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**TRIENNIAL REVIEW REPORT OF THE CENTRAL  
ADVISORY COMMITTEE ON PENSIONS &  
COMPENSATION (CAC)**



Ministry  
of Defence

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**TRIENNIAL REVIEW REPORT OF THE CENTRAL ADVISORY COMMITTEE ON PENSIONS & COMPENSATION (CAC)**

**Executive Summary**

This review was announced in September 2011, and carried out in accordance with Cabinet Office guidance, with the aim of examining the role and function of the Central Advisory Committee on Pensions and Compensation (CAC) and ensuring that appropriate control arrangements are in place to meet the recognised principles of good corporate governance.

The review concluded that the CAC makes an important contribution to the core business of the Ministry of Defence. It does this through the detailed knowledge that members bring in giving advice to Ministers on specific pension and compensation scheme issues. In addition it acts as a single formal consultative body that can assess proposed changes to schemes.

The review has also concluded that in order to continue to provide this contribution the CAC does not need to be classified as a Non-Departmental Public Body (NDPB). A number of alternative delivery options, using the Cabinet Office categories of public bodies guide, have been considered and the review has recommended that a Stakeholder Group is the most appropriate classification for the CAC.

**August 2013**

## INTRODUCTION

1. It is Government policy that a non-departmental public body (NDPB) should only be set up, or remain in existence, where the model can be clearly evidenced as the most appropriate and cost-effective way of delivering the function in question.

2. In April 2011, the Cabinet Office announced that all NDPBs still in existence following the reforms brought about by the Public Bodies Act would have to undergo a substantive review at least once every three years. The first year of these reviews would be 2011-12.

These triennial reviews would have two purposes:

- To provide a robust challenge of the continuing need for individual NDPBs – both their function and their form, employing the ‘three tests’ discipline; and
- Where it is agreed that a particular body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance.

3. All triennial reviews are carried out in line with Cabinet Office guidance “Guidance on Reviews of Non Departmental Public Bodies”, June 2011. This guidance states that reviews should be:

- **Proportionate:** Reviews must not be overly bureaucratic and should be appropriate for the size and the nature of the NDPB in question;
- **Timely:** Reviews should be completed quickly – the first stage ideally within three months – to minimise disruption to the NDPB’s business and reduce uncertainty about its future;
- **Challenging:** Reviews should be robust and rigorous. They should evidence the continuing need for individual functions and examine and evaluate as wide a range as possible of delivery options;
- **Inclusive:** Reviews should be open and inclusive. Individual NDPBs must be engaged in reviews. Key users and stakeholders should have the opportunity to contribute to reviews. Parliament must be informed about the commencement and conclusions of reviews.
- **Transparent:** All reviews should be announced and all reports of reviews should be published; and
- **Give Value for Money:** Reviews should be conducted in a way that represents value for money for the taxpayer.

## **BACKGROUND**

4. The Central Advisory Committee on Pensions and Compensation (CAC), currently defined as an advisory NDPB was selected by MOD in agreement with the Cabinet Office to undergo this review in year one of the new review process.

5. The start of the review was announced in a Written Ministerial Statement in both Houses on 15 September 2011. A letter was also sent to the House of Commons Defence Select Committee (HCDC).

6. The review involved an evaluation of the CAC's function and existence, measured against Cabinet Office guidance. In addition the views of the members of the CAC were sought. The review then looked at possible delivery options in the future, measuring the functions of the CAC against the different categories of public bodies that exist. The review was undertaken in-house using current staff resources within the MOD.

7. The CAC was established in 1921 under primary legislation governing war pensions, and has traditionally been concerned with compensation arrangements in the form of the War Pensions Scheme (WPS). Following a review in 2008, the Committee now acts as a policy advisory and consultative body for all Service pension and compensation issues. It draws its membership from representatives from the following Service organisations:

British Limbless Ex-Service Men's Association (BLESMA)  
 Confederation of Service Charities (COBSEO)  
 Combat Stress  
 Forces Pension Society (FPS)  
 Forces Families Federation<sup>1</sup>  
 Soldiers, Sailors, Airmen and Families Association (SSAFA)  
 Royal British Legion (RBL)  
 Veterans Advisory and Pensions Committee (VA&PC)  
 War Widows' Association (WWA)

8. In addition, the Chair of the Independent Medical Expert Group (IMEG) and key senior MOD and Service Personnel and Veterans Agency (SPVA) officials also sit on the committee. The CAC is chaired by the Minister for Defence Personnel, Welfare and Veterans. Staff from the MOD's policy division for pensions and compensation provide the secretariat function for the Committee. The CAC has no budget and those that sit on it do so on a voluntary basis. The CAC's current Terms of Reference are enclosed at Annex A.

9. The CAC's role at the beginning of the review was:

- to provide advice on policy issues affecting all Armed Forces pension and compensation schemes; and
- to provide a credible and visible consultative mechanism for the Armed Forces pension and compensation schemes.
- to provide advice, support and monitor the MOD's implementation of the Review of the Armed Forces Compensation Scheme (AFCS) conducted under the

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<sup>1</sup> Appointment is on a three year rotational basis from individual Service Family Federations, currently the Naval Families Federation.

Independent Chairmanship of Admiral the Lord Boyce and published on 10 February 2010.<sup>2</sup>

10. The CAC operates through twice yearly meetings. These provide members with the opportunity to raise their concerns on pension and compensation issues directly with the Minister, and officials also use these opportunities to update members on various issues affecting these schemes. In addition, out of committee correspondence takes place, the nature of which is driven by the business of the committee but will include formal consultation documents on proposed scheme changes or information updates on work to develop new policies within existing schemes.

11. Internal appointments to the CAC are managed on an ex-officio basis. External appointments are managed on a basis similar to that known as 'nominating bodies' i.e. organisations which have been identified as able to provide a relevant perspective are asked to nominate potential members (at least two from all but the smallest organisations) so that the Minister may make the final choice, in line with the Code of Practice for Ministerial Appointments to Public Bodies. As long as there are a number of ex-service personnel on the Committee, the Chair may appoint members who have not served in the military. Members are expected to attend meetings personally but may exceptionally be represented by another individual from their organisation.

12. Appointment length is usually three years. The maximum appointment can be 10 years. Appointments usually end in the event that an individual's role within their representative organisations ends/changes significantly so as no longer to be relevant to the Committee. In any case, the Chair may end an appointment at any time.

### **ROLE AND FUNCTIONS OF THE CAC**

13. The review examined the role and functions of the CAC (at para 8 above), evaluating them against the following criteria in the Cabinet Office guidance:

- the contribution to the core business of the committee and the MOD
- whether the function is still necessary or could be/is being performed elsewhere

This review was carried out under the guidance of a Senior Civil Servant and by a member of staff within the MOD's policy division on pensions and compensation, which provides the secretariat function for the CAC. In addition, members of the organisations that sit on the CAC as listed at para 5, were invited to comment.

### **CAC ROLE:**

#### Advice on Policy Issues

### **EVALUATION:**

#### *Contribution to Core Business*

14. The CAC provides advice to Ministers on specific pension and compensation scheme issues and on areas of potential policy development. Committee members' detailed understanding of pension and compensation schemes and how they uniquely link together,

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<sup>2</sup> This role was removed in April 2012 following the completion of the implementation of the AFCS Review recommendations.

and their knowledge of concerns raised by their members/customers, ensures that the Minister can be informed of, and respond to, key issues as they arise.

15. On the WPS, the CAC has provided substantial advice as part of periodic reviews which looked at modernising the scheme, addressing inequities where possible and ensuring that the administrative burden is minimised.

16. The CAC had a particularly active role in shaping AFCS policy. As indicated at para 9 above, the Committee was engaged as part of a review by Admiral the Lord Boyce in 2009/10 and their input was substantially taken into account of in the review's recommendations. The CAC's advice provided further assurance that the revised AFCS, which became operational in May 2011, was robust and comprehensive.

*Whether the function is still necessary or could be/is being performed elsewhere*

17. The CAC provides the formal means for Minister to consult key stakeholders when looking to develop policy and delivery of the Armed Forces pension and compensation schemes. The CAC's advice helps to ensure the future development of the schemes best addresses the needs and concerns of injured personnel and their families.

18. The review concluded that there is currently no alternative group that could perform the function for Minister to gain advice from stakeholders on pensions and compensation matters.

**CAC ROLE:**

Provision of a Credible and Visible Consultative Mechanism

**ANALYSIS:**

*Contribution to Core Business*

19. The CAC provides a single formal consultative body for pensions and compensation issues which mean MOD does not need to seek input from stakeholders separately and informally. Examples of MOD consultation with the CAC have been:

- Harmonisation work to update AFPS 75 legislation;
- Stewardship Review of WPS;
- Review of the AFCS

In all cases, the CAC has provided expert views and detailed advice and comments which have directly shaped the implementation of Departmental policy.

*Whether the function is still necessary or could be/is being performed elsewhere*

20. The review concluded that this function remains necessary. Recent consultation of the CAC on changes to pension and compensation policy demonstrates that Ministers continue to need a formal independent body to provide advice on scheme development. As an alternative, the Department could establish focus groups and regular surveys in order to gauge opinion and gain advice on the schemes. But such ad hoc arrangements would be less authoritative and would not meet the statutory requirements that a

committee should be in existence, comprised of ex-service organisations, to consider such matters as put before them.

21. The review noted that the advantage of having an established body with a significant level of expertise in complex specialist policy areas is that the Armed Forces Community's views can be represented to the Department at the highest levels and there is formal oversight of the department's pension and compensation policies. The role of the CAC in respect of pensions issues will need to be considered in light of any new governance arrangements introduced for the Armed Forces schemes following the recommendations of Lord Hutton's review of public service pensions.

### **CAC ROLE:**

To provide advice, support and monitor the MOD's implementation of the Review of the Armed Forces Compensation Scheme

### **ANALYSIS:**

#### *Contribution to Core Business*

22. The AFCS was reviewed by former Chief of the Defence Staff, Admiral the Lord Boyce, in 2009/10. While he found the Scheme to be fundamentally sound, he recommended some significant improvements. The Government committed itself to implementing each of Lord Boyce's recommendations within one year. The CAC was closely involved in the Boyce Review and its subsequent implementation. In his final report, Lord Boyce acknowledged that the CAC's role was integral to his Review and would be fundamental to the continued development of the AFCS. He recommended that the CAC fulfil a similar role for any further aspects of the scheme that may require review in the future.

#### *Whether the function is still necessary or could be/is being performed elsewhere*

23. Although the Boyce Review's recommendations have now been incorporated into AFCS policy and legislation, the CAC still retains an important function in ensuring Scheme delivery matches policy and legislative intent. It does this through scrutinising areas of policy brought to its attention and where necessary recommending proposed changes to the wording of policy guidance or legislation. In addition, the CAC will continue to have a role in improving awareness of the Scheme, and overseeing its further development.

24. This review concluded that this function is not performed elsewhere and it is important that it remains. As the Armed Forces do not have any formal trade unions, organisations which represent serving and former personnel are one of the ways through which advice and views can be provided to the MOD on their behalf. It is also important presentationally that the MOD Ministers are seen to consult with ex-service organisations on high profile personnel issues such as compensation.

25. The review found that there remains a requirement for continued delivery of the functions performed by the CAC.

## **DELIVERY OPTIONS**

26. The review assessed a number of alternative delivery options, using the Cabinet Office checklist of delivery options (Annex A of the Triennial Review guidance) and the Categories of Public Bodies guide.

27. The Cabinet Office advise that NDPB's should only be established or maintained as such as an absolute last resort. The review's assessment of alternative delivery options, which is outlined in more detail at Annex B to this paper, found that many of the current features of the CAC suggest that in order to continue to deliver its statutory functions it does not need to continue as a NDPB.

28. Whilst many of the alternative delivery methods to a NDPB share similar characteristics to a NDPB, the review found that a Stakeholder Group appears to be the most appropriate classification for the CAC. Stakeholder Groups can still have a Ministerial Chair, and membership composed of representatives of organisations. The key difference between this and a NDPB concerns the independent advice a NDPB must provide. A Stakeholder Group is more appropriate where members views are representative of the interests of their organisations.

## **REVIEW CONCLUSION**

29. The review concluded that CAC members input to policy development of the Armed Forces compensation and pensions schemes has added value to the process and has been of mutual benefit to the Minister, the Department, and in turn the organisations that the CAC represents. The technical expertise that members provide has proved invaluable in maintaining and improving our schemes.

30. The review recommends that the CAC should be reclassified from a NDPB to a Stakeholder Group. If this recommendation is accepted, there will be a requirement to amend primary legislation. MOD officials will work with lawyers to determine the most appropriate legislative vehicle to enable this change. In addition, the Terms of Reference for the CAC can be amended accordingly to reflect the CAC's new status, and that its role is to provide stakeholder input on matters put before it which may in turn inform policy decisions. The current composition of the CAC would not need to change as a result of this recommendation because it already comprises representatives of organisations.

## **TERMS OF REFERENCE**

The committee was established under primary legislation governing war pensions in 1921 in the following terms (as amended):

“... the Minister shall constitute a central advisory committee consisting of officers of the ministry (local and central), ex-servicemen and at least one person from one of the committees under section 25 of the Social Security Act 1989 and for the time being in existence to consider such matters as may be put before them for their advice.”

(The committees referred to under section 25 etc are the War Pensions Committees, which are now renamed Veterans Advisory and Pensions Committees (VAPC).)

The remit of the committee now is to act as a policy advisory and consultative body for service pension and compensation issues.

### **Role**

The role of the committee is to provide: advice on policy issues affecting all the service pension and compensation schemes; and a credible and visible consultative mechanism for the service pensions and compensation schemes.

If further reviews of aspects of the AFCS are required then the CAC would fulfil a role similar to that undertaken by the Independent Scrutiny Group which supported the AFCS Review.

The committee does not advise on issues of wider concern to veterans or service personnel, such as welfare, for which other forums exist, or routinely become involved in issues of scheme operation and delivery where, again, other mechanisms are in place.

### **Function**

The committee functions through twice yearly meetings, chaired by the Minister for Defence Personnel, Welfare and Veterans, and correspondence out of committee. In addition, there are other engagements during the year, the nature of which is driven by the business of the committee and might take the form of a meeting of members, educational workshop, written consultation document or information update.

When acting as a consultative mechanism, the Chair will aim to ensure that the process follows existing guidance<sup>3</sup> when that is necessary and appropriate however it has been recognised that consultation on matters relating to the Armed Forces cannot be the same as in other areas of Government policy, not least because of the role of the Principal Personnel Officers (PPOs). Where issues are specific and/or technical in nature or impact quite a narrow group, consultations may be conducted in short timescales or with limited individuals/groups. Consultation exercises under the committee's interest may be publicised via the web-page.

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<sup>3</sup> Consultation and the Ministry of Defence, October 2007

## Membership

### Chair:

Minister for Defence Personnel, Welfare and Veterans

### Members:

Two members of the network of VAPCs<sup>4</sup>.

A minimum of one and a maximum of six appointments are available to ex-service organisations<sup>2</sup>.

One appointment is available to a service occupational pensions representative organisation<sup>2</sup>.

One appointment is available to one of the three Service Families Federations on a three year rotational basis.

The Chairman of the Independent Medical Expert Group which provides advice in relation to the AFCS.

In addition, three non-member in-service representatives from each of the Principal Personnel Officer areas will attend as well as such officials as the Chair deems appropriate<sup>5</sup>.

Internal appointments are managed on an ex-officio basis. External appointments are managed on a basis similar to that known as 'nominating bodies' i.e. organisations which have been identified as able to provide a relevant perspective are asked to nominate potential members (at least two from all but the smallest organisations) so that the Minister may make the final choice, in line with the Code of Practice for Ministerial Appointments to Public Bodies. As long as there are a number of ex-service personnel on the Committee, the Chair may appoint members who have not served in the military. Members are expected to attend meetings personally but may exceptionally be represented by another individual from their organisation.

Appointment length will usually be for three years. The maximum appointment will be 10 years. Appointments will usually end in the event that an individual's role within their representative organisations ends/changes significantly so as no longer to be relevant to the Committee. In any case, the Chair may end an appointment at any time.

## Amendment

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<sup>4</sup> These members must include ex-service persons, as required in the legislation that established the Committee

<sup>5</sup> Usually a senior official from the pensions and compensation policy area, an official from the pensions and compensation delivery area, a specialist medical representative and a Secretary.

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The Terms of Reference may be amended at any time; a member or the Chair may propose a change and the Chair will usually hear views before deciding the amendment. The Chair has the final decision.

May 2012

**Checklist of Delivery Options****Annex B**

<b><u>Delivery Option</u></b>	<b><u>Yes/No</u></b>	<b><u>Justification</u></b>
Abolish	No	The CAC provides the formal means for Minister to consult key stakeholders when looking to develop policy and delivery of the Armed Forces pension and compensation schemes. The CAC's advice helps to ensure the future development of the schemes best addresses the needs and concerns of injured personnel and their families. There is no alternative existing group for Minister to gain advice from stakeholders on pensions and compensation matters.
Move out of Central Government	No	The CAC currently performs its functions via having direct access to Ministers on strategic policy issues. The stakeholder/MOD relationship relies on the close contact between the Committee, Ministers and Senior MOD Officials. If the Committee was moved out of central Government such a relationship would be broken and the CAC's function would not be fulfilled.
Bring In-House	No	The function could be delivered in-house but the Department would lose the advice, support and consultative mechanism of its key external stakeholders in doing so. As the Department's main consultative body on pensions and compensation issues, this independence would sacrifice the robustness of departmental decision making and the support of pension and compensation schemes for the Armed Forces.
Merge with another body	No	We have considered other bodies but there is no appropriate existing body with which the functions could merge.
Delivery by a new Executive Agency	No	The scope of the CAC does not warrant the creation of such a structure.