statutory officers' role in offering proper advice

- PCCs failing to acknowledge the advice of the statutory officers

- tensions between the PCC and statutory officers, or between the chief constable and officers responsible for governance

- failing to establish and demonstrate effective scrutiny arrangements governing the working relationships between the PCC and the police and crime panel (PCP) and between the PCC and the chief constable

- confrontational relationships between the PCC and the PCP

- adopting policies of minimum compliance towards the PCP

- using a position, where local council influence is strong, to influence policing strategies through the PCC without the proper accountability in place

- the PCC and chief constable CFOs failing to exchange information openly in line with the *Financial Management Code of Practice* (Home Office, 2013)

- ineffective working relationships between the OPCC officers and those of the organisations providing outsourced or commissioned services

- ineffective working relationships between PCCs and/or chief constables involved in strategic collaborative alliances

- failure to apply clear requirements for accountability, financial controls and reporting to outsourced or commissioned services or lack of adequate engagement with other agencies operating in the crime and community safety sector

- failure to establish a clear advisory role for the audit committee

■ competing or compromising demands for resources between national priorities or targets and local needs.

78 All of the examples above exhibit weaknesses of different kinds in applying the principles of good governance. Some relate to integrity and basic values while others relate to the policy and delivery process. In every case, however, any perception of weakness or shortfall could, if not addressed, build into something with more serious consequences. The acid test is whether the arrangement or the relationship is 'right', and whether there is anything which feels 'not quite right'. The Framework and Guidance Notes provide some of the questions to ask, but ultimately it all comes down to the integrity and commitment of those charged with responsibility for governance.

Annual governance statement

INTRODUCTION

79   To comply with the Framework, local authorities must prepare an annual governance statement (AGS). They must also report publicly on the extent to which they comply with their own code of governance on an annual basis, which in turn is consistent with the good governance principles in the Framework. This includes how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the AGS should itself add value to the governance and internal control framework of an organisation.

80   The AGS should provide a meaningful but brief communication regarding the review of governance that has taken place and the role of the governance structures involved. It should be high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money and relate to the PCC's and chief constable's vision for the area. It should provide an assessment of the effectiveness of the PCC or force governance arrangements, together with the identification of risks and mitigating actions, and not simply a description of them.

81   The following sections describe the characteristics of a sound annual review and statement of governance:

- **Structure**
  The six fundamental messages which the process is aiming to convey to those who receive and read the document.

- **Scope**
  The structures and processes which together comprise the organisation's governance arrangements.

- **Good practice**
  The style of the document and effective ways of conveying the message.

STRUCTURE

Fundamental messages to be conveyed by the AGS

82   Both the PCC and the chief constable should prepare an AGS, which should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control)

- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of

the governance environment (in policing this will be primarily the PCC and the chief constable, but will also be shaped by bodies such as the police and crime panel and the audit committee. It is important that the audit committee has opportunity to consider the AGS)

- an opinion on the level of assurance that the governance arrangements can provide

- an agreed action plan clearly linked to the risk register; the action plan is the most significant part of the AGS

- a reference to how issues raised in the previous year's AGS statement have been resolved

- a conclusion – a commitment to monitoring implementation as part of the next annual review.

83   The AGS should be signed by the leadership of the organisation concerned. In the OPCC, this will be the PCC, the chief executive and the CFO. In the force, it will be the chief constable and the CFO (plus the deputy or assistant chief constable if that officer holds the governance portfolio).

84   As a matter of best practice, the AGS should normally be approved at the same time as, and certainly no later than, the statement of accounts.

SCOPE

The structures and processes which comprise the organisation's governance arrangements

85   While the concepts of good governance and the culture of the organisation are vital, the appropriate day-to-day processes must be in place in order to make it happen. These are the components and commitments without which there will be a risk of gaps and weaknesses. They do not need to be described in detail in the AGS if they are already easily accessible by the public, for example through the organisation's code of governance.

86   Key elements of the structures and processes are summarised below:

- developing codes of conduct which define standards of behaviour for leadership and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively. This should include the codes issued by professional bodies

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- documenting a commitment to openness and acting in the public interest

- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning

- translating the vision into courses of action for organisations and their partnerships

- reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality

- measuring the performance of services and projects and ensuring they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money

- defining and documenting the roles and responsibilities of leadership and management, with clear protocols for effective communication in respect of organisations and their partnership arrangements

- ensuring that financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012) and, where they do not, explain why and how they deliver the same impact

- ensuring effective arrangements are in place for discharging of the monitoring officer function

- ensuring effective arrangements are in place for the discharge of the head of paid service function

- providing induction and identifying the development needs of leadership and senior officers in relation to their strategic roles, supported by appropriate training

- reviewing the effectiveness of the framework for identifying and managing risks and for performance, demonstrating clear accountability

- ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)

- ensuring an effective scrutiny function is in place

- ensuring that assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

- undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

- ensuring that the organisations provide timely support, information, and responses to external auditors, and properly consider audit findings and recommendations

- incorporating good governance arrangements in respect of partnerships and other joint working, and ensuring they are reflected across the overall governance structures of the PCC and the force.

GOOD PRACTICE FEATURES

The style of the document and effective ways of conveying the message

87 Key good practice features of an AGS include the following:

- It is a properly approved and considered document, showing how the organisation is achieving its strategic objectives.

- It is regarded as a valuable means of communication which will enable stakeholders to understand the organisation's governance arrangements.

- It reflects the vision, character and structure of the organisation, providing the 'big picture' rather than detail.

- It demonstrates ownership by the PCC or chief constable and has a high status among senior management.

- It draws on the expertise of officers across the organisation in its governance reviews; this is not only about highlighting the need for improvement but also an opportunity to say what is working effectively, and for the leadership to express their commitment to continuing high standards. Although linked to the annual accounts, the AGS should not be regarded as the sole province of the finance team.

- It is easily accessible by those involved in and with the organisation and by members of the public, for example by being prominently displayed on the organisation's website.

- It is written in an open and readable style

- It is a 'living document' focusing not only on the year-end but also on those significant issues which may change from year to year.

- It uses innovative features where appropriate in order to get the message across, for example diagrams to communicate messages while reducing the need for text, or use of hyperlinks to key governance documents to facilitate briefer and more user friendly statements.

88 An effective and informative AGS should also:

- demonstrate challenge

- articulate all the issues and communicate a clear and concise message

- communicate what has been done to resolve significant control issues and what remains to be done

- achieve a balance between the clarity of the overall assessment and the level of detail needed to support further improvement

- clearly identify those responsible for actions

- contain actions which are SMART (specific, measurable, achievable, realistic, and timely).

Application of the seven principles of good governance in policing

89   The schedules which follow describe the intent of each of the seven principles set out in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). They also show examples of the corporate processes and external requirements and advice which underpin each of the principles.

90   The police schedules utilise the same sub-divisions used in the overall Framework document, including the required behaviours and examples of evidence to demonstrate recognition of the principles and that good governance is in place. Where necessary or appropriate, the behaviours are expressed in the context of policing functions undertaken by the PCC or the chief constable. This includes the lists of examples or sources of evidence relating to each of the behaviours.

91   Individual organisational aims and processes will often contribute to the achievement of more than one of the principles. For this reason, some examples of evidence will appear in the lists several times. The point was made strongly earlier in these Guidance Notes that governance reviews should never be allowed to become 'tick-box' exercises. The examples of evidence should not be regarded as obligatory sources of assurance which must be covered for every individual behaviour. They are primarily reference points for the governance review as a whole, and will be applied as appropriate to individual parts of the schedules.

92   Throughout the schedules, the generic terms 'staff' and 'employees' are deemed to include police officers.

PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The PCC and the chief constable are accountable not only for how much they spend but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

This core principle underlines that, above almost everything else, good governance depends on building a corporate environment where leaders and staff believe personally in acting in accordance with generally accepted values.

The corporate processes which underpin this commitment

93 The Policing Protocol 2011 requires all parties to abide by the Seven Principles of Public Life (the Nolan Principles) and these will be central to the behaviour of everyone in the organisation. It also highlights the expectation that the relationship between all parties will be based on the principles of goodwill, professionalism, openness and trust.

94 The Financial Management Code of Practice (Home Office, 2013) requires the PCC and chief constable to ensure that the good governance principles are embedded within the way that the organisations operate.

95 The PCC and chief constable will set out their values in the respective corporate and strategic plans.

96 The Code of Ethics (College of Policing, 2014).

Behaviours and outcomes that demonstrate good governance in practice

Behaving with integrity

■ Ensuring that the PCC, chief officers and staff behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby promoting and upholding the reputation of the organisation among its stakeholders.

■ Ensuring the PCC and chief officers lead in establishing specific standard operating principles or values for their organisations and staff and that they are communicated and understood. The values should build on the the Nolan Principles and the *Code of Ethics*.

■ Leading by example and using above standard operating principles or values as a framework for decision making and other actions.

■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- the *Code of Ethics'* expressed purpose in underpinning organisational culture

- PCC codes of conduct

- standards of professional behaviour

- individual sign off of compliance with code

- induction programmes for PCC and all staff on standards of behaviour expected

- performance appraisals

- evidence of communicating shared values with staff, the community and partners

- decision making practices

- conduct at external meetings

- evidence that shared values guide decision making

- HMIC police effectiveness, efficiency and legitimacy programme (PEEL) assessments

- develop and maintain an effective standards process

- anti-fraud and corruption policies which are up to date and working effectively

- co-operation with the National Fraud Initiative

- annual response to the CIPFA Fraud and Corruption Tracker (CFaCT) survey

- up-to-date register of interests for PCC, chief officers and their respective staff

- updated register of gifts and hospitality

- whistleblowing policies are in place and protect individuals raising concerns

- evidence that the whistleblowing policy has been made available to members of the public, employees, partners and contractors

- complaints policy and examples of responding to complaints about behaviour

- evidence of changes/improvements as a result of complaints received and acted upon

- evidence that the *Code of Ethics* has been implemented and embedded within the organisation

- evidence of assurance from the bodies responsible for overseeing ethical standards

- statements made within invitations to tender and contract documentation.

Demonstrating strong commitment to ethical values

- Seeking to understand, monitor and maintain the organisation's ethical performance.

- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.

- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.

- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- policies are in place setting out requirements to declare interests

- the organisation's code of ethics

- the existence of machinery to enhance ethically based culture including, for example, independent ethics committees or champions within the force

- operation of professional standards monitoring

- scrutiny of decision making to ensure that it is ethical

- championing ethical compliance at governing body level

- provision of ethical awareness training

- appraisal processes take account of values and ethical behaviour

- staff appointments policy

- practical application of the *Code of Ethics* and professional standards

- procurement policies.

Respecting the rule of law

- Ensuring the PCC, chief officers and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations.

- Creating the conditions to ensure that statutory chief officers, other key post holders and (where appropriate) statutory committees are able to fulfil their responsibilities in accordance with best practice.

- Striving to use full powers for the benefit of citizens, communities and other stakeholders.

- Dealing with breaches of legal and regulatory provisions effectively.

- Ensuring corruption and misuse of power are dealt with effectively.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- evidence of agreed values in partnership working:

    - statement of business ethics communicates commitment to ethical values to external suppliers

    - ethical values feature in tender documents and contracts with external service providers

- protocols for partnership working

- statutory provisions

- statutory guidance is followed

- constitution or equivalent

- job description/specifications for leaders, deputy PCCs and chief officers

- compliance with the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2012)

- terms of reference

- committee support

- record of legal advice provided by officers

- monitoring officer provisions

- effective anti-fraud and corruption policies and procedures

- local tests of assurance.

PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Local government, including the police, is run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

This core principle emphasises that local government bodies exist primarily to provide services that people need, and that this will only be achieved if there is a consistent dialogue in both directions.

The corporate processes which underpin this commitment

- The PCC is accountable to local people and will draw on this mandate to set and shape the strategic objectives for the force area in consultation with the chief constable, taking into account the strategic policing requirement.

- The police and crime plan will clearly set out the strategic direction and objectives and how they will be delivered.

- To complement this, the PCC's and the chief constable's communication and engagement strategies will set out how local people will be involved with the PCC and the chief constable to ensure they are part of decision making, accountability and future direction. This will be a mixture of being part of the yearly planning arrangements and becoming involved in issues of interest to local people as they emerge.

- The PCC and the chief constable will develop arrangements for effective engagement with key stakeholders, ensuring that where appropriate they remain closely involved in decision making, accountability and future direction.

- The strength of the PCC's working relationship with the police and crime panel, constituent local authorities and other relevant partners.

Behaviours and outcomes that demonstrate good governance in practice

Openness

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. The presumption is for openness. If this is not the case, a justification for the reasoning for keeping a decision confidential should be provided.

- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.

- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions is clear.

- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- annual report

- an up-to-date Freedom of Information Act 2000 publication scheme

- council tax leaflet

- website

- record of decision making and supporting materials

- publication (subject to confidentiality tests) of chief officer level management group minutes

- publication (again subject to confidentiality tests) of reports presented to the PCC

- decision making protocols

- record of professional advice in reaching decisions

- discussion between PCC and officers on the information needs to support effective decision making

- agreement on the information that will be provided and timescales

- adherence to a calendar of dates for submitting, publishing and distributing timely reports

- community engagement strategy

- citizen surveys

- victim surveys

- precept consultation.

Engaging comprehensively with institutional stakeholders

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.

- Ensuring that partnerships, including collaborations, are based on trust, a shared commitment to change, and a culture which promotes and accepts challenge among partners and that the added value of partnership working is explicit.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- communication and engagement strategy

- a database of stakeholders with whom the PCC and chief constable should engage and for what purpose, and a record of an assessment of the effectiveness of any changes

- partnership framework

- partnership protocols

- collaboration agreements.

Engaging with individual citizens and service users

- Establishing a clear policy about the type of issues on which the organisation will meaningfully consult with, or involve, individual communities, citizens, service users and other stakeholders to ensure that a service (or other) provision is contributing towards the achievement of intended outcomes.

- Ensuring that communication methods are effective and that the PCC and officers are clear about their roles with regard to community engagement.

- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.

- Implementing effective feedback mechanisms for those consultees in order to demonstrate how their views have been taken into account.

- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.

- Taking account of the interests of future generations of taxpayers and service users.

Examples of sources of evidence which demonstrate that the behaviours are recognised:
- record of public consultations
- partnership framework
- communications and engagement strategy
- community and safety partnership (CSP) plans
- evidence of two-way interaction between the PCC's police and crime plan and the community plans of local councils
- operational strategic assessments
- processes for dealing with competing demands within the community
- police and crime plan
- medium term financial plans
- recognition of the strategic policing requirement.

PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

The long term nature and impact of many of the PCC and chief constable's responsibilities mean that they should seek to define and plan outcomes and that these should be sustainable. Decisions should contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Public sector programmes will respond to changes in the current environment, but these responses should always be framed within the PCC and chief constable's long term objectives and aspirations for the service, and the resources available.

The corporate processes which underpin this commitment

■ The Police Reform and Social Responsibility Act 2011 requires the PCC to issue a police and crime plan which defines the police and crime objectives (outcomes) and the strategic direction for policing. Each corporation sole must have regard to the plan, and the PCC must have regard to the priorities of the responsible authorities during its development.

■ Each organisation will have a corporate/strategic plan which sets out how it will operate to support achievement of these outcomes.

■ Collaboration agreements will set out those areas of business to be undertaken jointly with other forces, local policing bodies and other emergency services, in order to reduce cost, increase capability, and/or increase resilience to protect local people.

■ A medium term financial strategy will be jointly developed and thereafter reviewed regularly to support delivery of these plans. Joint protocols will ensure proper arrangements for financial management.

■ A commissioning and award of grants framework will be developed by PCCs, incorporating commissioning intentions and priorities.

■ A complaints protocol will be jointly agreed to provide clarity over the arrangements to respond to the breadth of concerns raised by local people, whether they be organisational or individual failures. This will complement other statutory arrangements.

Behaviours and outcomes that demonstrate good governance in practice

Defining outcomes

■ Having a clear vision – an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators which provides the basis for the organisation's overall strategy, planning and other decisions.

■ Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.

- Delivering defined outcomes on a sustainable basis within the resources that will be available, while recognising that changing and unforeseen demands will place additional pressure on financial resources.

- Identifying and managing risks to the achievement of outcomes as part of delivering goods and services.

- Managing expectations effectively with regard to determining priorities and making the best use of the resources available.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- vision used as a basis for corporate and service planning

- community engagement and involvement

- corporate and service plans

- community strategy

- progress reports

- establish performance measures and report regularly

- police and crime plan

- medium term financial plan

- strategic policing requirement

- acting on HMIC assessments and recommendations.

Sustainable economic, social and environmental benefits

- Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about services.

- Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the PCC and the chief officer's intended outcomes and short term factors such as the political cycle or financial constraints

- Ensuring fair access to services.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- evidence that capital investment is structured to achieve appropriate lifespans and adaptability for future use

- discussions between the PCC and officers on the information needs to support effective decision making

- record of decisions made and supporting material

- project business cases with appropriate 'gate-way' sign off points.

PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Local government, including the police, achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Policy implementation usually involves choice about the approach, the objectives, the priorities and the incidence of the costs and benefits. PCCs and chief constables must ensure that they have access to the appropriate skills and techniques.

The corporate processes which underpin this commitment

- The PCC and the chief constable will maintain a medium term financial strategy which will form the basis of the annual budgets and provide a framework for evaluating future proposals.

- There will be a comprehensive process of analysis and evaluation of plans, which will normally include option appraisal, techniques for assessing the impact of alternative approaches on the service's outcomes, and benefits realisation.

- Processes will be in place to monitor efficiency and value for money, including benchmarking of performance and costs.

- The PCC and the force should maintain effective workforce development and asset management plans (eg estate; ICT).

Behaviours and outcomes that demonstrate good governance in practice

Determining interventions

- Ensuring that decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring that best value is achieved however services are provided.

- Considering feedback from citizens and service users when making decisions about service improvements, or where services are no longer required, in order to prioritise competing demands within limited resources available including people, skills, land and assets, and bearing in mind future impacts.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- discussion between PCC and chief officer on information needs to support effective decision making

- framework of corporate governance

- decision making protocols

- agreement on information to be provided and timescales

- formal recording of decisions taken by the PCC and chief constable (subject to any confidentiality tests).

Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.

- Considering and monitoring risks facing each partner when working collaboratively, including shared risks.

- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.

- Establishing appropriate performance measures as part of the planning process in order to assess and inform how the performance of the services and projects is to be measured.

- Ensuring capacity exists to generate the information required to review service quality regularly.

- Preparing budgets in accordance with government funding announcements, organisational objectives, strategies and the medium term financial plan.

- Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure, together with estimates of grant, precept, and other income streams, aimed at developing a sustainable funding strategy.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- an integrated planning timetable

- communication and engagement strategy

- partnership framework

- collaboration agreements

- risk management protocol

- planning protocols

- establishment and approval of performance measures for appropriate service elements and included in the policing plan/annual delivery plan and reported on regularly

- reports include detailed performance results and highlight areas where corrective action is necessary

- evidence that budgets, service plans and objectives are aligned

- budget guidance and protocols

- corporate plans

- annual financial strategy

- medium term revenue and capital spending plans.

Optimising achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and trades off service priorities, affordability, and other resource constraints.

- Ensuring that the budgeting process is all inclusive, taking into account the full cost of operations over the medium and longer term.

- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for the outcomes to be achieved while optimising resource usage.

- Ensuring the achievement of 'social value' through service planning and commissioning.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- feedback surveys and exit/decommissioning strategies

- evidence of changes as a result

- strategic assessments

- CSP strategies

- strategic policing requirement

- financial strategy

- budgeting guidance and protocols

- service plans demonstrate consideration of social value

- achievement of social value is monitored and reported on.

PRINCIPLE E: DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

The PCC and the police force need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A public organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Both the individuals involved and the environment in which the police operates will change over time, and there will be a continuous need to develop its capacity as well as the skills and experience of the leadership and individual staff members. Leadership in the police service is strengthened by the participation of people with many different types of background, reflecting the structure and diversity of communities.

Successful outcomes depend on the calibre of the people within the organisation, and it is essential that they have the appropriate skills and support.

The corporate processes which underpin this commitment

- The 'people' and personal development strategies of the OPCC and the force set the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for officers and members of staff.

Behaviours and outcomes that demonstrate good governance in practice

Developing the entity's capacity

- Reviewing operations, performance and asset management on a regular basis to ensure their continuing effectiveness.

- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how policing resources are allocated so that defined outcomes are achieved effectively and efficiently.

- Recognising and promoting the benefits of collaborative working where added value can be achieved through partnerships.

- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- regular reviews of activities, outputs and planned outcomes
- utilisation of research and benchmarking
- effective operation of collaboration and other partnerships which deliver agreed outcomes
- workforce plans.

Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

- Publishing a statement that specifies the types of decisions delegated and those reserved for the collective decision making of the governing body.

- Ensuring the PCC and chief officers have clearly defined and distinctive leadership roles within a structure whereby the chief officers lead by implementing strategy and managing the delivery of services and other outputs set by the PCC and/or chief constable, and each provides a check and balance for each other's responsibility.

- Developing the capabilities of the PCC and chief officers to achieve effective shared leadership where appropriate, and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.

- Ensuring the PCC, chief officers and staff receive appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.

- Ensuring that the PCC, chief officers and staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.

- Ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from governance failures both internal and external.

- Ensuring the PCC is independent of management and free from relationships that would materially interfere with its role.

- The OPCC, in conjunction with the force, should ensure that appropriate information is available for potential PCC candidates.

- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

- Holding staff to account through regular performance reviews which take account of training or development needs.

- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- job descriptions

- statutory partners (eg PCC, chief constable, chief executive) consider how best to establish and maintain effective communication

- framework of corporate governance reviewed at least annually in the light of legal and organisational changes

- framework of corporate governance provides clear statement of respective roles and responsibilities and how they will be put into practice

- access to courses and briefings on new legislation

- induction programmes

- ongoing training

- staff appraisal systems and personal development plans

- efficient systems and technology for support:

  - scrutiny and challenge

  - recognising the need for independent expert advice

  - promoting trust

  - working in partnership

  - organisational leadership

  - community leadership

- staff directions and information circulated in force orders

- arrangements for succession planning

- registers of interests

- effective website

- briefing papers

- briefings for potential candidates

- reviewing individual performance on a regular basis and considering any training or development needs

- training and development plan

- staff development plans linked to appraisals, including 360-degree feedback

- implementing appropriate human resources policies and ensuring they are working effectively

- staff wellbeing surveys

- reward and recognition policies.

PRINCIPLE F: MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Public bodies need to ensure that the organisations and governance structures that they oversee have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management, business continuity and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

All public bodies spend money raised from taxpayers and use assets which have been paid for by taxpayers in order to maintain high quality services. The public is entitled to expect high standards of control and the continuous oversight of performance to correct shortfalls and to identify factors which could undermine achievement.

The corporate processes which underpin this commitment

- The decision making protocol sets out principles for how decisions will be taken by the PCC and chief constable, and the standards to be adopted.

- It requires a combined forward plan of decisions, which brings together the business planning cycles for the police and crime plan, the OPCC, and the force integrated business management process. This will ensure proper governance by bringing together the right information at the right time.

- The national decision making model will be applied towards spontaneous incidents or planned operations, by officers or staff within the force as individuals or teams, and to both operational and non-operational situations.

- The scheme of governance highlights the parameters for decision making, including consents, financial limits for specific matters and standing orders for contracts.

- The risk management strategy establishes how risk is embedded throughout the various elements of corporate governance of the corporation sole, whether operating solely or jointly.

- Communications and engagement strategies demonstrate how the PCC and chief constable will ensure that local people are involved in decision making.

- The information scheme ensures that information relating to decisions will be made readily available to local people, with those of greater public interest receiving the highest level of transparency, except where operational or legal constraints exist.

- The forward plan of decisions combined with open and transparent information schemes enables the police and crime panel to be properly sighted on the decisions of the PCC.

Behaviours and outcomes that demonstrate good governance in practice

Managing risk

- Recognising that risk management is an integral part of all activities and must be regarded as a continuous process.

- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.

- Ensuring that responsibilities for managing individual risks are clearly allocated.

- Ensuring that the organisation is risk aware and that its risk appetite is defined and communicated clearly to those responsible for making decisions.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- risk management policies and plans which identify operational, strategic and project risks

- risk management strategy/policy is formally approved and adopted and reviewed/updated on a regular basis

- effective business continuity planning

- regular monitoring of risk registers

- external scrutiny of strategic risks (eg by the independent audit committee).

Managing performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

- Making decisions based on relevant, clear, objective analysis and advice, pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.

- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

- Providing the PCC and chief officers with regular reports on service delivery plans and on progress towards outcome achievement.

- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- oversight and ownership by PCC and/or chief officers

- regular reporting to the independent audit committee

- publication of relevant reports from the force to the PCC, supported by minutes of public forums attended by both the PCC and the chief constable

- reports and minutes of the force chief officer board or equivalent

- performance management systems, targets and reports

- benefits realisation plans and monitoring reports

- grant monitoring returns and assessment meetings

- HMIC reports

- external scrutiny of performance by bodies such as the police and crime panel

- the budget and medium term financial planning processes

- business plans.

Robust internal control

- Aligning the risk management strategy and policies on internal control with achieving the organisation's objectives.

- Evaluating and monitoring the organisation's risk management and internal control on a regular basis.

- Ensuring effective counter fraud and anti-corruption arrangements are in place.

- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.

- Ensuring an independent audit committee or equivalent group or function, which is independent of the executive and accountable to the PCC and chief constable, provides a further source of effective assurance regarding arrangements for managing risks and maintaining an effective control environment and that its recommendations are listened to and acted upon.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- framework of corporate governance, including contract standing orders and financial regulations
- financial standards guidance
- risk management strategy
- risk management strategy/policy has been formally approved and adopted and is reviewed and updated on a regular basis
- compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
- effective internal audit service is resourced and maintained
- independent audit committee complies with best practice as outlined in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) including terms of reference, membership and training
- annual assurance statement produced
- external audit reports.

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- role of the chief information officer
- data protection policies and strategies
- publication strategies
- information sharing protocols
- reports on the activity of the force crime registrar
- Freedom of Information Act 2000 arrangements
- complaints received records
- partnership protocols and agreements.

Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance.
- Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- HMIC assessments and recommendations
- internal audit reports
- annual financial strategy
- budget monitoring reports
- annual statement of accounts
- treasury management strategy and monitoring reports
- annual audit letter
- receipt of unqualified audit opinion and VfM conclusion.

PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

It is easy to pay lip service to the principles of accountability. Aspirations which are not followed through, and actions which are not explained to those who are affected by them, undermine confidence.

The corporate processes which underpin this commitment

■ The Police Reform and Social Responsibility Act 2011 sets out the functions of the PCC and the chief constable. The Policing Protocol Order 2011 describes how these functions will be undertaken to achieve the outcomes of the police and crime plan.

■ The legislation also enables the PCC to appoint a deputy, whose role will be prescribed by the PCC and set out in schemes of delegation where appropriate.

■ The 2011 Act requires the PCC to appoint a chief executive and a CFO. It prescribes that the chief executive will act as head of paid service and undertake the responsibilities of monitoring officer.

■ The 2011 Act requires the chief constable to appoint a CFO.

■ The Financial Management Code of Practice (Home Office, 2013) sets out the responsibilities of the CFOs for both the PCC and the chief constable.

■ Internal audit, reflecting published guidance on standards.

■ The scheme of corporate governance highlights the parameters for key roles in the corporations sole, including consents from the PCC or chief constable, financial regulations and standing orders

■ Officers, police support staff and staff of the OPCC will operate within:
  – OPCC or force policies and procedures
  – the corporate governance framework
  – disciplinary regulations
  – codes of conduct
  – Code of Ethics (College of Policing, 2014).

■ A joint assurance protocol ensures effective monitoring of the organisations to ensure they are achieving their priorities.

■ A joint independent audit committee operates within the CIPFA guidance and in accordance with the *Financial Management Code of Practice*.

Behaviours and outcomes that demonstrate good governance in practice

Implementing good practice in transparency

■ Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring they are easy to access and interrogate.

■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

Examples of sources of evidence which demonstrate that the behaviours are recognised:
■ annual report
■ a standard decision report template is used consistently
■ information published on the website in accordance with the Elected Local Policing Bodies (Specified Information) Order 2011
■ statement of accounts and AGS
■ reports to the police and crime panel
■ publication (subject to confidentiality tests) of force board papers
■ publication (subject to confidentiality tests) of reports presented to the PCC.

Implementing good practices in reporting

■ Reporting at least annually on performance, value for money, and the stewardship of resources to stakeholders in a timely and understandable way.

■ Ensuring the PCC and chief officers own the results.

■ Assessing the extent to which the organisation is applying the principles contained in the Framework and publishing the results of this assessment including an action plan for improvement and evidence to demonstrate good governance in action (the AGS).

■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities.

■ Ensuring that the Framework is applied to jointly managed functions as appropriate.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- formal annual reports

- annual financial statements

- appropriate approvals

- HMIC assessments and responses

- the external auditor's annual letter

- action plans to deal with specific matters

- annual governance statement

- force management statement

- process design follows best practice

- the PCC and force websites

- reports to the police and crime panel.

Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon.

- Ensuring an effective internal audit service, with direct access to the PCC, chief constable and audit committee, provides assurance with regard to the organisation's governance arrangements, and produces recommendations which are acted upon.

- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations as appropriate. Gaining assurance on risks associated with delivering services through third party suppliers and that this is evidenced in the AGS.

- Ensuring that when working in partnerships, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

Examples of sources of evidence which demonstrate that the behaviours are recognised:

- evidence that recommendations have informed positive improvements

- compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010)

- publication of responses to HMIC assessments and recommendations

- community engagement strategy

- collaboration agreements, including effective governance arrangements

- external audit reports including the annual letter.

Comparison between the 2007 Framework and the 2016 Framework principles

The following table compares the principles from the Framework (2007) with those included in the revised Framework (2016).

Principles from 2016	Principles from 2007
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law ■ Behaving with integrity ■ Demonstrating strong commitment to ethical values ■ Respecting the rule of law	**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour** ■ Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance ■ Ensuring that organisational values are put in place and are effective
B. Ensuring openness and comprehensive stakeholder engagement ■ Openness ■ Engaging comprehensively with institutional stakeholders ■ Engaging with individual citizens and service users effectively	**Engaging with local people and other stakeholders to ensure robust public accountability** ■ Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships ■ Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership, or by commissioning ■ Making the best use of human resources by taking on active and planned approach to meet responsibility to staff

In addition to the overarching requirements for acting in the public interest in principles A and B (2016 Framework), achieving good governance in the public sector also requires effective arrangements for the following:

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Defining outcomes
- Sustainable economic, social and environmental benefits

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

Developing the capacity and capability of members and officers to be effective

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individuals skills and resources in balancing continuity and renewal

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other

F. Managing risks and performance through robust internal control and strong public financial management

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Taking informed decisions which are subject to effective scrutiny and managing risk

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

Application of the principles of good governance in partnerships and other joint arrangements

EMBEDDING THE PRINCIPLES OF GOOD GOVERNANCE IN PARTNERSHIPS

This appendix to the Guidance Notes considers the seven principles of good governance in terms of how each relates to governance of a traditional partnership or an arrangement involving devolved, outsourced or commissioned services. It is expressed as a series of questions or challenges which should be used by those responsible for governance as a reference point in designing or reviewing governance arrangements for public services involving one or more third parties.

A.   Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

It is important that values are agreed for partnerships at the outset and that they are clearly understood and communicated.

- Have values for the partnership been agreed and have they been communicated to all concerned?

- How will they be monitored?

- Are there any particular issues that need to be resolved as a result of working with private sector providers?

- Do all partners share in these values?

- Has the 'tone from the top' been established?

- Is there clarity over a partner's statutory duties?

- Are the leaders and staff associated with the partnership committed to it?

B.   Ensuring openness and comprehensive stakeholder engagement

For partnership working to be effective, partners must have trust in each other and therefore be open with each other and their stakeholders about their activities. Where different sector bodies are working together, the partnership will need to understand and accommodate the

different cultures of partnership organisations, for example the multi-faceted focus of a local authority versus the singular focus of a health organisation. This could potentially influence the level of importance placed on a partnership by different organisations, and is therefore an important consideration.

- Is there high level agreement between the partners concerning the value of and intention towards partnership working and collaboration?

- Is the importance of trust recognised at all levels and its role in supporting change?

- Is the partnership taking place in an atmosphere of trust?

- How will those leading the partnership ensure that different cultures within partnership organisations are understood and respected?

- What issues might different cultures generate and how might they be resolved?

- How are conflicts dealt with?

- How will effective communication be maintained?

- How will effective stakeholder engagement be maintained?

C.   Defining outcomes in terms of sustainable economic, social, and environmental benefits

Partnership working may be employed for a number of reasons, for example to improve service quality and outcomes. Combined commissioning may be aimed at increasing spending power and reducing costs.

- Is there a shared vision and are there clearly defined outcomes that have been agreed upon by all partners?

- Has the vision been communicated appropriately?

- Have appropriate performance indicators been agreed by the partners?

- Will working in partnership add value?

- Have the benefits been clearly mapped out?

D.   Determining the interventions necessary to optimise the achievement of the intended outcomes

Even where it appears obvious that working in partnership will improve outcomes, there still needs to be detailed discussion at a strategic level to clarify the aims of the partnership and specific issues such as control of resources.

- Is there a clear strategy on what is to be delivered and how this is to be done?

- Do those involved in the partner organisations receive support in making decisions in respect of their partnership roles?

- Are partner roles and responsibilities agreed and understood?

- Is there clarity over who has the responsibility to make decisions?

- Has consideration been given to the best way to evaluate the effectiveness of joint activities in achieving goals?

- Have clear parameters been established covering such issues as:
  - structure
  - control
  - devolved decision making
  - accountability?
- Have structures and processes been negotiated and are they written into terms of agreement?

E.   Developing the entity's capacity, including the capability of its leadership and the individuals within it

Effective partnership working requires a different type of leadership, one that is distributed across organisations. Therefore leaders need to be empowered to work within and across organisations where they may not have hierarchical authority over others. Dedicated roles are also required to do this. This type of leadership requires different forms of communication, interaction and power sharing as well as staff development.

- Does the partnership board have effective leadership and members who are able to scrutinise and challenge effectively?
- Are partners able to work flexibly and is this reflected in their attitude so that it benefits the partnership?
- Is there a consistent policy in place for dealing with differences in employment terms and conditions?
- Do partnership leaders have the ability to work across organisational boundaries and to confront and influence the barriers that they may encounter?
- Do those in the partnership have authority to make decisions?
- Do they have the resources required in relation to the partnership's remit and their own responsibility to deliver results?
- Are the levels of delegation of control over services/spending matched between partnership organisations?
- Do those involved in governance roles within the partnerships have the skills required?
- Do those in governance roles in the partnership know how to deal with apparent competing and/or conflicting demands and interests in respect of the partnership versus their organisation's role?
- Is training available for them?
- How will difficulties be dealt with?
- Are there any strategic and operational management gaps between organisational boundaries? If so, how will they be managed?

F.   Managing risks and performance through robust internal control and strong public financial management

Organisations need to scrutinise the governance of partnership arrangements closely. Although scrutiny committees may not be permitted to access all the information they

would like, owing for example to contractual arrangements with private sector providers, their oversight of outsourced services and joint operations should still allow for an element of openness and accountability that might otherwise not exist.

Partnership working can introduce specific challenges in terms of risks facing partners and the need for effective internal control and public financial management. When managing risks and performance, the following will help to clarify some of the issues.

- Has an appraisal of the various options been undertaken?

- Is the business case for the proposal sound?

- When considering outsourcing a service has an effective due diligence process been undertaken?

- Are there clear structures and processes in place for balancing innovation and risk?

- Are partnerships reviewed regularly to see how effectively they are working?

- Do contracts with private sector providers include appropriate break clauses that would enable renegotiation if circumstances change?

- Are funding arrangements clearly specified?

- Are appropriate systems in place so that expenditure against milestones and deliverables can be properly managed?

- How is the risk profile for joint ventures considered prior to agreement?

- How are the risks associated with the partnership identified and managed?

- Are the risks facing each organisation carefully considered and monitored as part of joint work, particularly any shared risks?

- How are risks shared?

- Has a risk share agreement been drawn up?

- How are cost overruns dealt with?

- How are the different performance and financial frameworks within partner organisations reconciled and managed?

- How are partnerships scrutinised?

- How effective is the scrutiny?

G.   Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- Does the partnership report on its performance on a regular basis?

- How are partnerships addressed in the annual governance statement?

Key governance reports (summary)

This Appendix summarises key reports that have influenced the development of good governance in local government.

THE CADBURY REPORT (1992)

The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance as follows:

■ **Openness**

An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

■ **Integrity**

This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

■ **Accountability**

This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

The Cadbury Report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

REPORTS FROM THE COMMITTEE ON STANDARDS IN PUBLIC LIFE (1995 – PRESENT)

Aspects of corporate governance in the public services are addressed by the Committee on Standards in Public Life, which was established in 1994 to examine concerns about standards of conduct by holders of public office.

Standards of conduct are regarded as one of the key dimensions of good governance. The Committee's first report, *Standards in Public Life*, published in May 1995, identified

and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles.

97 A revised description of the principles of public life is included in the Committee's report Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (2013). They are as follows:

- **Selflessness**

    Holders of public office should act solely in terms of the public interest.

- **Integrity**

    Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

- **Objectivity**

    Holders of public office must act and take decisions impartially, fairly and on merit using the best evidence and without discrimination or bias.

- **Accountability**

    Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

- **Openness**

    Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

- **Honesty**

    Holders of public office should be truthful.

- **Leadership**

    Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

GOOD GOVERNANCE STANDARD FOR PUBLIC SERVICES (2004)

In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, says there should be a common governance standard for public services similar to the private sector's UK Corporate Governance Code (formerly the Combined Code).

The Good Governance Standard for Public Services (2004) builds on the principles of public life by setting out six core principles that it recommends should underpin the governance arrangements of all public service bodies. These are summarised below:

■ A clear definition of the body's purpose and desired outcomes.

■ Well-defined functions and responsibilities.

■ An appropriate corporate culture.

■ Transparent decision-making.

■ A strong governance team.

■ Real accountability to stakeholders.

INTERNATIONAL FRAMEWORK: GOOD GOVERNANCE IN THE PUBLIC SECTOR (2014)

In July 2014 CIPFA, in association with the International Federation of Accountants (IFAC), published the International Framework: Good Governance in the Public Sector. The international framework supersedes the 2004 CIPFA/OPM *Good Governance Standard for the Public Services*. It places the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance structures and processes and stresses the importance of taking account of the impact of current decisions and actions on future generations.

The core principles and sub-principles from the International Framework have been interpreted for a local government context in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).

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