



Cabinet Office

Tailored Reviews: Guidance on Reviews of Public Bodies

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Introduction

Good government requires public bodies that are efficient, effective and accountable. That in turn requires us to ensure our public bodies are set up correctly. The Government's approach to public bodies' reform for 2015 to 2020 builds on the successes of the 2010 to 2015 Public Bodies Reform Programme. Our new strategy, which this guidance supports, is based on a two-tier approach to transformation: a programme of cross-departmental, functional reviews coordinated by the Cabinet Office, coupled with ongoing, robust 'tailored reviews' led by departments with Cabinet Office oversight and challenge. For the first time, these reviews will now include executive agencies and non-ministerial departments.

The 2010-15 programme delivered a reduction in the number of public bodies by a third, from 904 to 610, and their administrative spend by a cumulative £3 billion. As a result of regular reviews, those bodies remaining have been challenged to become more efficient and effective in their delivery of public services.

Such regular assurance and challenge about the continuing need, efficiency and good governance of public bodies remains central to the Government's Public Body Transformation Programme. This guidance sets out the principles by which Government departments should review public bodies from now on to ensure they remain fit for purpose, well governed and properly accountable for what they do.

This guidance supersedes the 2010-15 guidance *Triennial Reviews: Guidance on Reviews of Non-Departmental Public Bodies* and its supplementary guidance. It is valid for any reviews which commence on or after 4 January 2016, and is supplemented with annexes which set out good practice on efficiency, sharing services and commercial options for delivery, which departments should consider when undertaking these reviews.

As a progression on the triennial review policy, the main changes for tailored reviews include:

- extending the scope of these reviews to include executive agencies (EAs) and all non-ministerial departments (NMDs), not just non-departmental public bodies (NDPBs). These reviews do *not* apply to ministerial departments;
- a more proportionate and flexible approach to reviews;
- the requirement that reviews should be undertaken at least once in the lifetime of a Parliament; and
- a move away from the two stages to a more seamless approach to reviews.

Any questions on the guidance, or on the review process more generally and its remit, should be directed to the Cabinet Office Public Bodies Reform Team (PBRT) at: publicbodiesreform@cabinetoffice.gov.uk.

All those who serve in public bodies are part of our shared mission to provide security and opportunity, and improve the lives of the citizens we all seek to serve. I look forward to working with public bodies to make that vision a reality.

The Rt Hon Ben Gummer MP

Scope of this Guidance

The public bodies in scope for this guidance are non-departmental public bodies (NDPBs), executive agencies (EAs) and non-ministerial departments (NMDs).

Purpose

1. Tailored reviews have the following aims:
 - to provide a robust challenge to and assurance on the continuing need for individual organisations – both their functions and form; and
 - where it is agreed that an organisation should be retained, to review:
 - its capacity for delivering more effectively and efficiently, including identifying the potential for efficiency savings, and where appropriate, its ability to contribute to economic growth. The review should include an assessment of the performance of the organisation or assurance that processes are in place for making such assessments; and
 - the control and governance arrangements in place to ensure that the organisation and its sponsor are complying with recognised principles of good corporate governance. These principles will vary according to the public body under review and departments should consult the relevant guidance.
2. It is for departments to consider how best to structure and carry out these reviews, in accordance with the principles set out below.
3. The Cabinet Office will oversee and drive the overall programme of reviews, managing interdependencies on behalf of the Minister for the Cabinet Office (MCO) who is responsible for public body review policy. The MCO will clear the terms of reference for all tailored reviews. The MCO will also clear the final report of all Tier 1 priority reviews¹.

Key Principles

4. All reviews must be conducted in line with the following principles:
 - Proportionality
 - Challenge
 - Being Strategic
 - Pace
 - Inclusivity
 - Transparency

Proportionality

5. Reviews should not be overly bureaucratic and should be appropriate for the size and nature of the organisation being reviewed and the significance of the organisation to the department. Reviews should be aligned to wider policy or strategic reviews and support commitments set out in the Government's manifesto, Single Departmental Plans and the Spending Review. This principle is fundamental and underpins the review process.

¹ There are three tiers of review - Tier 1, Tier 2 and Tier 3. Tier 1 and Tier 2 reviews are jointly known as priority reviews. They will be identified and agreed by the Cabinet Office in discussion with departments when drafting the tailored review programmes, based on criteria including spend, size of organisation and sensitivity.

6. Where a review of a public body has already been conducted during this parliament, a further tailored review of the body may not be required. If particular functions of a public body have been reviewed during this parliament, those functions may not need to be reviewed as part of any scheduled tailored review. The scoping and terms of reference for the tailored review should draw attention to this.

Challenge

Terms of Reference

7. Reviews should be challenging and take a first principles approach to whether each function:
 - is still needed;
 - is still being delivered;
 - is carried out effectively by the organisation; and
 - contributes to the core business of the organisation, the sponsor department and to the government as a whole.
8. If the function is still required, the review should consider whether the existing model of delivery is still appropriate and test that against the alternatives set out at **Annex A**. When considering the form of the public body, departments can consider the ‘three tests’ which are also set out in **Annex A**. Departments may also wish to explore relevant international comparisons for similar bodies. Reviews should not just seek to support the status quo, they should be robust and rigorous and provide evidence for recommendations.

Devolution

9. It is essential to have considered fully the extent to which a public body’s functions are directly or indirectly delivered in a devolved context². In some instances the scope and reach of a body’s functions may be clear, however this is not always the case. For example, a policy area may be owned by the department and/or the body and as such reserved to the UK government but delivery of the policy may be dependent on devolved structures which in themselves may vary across the devolved territories of Scotland, Wales and Northern Ireland. Understanding the remit and reach of the body, dependencies and stakeholders within each of the devolved territories as well as within England, should be a fundamental part of scoping the review.

The UK Leaving the EU

10. It is appropriate to consider the extent to which a public body’s functions are delivered in an environment currently directly affected by EU regulations or processes. Understanding how the body intends to respond to the UK leaving the EU should then be considered as part of the review, where possible.

Good Corporate Governance

11. Good corporate governance is central to the effective operation of all public bodies. As part of the review process, therefore, the governance arrangements in place should be reviewed. This should be led by the sponsoring department, working closely with the chair and CEO, where applicable, who will have a key responsibility for ensuring that strong and robust corporate governance arrangements are in place. As a minimum, the existing controls, processes and safeguards should be assessed against the principles and policies set out in the relevant code of good corporate governance. More detail is given in **Annex C**. These reflect best practice in the public and private

² More detail is given in **Annex A**.

sectors and in particular, draw from the principles and approach set out in *Corporate Governance in Central Government Departments: Code of Good Practice*³.

Efficiency

12. Reviews should consider issues of efficiency, including the potential for efficiency savings⁴, and make relevant recommendations. They should examine whether the public body could provide better value for money, including where appropriate, the body's contribution to economic growth⁵. Reviews should also consider the performance of the body - the extent to which it meets its objectives. Where appropriate, the review should use a cost-benefit analysis. A description of how the review will be structured to meet these aims should be set out clearly in the terms of reference. It is recommended that departments use benchmarking for efficiency and effectiveness. The Cabinet Office can assist with benchmarking for functional efficiencies⁶.
13. The Cabinet Office functional teams should be engaged in the review process, where appropriate. For example, where the public body owns or leases a considerable amount of property, the review team should include the Government Property Unit from an early stage to consider how to make more efficient use of the body's estate.
14. In keeping with the principle of proportionality, the time invested by the review team in considering the form, function, efficiency and effectiveness of the public body will depend on the size and type of body under review. If a recent internal or external review or audit has taken place of the body's efficiency or performance, it may not be necessary for the tailored review to consider the topic again. For this to be the case, the previous review or audit should have been sufficiently robust and evidenced. In cases where a body has recently undergone major transformation it may be appropriate to instead use the tailored review as a post-implementation evaluation. Where the review draws upon other material, that material should be referenced and hyperlinked where published, or appended where not.

Review Team

15. Departments are responsible for carrying out reviews and will provide all the resources for reviews, including lead reviewers and review teams. Completed reviews represent the view of the department. Reviews should not, however, be led by a member of the team sponsoring the public body or by someone who could have a conflict of interest. Similarly, review teams should not be led by members drawn from the body being reviewed. Departments, however, may wish to call on the expertise of their sponsors to review other bodies where they are not directly involved in the sponsorship relationship. Departments may also wish to utilise resource and expertise in other departments and exchange lead reviewer roles, which will also help ensure there is effective challenge.
16. Sponsor teams and members of the public body being reviewed should be consulted about the review. Departments may wish to consider the merits of bringing in independent expertise, for example, from the National Audit Office or another department. In the case of clustered reviews, where bodies are sponsored by different departments, consideration should be given to which

³ To be found at www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments

⁴ More detail is given in **Annex B**

⁵ As committed to in the Government's response to the Heseltine Review into economic growth – available at www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth

⁶ For further details please contact the PBRT at: publicbodiesreform@cabinetoffice.gov.uk

department should lead and how best to involve all others. Cabinet Office can assist in facilitating these conversations.

Challenge Panel

17. Reviews may be subject to the scrutiny of a Challenge Panel, whose purpose is rigorously and robustly to test and challenge the assumptions and conclusions of the review. Members of the Challenge Panel should be independent of the public body and its sponsoring unit within the department. The panel should include personnel with the right balance of skills and experience to enable them to provide effective challenge, including a Cabinet Office representative for Tier 1 and Tier 2 priority reviews. For Tier 1 priority reviews, a departmental non-executive director (NED) should chair the panel.

Being Strategic

Review Scope and Timing

18. All NDPBs, NMDs and EAs will be subject to a tailored review or equivalent at least once in the lifetime of a Parliament. This document's guidance on tailored reviews should be applied to equivalent departmental reviews where appropriate.
19. The Government's approach to reviewing public bodies in 2015-20 is based on tailored reviews and cross-departmental functional reviews, covering several public bodies in similar or related areas of government; the findings of functional reviews can feed into tailored reviews, reducing the work needed for the latter reviews and avoiding duplication. Where a functional review is recent and comprehensive, further reviews may be very light touch, or may take place later in this parliament.
20. Departments should define the scope of the review depending on any wider policy or strategic reviews that are being conducted, and also consider combining the requirements of a tailored review within the scope of any other planned review or evaluation of the department's public bodies. This will help maximise the benefit in terms of streamlining the review process; identifying synergies across departments and sponsored bodies or organisations; and considering efficiency and wider transformation, for example, via a digital approach.
21. Where departments have committed to reviewing a public body through a departmental review or as part of a transformation programme, the department will need to ensure that the principles and topics set out in this guidance, where relevant, have been met. The PBRT have produced an assurance toolkit to assist with this process and will support departments in completing this process for Tier 1 and 2 priority reviews.
22. Departments should ensure they explore options for conducting joint or clustered reviews of organisations both internally and across government. It may also be appropriate to consider the timing of any relevant public appointments.
23. In formulating their review programmes, departments could use their existing triennial review programmes as the foundation and build on these to include NMDs and EAs as well as NDPBs. Departments should seek advice from the Cabinet Office as appropriate, and ensure programmes complement and support Single Departmental Plans and the Spending Review. Cabinet Office will also assist in identifying similar bodies in other departments which might form a clustered review and in identifying priority reviews for MCO approval.
24. Departments should also consider having an appropriate distribution of reviews across the lifetime of this parliament, scheduling those that may have recently undergone a review towards the end

of their programme. Departments are encouraged to update their programmes annually to take account of any wider policy reviews and engage with the Cabinet Office accordingly. Departments must aim to complete reviews by September 2019 to ensure implementation of recommendations in this parliament.

Pace

25. Reviews should be completed quickly to minimise the disruption to the organisation's business and reduce uncertainty about its future. Reviews should normally take no more than six months and, in keeping with the principle of proportionality, the review of a smaller public body could be completed within a month. In order to complete reviews at pace, departments should allocate sufficient resource to reviews so as to enable them to be delivered within the agreed timeframe. Departments should consult with the organisation concerned when planning its review.

Inclusivity

26. Reviews should be open and inclusive. The organisation under review should be engaged and consulted throughout the review and have the opportunity to comment on emerging conclusions and recommendations. In addition, key stakeholders should have the opportunity to provide input for the review where relevant and appropriate, and evidence of such engagement should be included in the report of the review. That engagement may be secured through a workshop with all relevant stakeholders, correspondence with key parties and the sharing of draft reports and recommendations. It will be for departments to define the form such engagement should take, and how it is evidenced in the published report.
27. Departments should also consider whether, and if so how, they might involve Parliament in the review process. They may wish to announce the start and conclusion of the review by way of written ministerial statement (WMS) in both Houses of Parliament and alert the relevant select committee(s) when starting the review. Departments may wish to limit the number of statements they lay, by making an annual announcement setting out the reviews they propose to deliver throughout the financial year. Cabinet Office should be consulted on the content and timing of a WMS. In keeping with the core principles underpinning all reviews, engagement should be proportionate, timely and provide clear value-for-money for users and taxpayers.

Transparency

Publication

28. The final report should set out any recommendations, including any that address areas of non-compliance with corporate governance. Any such issues of non-compliance⁷ should be considered by the sponsor. An implementation plan for the agreed recommendations should be agreed between the public body and the sponsor.
29. The cost of reviews should be met from within existing resources and be kept to a minimum. Ultimately, it will be for departments to evidence that any individual review is demonstrating good value-for-money.

⁷ Principles of Good Corporate Governance for NDPBs are set out at **Annex C** and follow a 'comply or explain' methodology. Departments may wish to adopt these principles for reviews of other types of public body.

30. The final report of the review should normally be published on GOV.UK. Redaction of particularly sensitive information should be considered to enable reports to be published.

Clearance

31. Departments should determine the clearance procedure. Ministerial approval should take place as standard practice. The clearance process should be described in the terms of reference for the review.

Priority Reviews

32. Reviews will be prioritised into three tiers – Tier 1, Tier 2, and Tier 3. Tier 1 and Tier 2 reviews will be designated priority reviews.
33. Priority reviews will be identified and agreed by the Cabinet Office in discussion with departments when drafting their review programmes, based on one or more of the following criteria: spend of over £50 million; size of organisation (100 or more staff); sensitivity; potential for commercial models; when the public body was last reviewed and whether the body contributes to the Government's manifesto commitments. There is no hard and fast rule and priority reviews will be decided on a case-by-case basis.
34. For Tier 1 priority reviews, the PBRT will review emerging findings, and the MCO will sign off on the final report before publication. For Tier 2 priority reviews, the PBRT will review the emerging findings and then sign off on the final report before publication. For Tier 3 reviews, the PBRT will audit a sample of reviews across the programme.
35. Scrutiny will be applied at a corresponding level for departmental reviews. For example, the MCO will need assurance that Tier 1 priority reviews are conducted in line with the principles of tailored reviews.
36. When establishing the review team it may be appropriate to draw on expertise from the Cabinet Office, for example a member of the Commercial Models Team, depending on the potential for functions to be delivered by alternative commercial models.

Non-Executive Director Oversight and Involvement

37. Departmental non-executive directors (NEDs) should have oversight of programmes in order to hold their officials to account, ensuring the quality of sponsorship and governance, and timeliness of programme delivery. NEDs should challenge progress against their department's programme at the board meeting at least quarterly.
38. It is anticipated that departmental NEDs, either from within the department itself or another government department, will take a lead role in Tier 1 priority reviews and chair the Challenge Panel (see paragraph 17 above), and have involvement in Tier 2 priority reviews. Departments should consider the involvement of NEDs in Tier 3 reviews in line with the level of opportunity the review presents, and the level of risk inherent in the body.

Annex A – Delivery Options, the ‘Three Tests’ and the Devolved Context

Checklist of delivery options

This checklist sets out a range of delivery options that departments should consider when reviewing the functions of their public body. This is not an exhaustive list, and departments are encouraged to think creatively when reviewing how functions might be delivered with a view to efficiency and accountability.

Option	Questions
Abolish	<p>Why does the function need to continue?</p> <p>How does it contribute to the core business of the sponsor department?</p> <p>How does this contribute to wider Government policy objectives?</p> <p>What if the function did not need to continue?</p> <p>Is there a legal requirement for the function?</p> <p>Is providing the function a justifiable use of taxpayers' money?</p> <p>What would be the cost and effects of not delivering the function?</p> <p>Does the function contribute to economic growth?</p>
Move out of central Government ⁸	<p>Why does central government need to deliver this function?</p> <p>Can this function be delivered by local government, by the voluntary, or by the private sector?</p> <p>Is there an existing service provider, or providers, in the local government or voluntary sectors that could deliver this function?</p> <p>What are the risks and benefits of moving the function out of central government?</p> <p>Could efficiencies be made by delivering the function through a different model?</p>
Commercial model ⁹	<p>Can the function be better delivered by the private sector, or delivered under contract by the voluntary or private sector?</p> <p>Can the function be delivered by a mutual or social enterprise?</p> <p>Is there an existing service provider, or providers, in the private sector that could deliver this function?</p> <p>Could the public body increase its private sector revenues?</p> <p>What are the risks and benefits of moving to a more commercial model?</p> <p>Could efficiencies be made by delivery through a more commercial model?</p>
Bring in-house	<p>Why does the function need to be delivered at arm's length from ministers?</p> <p>Can the function be delivered more efficiently or effectively by the sponsor department or by an existing executive agency of the sponsor department, or by another department?</p> <p>What would be the costs and benefits of bringing the function in-house?</p> <p>Could efficiencies be made by bringing the functions in-house?</p>
Merge with another body	<p>Are there any other areas of central government delivering similar or complementary functions?</p> <p>Does the function duplicate work undertaken elsewhere?</p> <p>Could the function be merged with those of another public body, or <i>vice versa</i>?</p>

⁸ In the case of NDPBs with advisory functions, this option should include assessing whether the functions of the body can be provided by an expert committee engaging directly with users, stakeholders, sectors and communities.

⁹ See also **Annex B** on commercial models.

	<p>What would be the costs and benefits of merger? Could efficiencies be made by merging the body, or some of its functions, with another body or bodies?</p>
Less formal structure	<p>Why does the function need to be delivered through a formal structure? Could the function be delivered by an informal stakeholder group? Could the function be delivered by an expert committee? What would be the costs and benefits of moving to a less formal structure? Could efficiencies be made by moving to a less formal structure?</p>
Delivery by a new executive agency	<p>Could the function be better delivered by a new executive agency? What would be the costs and benefits of this? Could efficiencies be made by moving to delivery through a new executive agency?</p>
Continued delivery by an NDPB	<p>Does the function pass at least one of the government's three tests, as below? How well is the NDPB currently delivering its functions? What are the costs and benefits of remaining with this model?</p>

The 'Three Tests'

- Is this a technical function, which needs external expertise to deliver?
- Is this a function which needs to be, and be seen to be, delivered with absolute political impartiality?
- Is this a function that needs to be delivered independently of ministers to establish facts and/or figures with integrity?

Understanding the devolved context

Review teams can draw upon support from the UK Governance & Devolution Team (UKGD) including the Territorial Offices to understand better devolution issues in the policy and delivery areas in question. They can also access the Devolution Toolkit,¹⁰ a practical resource for civil servants to help them understand how to operate in our devolved system of government, including advice on working through a devolution impact assessment. The toolkit also sets out the formal governance arrangements for working across administrations and provides contact details for UKGD and devolution leads in central government departments and constitutional teams in the devolved administrations.

¹⁰ To be found at <https://www.gov.uk/government/publications/devolution-toolkit>

Annex B - Efficiency

When reviewing public bodies, departments should ensure that questions of whether, how and where efficiencies can be made within bodies are considered as part of the review process, whilst maintaining a proportionate approach. This annex provides a number of issues departments could consider when undertaking this assessment. All types of expenditure (CDEL, RDEL, AME) should be considered where appropriate.

The analysis of each of these areas should be based on clear, robust and comparable management information. Departments should also use benchmarks where appropriate to assess public bodies' performance against other organisations. Comparisons could be made with other bodies by function and with other bodies sponsored by that department. The Cabinet Office can discuss with departments suitable benchmarks, as well as providing further support and guidance in exploring potential savings.

Reported Savings

Where proposals to deliver efficiency savings are identified through the review, these should be set out clearly within the report. Progress against these identified savings should be reported formally in the next review undertaken.

Digital by Default

Departments should look at the potential to derive savings from shifting current services to digital channels and transforming transactional services to be digital by default, as outlined in the Digital Efficiency Report¹¹. This should follow the principles set out in the Government Digital Strategy¹² and Departmental Digital Strategies¹³ and should specifically look at the cost per transaction. All new or redesigned transactions with over 100,000 users must meet the Digital by Default Service Standard¹⁴. Departments should also ensure that any data is consistent with what has been published on the transactions explorer¹⁵ website. Departments should also consider what savings could be derived, using common shared platforms where appropriate to reduce the cost and improve the efficiency of digital services.

- What savings can be made by shifting to digital?
- In which years?
- By cost type? (I.e. pay bill, suppliers etc.)

To assess this, the department should consider:

- How a service is currently delivered:
 - value by channel;
 - cost per channel; and
 - full time equivalent staff (FTE) per channel
- What is the current spend in this area or areas?

¹¹ To be found at <https://www.gov.uk/government/publications/digital-efficiency-report>

¹² To be found at <https://www.gov.uk/government/publications/government-digital-strategy>

¹³ To be found at <https://www.gov.uk/government/collections/departmental-digital-strategies>

¹⁴ To be found at <https://www.gov.uk/service-manual/service-standard>

¹⁵ To be found at <https://www.gov.uk/performance>

- What does the channel mix (e.g. digital, telephone, face-to-face) look like now, and what plans are there to shift to digital?
- What will the expenditure be after transformation?
- When will savings start to be realised?
- What will be the reduction in average cost per transaction?
- Is there potential in other areas of the public body's activities to consider digital work that will contribute to spending reductions and improved services?

Technology Infrastructure

Departments should consider what savings can be made on the public body's current technology spend, following the Government Service Design Manual¹⁶ and the Technology Code of Practice.¹⁷

- Which of the body's main technology contracts are coming to an end?
- How much less will the body spend on the replacements?

Commercial Models

Explore whether any of the functions performed by the public body could be better delivered in collaboration with other parts of the public sector and/or in collaboration with the private sector, whether that be private businesses or voluntary, community and social enterprise organisations, public service mutuals, public-private joint ventures or any other organisations that sit outside the public sector. The following list of questions will help departments decide whether the body being reviewed may be suitable for a more commercial delivery model.

- Are similar functions carried out in other parts of the public sector?
- Could the functions be provided by people that are not public servants?
- Do the employees of the body have the desire and ability to deliver the service as a private business?
- Are there existing private sector organisations that provide a similar service to the body? If so, do they tend to be more efficient and/or effective?
- Could the body operate more efficiently and/or effectively if it were not subject to some of the constraints that apply to public bodies?
- Does the body require investment that it cannot currently secure?
- Does the body require skills that it cannot currently recruit?
- Does the body provide services that are, or could be, sold to others outside of government, e.g. to private sector organisations or foreign governments?
- Does the body need to undergo a significant transformation in terms of business processes and/or IT systems?
- Does the body have IT infrastructure that needs to be upgraded? Are private sector comparators equipped with better or more modern IT infrastructure?
- Does the body own assets that are under-utilised? If so, are there other organisations, in the public or private sectors that could use this spare capacity?

If the answer to any of these questions is yes, there may be a commercial model opportunity. The department or public body should contact the Commercial Models Team in Cabinet Office (Email: commercialmodels@cabinetoffice.gov.uk) who will be able to provide further advice. There may be bodies

¹⁶ To be found at <https://www.gov.uk/service-manual>

¹⁷ To be found at <https://www.gov.uk/government/publications/technology-code-of-practice/technology-code-of-practice>

that do not meet any of these criteria but departments still consider there is value in considering alternative delivery models – Cabinet Office may still be able to offer support and advice in these cases.

In addition, departments should consider as part of the review whether there are changes that could be made to the public body to improve the quality of the services provided, reduce the cost to government and or users, generate revenue for government, or otherwise enhance its commercial capability.

Property

Departments should consider the size of the office occupied by the public body, and consider how better space use per FTE and savings may be derived from planned (e.g. lease breaks) or accelerated building exits, particularly with regard to the implementation of the government's hubs strategy.

Departments should additionally examine how generic office functions housed within properties providing public-facing services (e.g. Job Centres) might be moved to hubs and smaller shared, cross-public sector solutions be found for the remaining location-specific requirements.

The Government Property Unit (GPU) publishes an annual *State of the Estate* (SOFTE) report to Parliament, in compliance with the 2008 Climate Change Act which lists the size and cost of each department's estate.¹⁸

National Property Controls' (NPC) policy has also been in place since 2010, which assumes departments will exit leased office properties as break options and expiries occur with these departments seeking alternative and cheaper accommodation across the wider civil estate. NPCs mandate that HMT, and ministerial approval is required for any of the following:

- if departments have a total value of £100,000 or more rent payable over the life of the lease on properties where accommodation is for the purpose of office use;
- all new leases;
- renewals of existing leases;
- the non-exercising of lease breaks;
- new property acquisitions;
- any new build developments;
- sale and leaseback; and
- any freehold sales.

GPU also manages an annual office benchmarking programme to measure the efficiency of government offices and the data collected is also made available in the SOFTE report. Data collection and inclusion are therefore key needs for any public body not currently providing this information. Currently all HMG organisations should have made arrangements to provide and place building records on e-PIMS to ensure fullest visibility of the government estate. Local authority bodies should also be taking steps to place their buildings data onto e-PIMS and this is a particular requirement for those signed up in One Public Estate.

A. What is the gross annual running cost of the estate of the body?

GPU report on net running costs in SOFTE so figures need to align.

B. How many square metres does the body occupy and what is the net internal area (NIA)? How many people (FTEs including contractors) currently occupy it?

NIA divided by FTEs provides the performance of sq.m per FTE.

¹⁸ To be found at <http://www.gov.uk/government/publications/state-of-the-estate-2014-to-2015>

Departments are expected to meet the workplace standard of:

10 sq.m or less per FTE overall by end December 2015;

8 sq.m by end March 2018.

- C. Are there any major estate changes planned e.g. freehold sales, PFI hand backs, leasehold exits, acquisitions, refurbishments, workplace transformation, moves, asset management, FM procurement?

Please also consider estate related changes planned around building access and common IT solutions.

Strategic Asset Management Plans (SAMPs) and engagement with departments

Departments are required to maintain SAMPs for their property portfolios, covering their public bodies. Progress against these documents forms the basis of a regular strategic dialogue between the department, the GPU and HMT on delivery of Spending Review ambitions and property-related targets.

Sustainability

We are working to agreed Greening Government Commitment targets and providing data sets as required.

Procurement of Common Goods and Services

Departments should adopt policy concerning the procurement of goods, services and works from third parties, ensuring that common spend is channelled through the Crown Commercial Services' (CCS) centralised purchasing arrangements. Departments should maximise the proportion of spend through centralised purchasing arrangements, and transition to a CCS-managed service if appropriate. Savings might derive from achieving lower prices and/or demand management. There may also be resource savings to consider following transition to a centralised approach.

- How much will the public body spend on common goods, services and works?
- Where applicable, to what extent is the body complying with the central government mandate that all common goods and services will be channelled through CCS centralised arrangements?
- What proportion of spend on common goods and services is outside of centralised arrangements and what is the justification for this?
- To what extent is the body complying with procurement policy requirements?

Commercial Relationships

Departments should consider what opportunities there are to lower the cost of the commercial contracts held by the public body and what options there might be to reduce and restructure these costs by renegotiating contracts:

- What contracts with a total contract value of £5m or more are held by the body or by the department on their behalf (by total contract value, annual value, start and expiry date, and supplier)?
- What opportunities will there be to renegotiate major contracts?
- What major procurements with a total project contract value of £5m or more will be conducted during 2016-20?

Areas subject to Cabinet Office Spending Controls

Unless agreed with the Cabinet Office by exception, the Cabinet Office controls cover all public bodies classified for national accounts purposes as central government. If bodies are expecting to commit

expenditure covered by the controls, detailed guidance on what is required is available online at GOV.UK¹⁹. The controls currently cover expenditure in:

- advertising, marketing and communications;
- strategic supplier management, including disputes;
- commercial models;
- digital and technology;
- external recruitment;
- consultancy;
- redundancy and compensation;
- learning and development; and
- property.

Major Projects

Unless otherwise agreed by Cabinet Office and HM Treasury, all projects of public bodies that meet the criteria for inclusion on the Government Major Projects Portfolio (GMPP) come under the Infrastructure and Projects Authority (IPA) scrutiny and assurance processes. This includes the quarterly provision of project data to IPA in the form of GMPP returns, publication of key project facts in the IPA Annual Report under the transparency agenda, and projects being subject to IPA-led assurance reviews throughout their lifecycle.

Workforce

Departments should consider the size and cost of the public body's workforce.

- What workforce reductions have already been agreed for the body? Is there potential to go further? Are these linked to digital savings referenced earlier?
- Are the pay and conditions of the workforce in alignment with public sector pay policy?
- What will the size of the body's workforce be in terms of FTE and cost for the following functional categories? Cabinet Office can provide standard definitions for each functional category:
 - HR
 - Finance
 - Legal
 - IT
 - Estates
 - Procurement
 - Communications
 - Internal Audit

Departments should also consider to what extent cross-government services available are used by the body to deliver the above functional areas, and whether further efficiencies could be sought by using these services further.

¹⁹ To be found at <http://www.gov.uk/government/publications/cabinet-office-controls>

Construction

Departments should consider savings the public body can make beyond the present 15-20% savings agreed under the Government Construction Strategy i.e. trajectories should push as far as possible towards 30%.

- What CDEL do you project for the body for each financial year where allocated?
- What major construction projects are planned?
- What will the change in costs be against published benchmarks?

Fraud, Error, Debt and Grants

Departments should consider whether the level of fraud, error and debt for their public bodies is understood and, if they are, what savings can be made through the increased prevention and detection of fraud and error loss, and the efficient and effective debt management and collection of overdue debt.

Fraud and Error

- What is the detected level of fraud and error loss in the last financial year?
- Is there an estimate of the current level of losses due to fraud and error?
- Does the organisation have a comprehensive fraud risk assessment? Are the top five fraud risks understood?
- Has a fraud and error measurement exercise been undertaken on spend areas where there are multiple similar transactions?
- If there are any significant losses through fraud and error, what reductions can be made through increased prevention or detection?

Debt

- Does the department, and each public body, have a debt management strategy that has been agreed with their finance director, and adheres to Managing Public Money and the Consolidated Budgeting Guidance?
- What is the current level of overdue debt?
- How much debt was written off or remitted in the last financial year?
- How much overdue debt has the department collected, both internally and through external debt collection companies, in the last financial year?
- What savings could the body deliver through preventing overdue debt arising upstream and using more effective and efficient routes for debt collection?
- How will the body reduce losses due to writing off or remitting debt?
- Do you have a specific strategy or activity to increase recovery of fraud loss?

Grants

Departments should consider for their public bodies what the appropriate funding mechanisms in delivering policies are. Departments can make savings through understanding the objectives and outcomes of policies at the inception stages and utilise cross government best practice guidance and training in ensuring the efficiency and effectiveness of grant administration throughout the grants lifecycle provides best value-for-money.

- Have similar policies been undertaken previously?
- What was the lessons learned from previous similar grant schemes?
- Have the objectives / outcomes been defined appropriately for this scheme?
- Has a business case been undertaken with the appropriate funding options identified?

- Can this scheme be competed to ensure best value for money?
- What performance measures have been identified?
- What evaluation criteria has been identified?

Shared Services

The Next Generation Shared Services (NGSS) programme will deliver efficiencies in Government's back-office transactional costs including finance, HR and payroll. The NGSS Strategy was approved by the relevant cabinet sub-committee in February 2012 and published in December 2012. As part of the tailored review, departments should consider whether separate back-office functions are needed and cost effective. Departments should make the case for why their bodies are not delivering these functions through shared services in their review. More detail on the sorts of questions departments should consider is given in the Next Generation Shared Service guidance.

Crown Oversight

A Crown Oversight Function (COF) in the Cabinet Office manages the contractual relationship with ISSC1 and ISSC2 (shared services centres) and the performance management of the stand-alone centres. COF is the gateway to the NGSS programme, acting as an independent entity able to advise departments and their bodies on NGSS 'fit' and advising on the suitability of the ISSCs for their specific needs.

Using shared back-office services to make savings is as relevant to public bodies as it is to departments. As part of the review, departments should consider why separate back office functions are needed and cost effective. Specific areas to explore with bodies are:

- Whether there is a business need for bodies to operate a full in-house back-office function?
- What drivers could support a change i.e. software upgrade, efficiency savings, contract renewal?
- What support would be needed to initiate a change?

If they have not already, departments should provide support to public bodies conducting a review of their back-office function, thinking carefully about:

- How cost effectively they currently deliver their back-office function?
- What cost savings and other benefits could be gained from a back-office transformation?
- What potential drivers there are for change?

COF is planning to undertake a review of 2012 strategy with a view to widening the scope of the original strategy and identifying potential solutions for smaller organisations.

COF is available to advise departments further on the programme's benefits and decision process if required.

Annex C: Principles of Good Corporate Governance

A guide for assessing good corporate governance

This guidance has been designed to assess good corporate governance in non-departmental public bodies (NDPBs) and can be adapted for assessing good corporate governance in executive agencies and non-ministerial departments.²⁰

Corporate governance is:

- “the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation’s objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.”²¹

Good Corporate Governance

Good corporate governance is central to the effective operation of all public bodies. As part of the review process, therefore, the governance arrangements in place in NDPBs should be reviewed. This should be led by the sponsoring department, working closely with the chair, and, where appointed, the CEO, who will have a key responsibility for ensuring that strong and robust corporate governance arrangements are in place²². As a minimum, the controls, processes and safeguards in place in NDPBs should be assessed against the principles and policies set out in the relevant code of good corporate governance set out in this guidance. These reflect best practice in the public and private sectors and, in particular, draw from the principles and approach set out in *Corporate Governance in Central Government Departments: Code of Good Practice*²³. For NDPBs established as companies, or which have charitable status, the public body must also be fully compliant with relevant statutory and administrative requirements.

Comply or Explain

The “comply or explain” approach is the standard approach to corporate governance in the UK. In keeping with this approach, the department and NDPB will need to identify as part of the review any areas of non-compliance and explain why an alternative approach has been adopted and how this approach contributes to good corporate governance. Reasons for non-compliance might include the need for structures and systems to remain proportionate, commercial considerations or concerns about cost and value for money.

²⁰ Cabinet Office will be designing additional guidance for executive agencies and non-ministerial departments in due course.

²¹ *Corporate Governance in Central Government Departments: Code of Good Practice*, p.9. To be found at <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

²² This approach will also ensure that proper use is made of existing assurance and audit reports and help avoid duplication.

²³ To be found at <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

NDPBs: Principles of Good Corporate Governance

Accountability

Statutory Accountability - Principle

The public body complies with all applicable statutes and regulations, and other relevant statements of best practice.

Supporting provisions

- The public body must comply with all statutory and administrative requirements on the use of public funds. This includes the principles and policies set out in the HMT publication *Managing Public Money*²⁴ and Cabinet Office/HM Treasury spending controls. The body must operate within the limits of its statutory authority and in accordance with any delegated authorities agreed with the sponsoring department²⁵.
- The body should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000. It should have a comprehensive publication scheme. It should proactively release information that is of legitimate public interest where this is consistent with the provisions of the act.
- The body must be compliant with data protection legislation.
- The body should be subject to the Public Records Acts 1958 and 1967.

Accountability for Public Money - Principle

The accounting officer of the public body is personally responsible and accountable to Parliament for the use of public money by the body and for the stewardship of assets.

Supporting provisions

- There should be a formally designated accounting officer for the public body. This is usually the most senior official (normally the chief executive).
- The role, responsibilities and accountability of the accounting officer should be clearly defined and understood. The accounting officer should have received appropriate training and induction. The body should be compliant with the requirements set out in *Managing Public Money*²⁶, relevant “Dear Accounting Officer” letters and other directions. In particular, the accounting officer of the NDPB has a responsibility to provide evidence-based assurances required by the principal accounting officer (PAO). The PAO requires these to satisfy him or herself that the accounting officer responsibilities are being appropriately discharged. This includes, without reservation, appropriate access of the PAO’s internal audit service into the NDPB.
- The body should establish appropriate arrangements to ensure that public funds:
 - are properly safeguarded;
 - used economically, efficiently and effectively;
 - used in accordance with the statutory or other authorities that govern their use; and
 - deliver value for money for the Exchequer as a whole.

²⁴ To be found at <https://www.gov.uk/government/publications/managing-public-money>

²⁵ For NDPBs established as companies, or which have charitable status, departments should also ensure that the public body is fully compliant with relevant statutory and administrative requirements.

²⁶ To be found at <https://www.gov.uk/government/publications/managing-public-money>

The body's annual accounts should be laid before Parliament. The Comptroller and Auditor General should be the external auditor for the body.

Ministerial Accountability - Principle

The minister is ultimately accountable to Parliament and the public for the overall performance of the public body.

Supporting provisions

- The minister and sponsoring department should exercise appropriate scrutiny and oversight of the body.
- Appointments to the board should be made in line with any statutory requirements and, where appropriate, with the code of practice issued by the Commissioner for Public Appointments.
- The minister will normally appoint the chair and all non-executive board members of the body and be able to remove individuals whose performance or conduct is unsatisfactory.
- The minister should be consulted on the appointment of the chief executive and will normally approve the terms and conditions of employment²⁷.
- The minister should meet the chair and/or chief executive on a regular basis.
- A range of appropriate controls and safeguards should be in place to ensure that the minister is consulted on key issues and can be properly held to account. These will normally include:
 - a requirement for the body to consult the minister on the corporate and/or operational business plan;
 - a requirement for the exercise of particular functions to be subject to guidance or approval from the minister;
 - a general or specific power of ministerial direction over the body;
 - a requirement for the minister to be consulted by the body on key financial decisions. This should include proposals by the body to: (i) acquire or dispose of land, property or other assets; (ii) form subsidiary companies or bodies corporate; and (iii) borrow money; and
 - a power to require the production of information from the body which is needed to answer satisfactorily for the body's affairs.
- There should be a requirement to inform Parliament of the activities of the body through publication of an annual report.

Roles and Responsibilities

Role of the Sponsoring Department - Principles

The departmental board ensures that there are robust governance arrangements with the board of each public body. These arrangements set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.

There is a sponsor team within the department that provides appropriate oversight and scrutiny of, and support and assistance to, the public body.

Supporting provisions

- The departmental board's regular agenda should include scrutiny of the performance of the body. The departmental board should establish appropriate systems and processes to ensure that there

²⁷ Where the Chief Executive will also be Accounting Officer for the public body, the Principal Accounting Officer in the sponsor department, usually the Permanent Secretary, should also be consulted.

are effective arrangements in place for governance, risk management and internal control in the public body.

- There should be a framework document in place which sets out clearly the aims, objectives and functions of the body and the respective roles and responsibilities of the minister, the sponsoring department and the body. This should follow relevant Cabinet Office and HM Treasury guidance²⁸. The framework document should be published. It should be accessible and understood by the sponsoring department, all board members and by the senior management team in the body. It should be regularly reviewed and updated.
- There should be a dedicated sponsor team within the sponsor department. The role of the sponsor team should be clearly defined.
- There should be regular and ongoing dialogue between the sponsoring department and the body. Senior officials from the sponsoring department may as appropriate attend board and/or committee meetings. There might also be regular meetings between relevant professionals in the sponsoring department and the body.

Role of the Board - Principles

The public body is led by an effective board which has collective responsibility for the overall performance and success of the body. The board provides strategic leadership, direction, support and guidance.

The board – and its committees – have an appropriate balance of skills, experience, independence and knowledge.

There is a clear division of roles and responsibilities between non-executive and executives. No one individual has unchallenged decision-making powers.

Supporting provisions

- The board of the public body should:
 - meet regularly;
 - retain effective control over the body; and
 - effectively monitor the senior management team.
- The size of the board should be appropriate.
- Board members should be drawn from a wide range of diverse backgrounds.
- The board should establish a framework of strategic control (or scheme of delegated or reserved powers). This should specify which matters are specifically reserved for the collective decision of the board. This framework must be understood by all board members and by the senior management team. It should be regularly reviewed and refreshed.
- The board should establish formal procedural and financial regulations to govern the conduct of its business.
- The board should establish appropriate arrangements to ensure that it has access to all such relevant information, advice and resources as is necessary to enable it to carry out its role effectively.
- The board should make a senior executive responsible for ensuring that appropriate advice is given to it on all financial matters.
- The board should make a senior executive responsible for ensuring that board procedures are followed and that all applicable statutes and regulations and other relevant statements of best practice are complied with.

²⁸ To be found at <https://www.gov.uk/government/publications/managing-public-money>

- The board should establish a remuneration committee to make recommendations on the remuneration of top executives²⁹. Information on senior salaries should be published. The board should ensure that the body's rules for recruitment and management of staff provide for appointment and advancement on merit.
- The chief executive should be accountable to the board for the ultimate performance of the public body and for the implementation of the board's policies. He or she should be responsible for the day-to-day management of the body and should have line responsibility for all aspects of executive management.
- There should be an annual evaluation of the performance of the board and its committees – and of the chair and individual board members³⁰.

Role of the Chair - Principle

The chair is responsible for leadership of the board and for ensuring its overall effectiveness.

Supporting provisions

- The board should be led by a non-executive chair.
- There should be a formal, rigorous and transparent process for the appointment of the chair. This should be compliant with the code of practice issued by the Commissioner for Public Appointments³¹. The chair should have a clearly defined role in the appointment of non-executive board members.
- The duties, role and responsibilities, terms of office and remuneration of the chair should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance³² and with any statutory requirements. The responsibilities of the chair will normally include:
 - representing the public body in discussions with Ministers;
 - advising the sponsoring department and Ministers about board appointments and the performance of individual non-executive board members;
 - ensuring that non-executive board members have a proper knowledge and understanding of their corporate role and responsibilities. The chair should ensure that new members undergo a proper induction process and is normally responsible for undertaking an annual assessment of non-executive board members' performance;
 - ensuring that the board, in reaching decisions, takes proper account of guidance provided by the sponsoring department or ministers;
 - ensuring that the board carries out its business efficiently and effectively;
 - representing the views of the board to the general public; and
 - developing an effective working relationship with the chief executive and other senior staff.
- The roles of chair and chief executive should be held by different individuals.

²⁹ In government departments, the committee's responsibilities include setting bonus payments and scrutinising succession planning.

³⁰ The sponsoring department is responsible for assessing the performance of the chair. The chair is responsible for assessing the performance of non-executive board members.

³¹ To be found at <http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/>

³² *Public Appointments: Guidance to Departments*. To be found at <https://www.gov.uk/government/publications/code-of-practice-for-ministerial-appointments-to-public-bodies>

Role of Non-Executive Board Members - Principle

As part of their role, non-executive board members provide independent and constructive challenge.

Supporting provisions

- There should be a majority of non-executive members on the board.
- There should be a formal, rigorous and transparent process for the appointment of non-executive members of the board. This should be compliant with the code of practice issued by the Commissioner for Public Appointments³³.
- The duties, role and responsibilities, terms of office and remuneration of non-executive board members should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance³⁴ and with any statutory requirements. The corporate responsibilities of non-executive board members (including the chair) will normally include:
 - establishing the strategic direction of the public body (within a policy and resources framework agreed with Ministers);
 - overseeing the development and implementation of strategies, plans and priorities;
 - overseeing the development and review of key performance targets, including financial targets;
 - ensuring that the body complies with all statutory and administrative requirements on the use of public funds;
 - ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsoring department;
 - ensuring that high standards of corporate governance are observed at all times. This should include ensuring that the body operates in an open, accountable and responsive way; and
 - representing the board at meetings and events as required.
- All non-executive board members must be properly independent of management³⁵.
- All non-executive board members must allocate sufficient time to the board to discharge their responsibilities effectively. Details of board attendance should be published (with an accompanying narrative as appropriate).
- There should be a proper induction process for new board members. This should be led by the chair. There should be regular reviews by the chair of individual members' training and development needs.

Effective financial management - Principle

The public body has taken appropriate steps to ensure that effective systems of financial management and internal control are in place.

Supporting provisions

Annual Reporting

- The body must publish on a timely basis an objective, balanced and understandable annual report. The report must comply with HM Treasury guidance.

³³ To be found at <http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/>

³⁴ *Code of Conduct for Board Members of Public Bodies*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

³⁵ "Independence" on private sector boards is determined according to criteria set out in the *UK Corporate Governance Code* (Paragraph B.1.1). To be found at <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>

Internal Controls

- The body must have taken steps to ensure that effective systems of risk management are established as part of the systems of internal control.
- The body must have taken steps to ensure that an effective internal audit function is established as part of the systems of internal control. This should operate to government internal audit standards and in accordance with Cabinet Office guidance³⁶. The effective internal audit function could be provided by a cross-government supplier – e.g. XDIAS.
- There must be appropriate financial delegations in place. These should be understood by the sponsoring department, by board members, by the senior management team and by relevant staff across the body. Effective systems should be in place to ensure compliance with these delegations. These should be regularly reviewed.
- There must be effective anti-fraud and anti-corruption measures in place.
- There must be clear rules in place governing the claiming of expenses. These should be published. Effective systems should be in place to ensure compliance with these rules. The body should proactively publish information on expenses claimed by board members and senior staff.
- The annual report should include a statement on the effectiveness of the body's systems of internal control.

Audit Committee

- The board should establish an audit (or audit and risk) committee with responsibility for the independent review of the systems of internal control and of the external audit process.

External Auditors

- The body should have taken steps to ensure that an objective and professional relationship is maintained with the external auditors.

Communications - Principle

The body is open, transparent, accountable and responsive.

Supporting provisions

Communications with Stakeholders

- The public body should have identified its key stakeholders. It should establish clear and effective channels of communication with these stakeholders.

Communications with the Public

- The public body should make an explicit commitment to openness in all its activities. It should engage and consult with the public on issues of real public interest or concern. This might be via new media. It should publish details of senior staff and board members together with appropriate contact details.
- The body should consider holding open board meetings or an annual open meeting.
- The body should proactively publish agendas and minutes of board meetings.
- The body should proactively publish performance data.
- In accordance with transparency best practice, bodies should consider publishing their spend data over £500. By regularly publishing such data and by opening their books for public scrutiny, bodies

³⁶ Section 5, *Public Bodies Guide for Departments Chapter 6: Financial Management - Accountability*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

can demonstrate their commitment to openness and transparency and to making themselves more accountable to the public.

- The body should establish effective correspondence handling and complaint procedures. These should make it simple for members of the public to contact the body and to make complaints. Complaints should be taken seriously. Where appropriate, complaints should be subject to investigation by the Parliamentary Ombudsman³⁷. The body should monitor and report on its performance in handling correspondence.

Marketing and PR

- The public body must comply with the Government's conventions on publicity and advertising³⁸. These conventions must be understood by board members, senior managers and all staff in press, communication and marketing teams.
- Appropriate rules and restrictions must be in place limiting the use of marketing and PR consultants.
- The body should put robust and effective systems in place to ensure that the public body is not, and is not perceived to be, engaging in political lobbying. This includes restrictions on board members and staff attending party conferences in a professional capacity³⁹.

Conduct and Behaviour - Principle

The board and staff of the public body work to the highest personal and professional standards. They promote the values of the body and of good governance through their conduct and behaviour.

Supporting provisions

Conduct

- A code of conduct must be in place setting out the standards of personal and professional behaviour expected of all board members. This should follow the Cabinet Office code⁴⁰. All members should be aware of the code. The code should form part of the terms and conditions of appointment.
- The body has adopted a code of conduct for staff. This is based on the Cabinet Office model code⁴¹. All staff should be aware of the provisions of the code. The code should form part of the terms and conditions of employment.
- There are clear rules and procedures in place for managing conflicts of interest. There is a publicly available register of interests for board members and senior staff. This is regularly updated.
- There are clear rules and guidelines in place on political activity for board members and staff. There are effective systems in place to ensure compliance with any restrictions.

³⁷ This requires the public body to be listed in the Parliamentary Commissioner Act 1967.

³⁸ Section 6 "Publication", *Public Bodies Guide for Departments Chapter 8: Openness and Accountability*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

³⁹ Section 3, *Code of Conduct for Board Members of Public Bodies*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

⁴⁰ *Code of Conduct for Board Members of Public Bodies*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

⁴¹ *Public Bodies Guide for Departments Chapter 5: Public Body Staff*. To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

- There are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement. These are effectively enforced.

Leadership

Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective codes of conduct.

NDPBs (with Advisory Functions): Principles of Good Corporate Governance

NDPBs (with Advisory Functions) are set up to provide independent expert advice to ministers on an ongoing basis. They are usually established administratively (although some are set up by statute), financed directly by the department and supported by civil servants of the sponsor department. Advisory bodies are usually accounted for through the accounts of the sponsor department. By contrast, other NDPBs are often set up through legislation, employ their own staff and prepare their own accounts for presentation to Parliament.

Corporate governance is defined as the way in which organisations are directed, controlled and led. Ultimately, it defines where accountability lies. This guide has been prepared to set out corporate governance arrangements for NDPBs (with Advisory Functions). It takes account of the principles set out in the Corporate Governance Code for Central Government Departments.

The attached framework sets out the broad principles of good corporate governance, and the policies that underpin these, which should apply to all NDPBs (with Advisory Functions). These principles should be applied in a proportionate manner, and when assessing adherence against these principles departments should employ the standard comply or explain methodology.

Accountability

Accountability - Principle

The minister is ultimately accountable to Parliament and the public for the overall performance, and continued existence, of the NDPB (with Advisory Functions).

Supporting provisions

- The minister and sponsoring department should exercise appropriate scrutiny and oversight of the body. This includes oversight of any public monies spent by, or on behalf of, the body.
- Appointments to the body should be made in line with any statutory requirements and, where appropriate, with the code of practice issued by the Commissioner for Public Appointments.
- The minister will normally appoint the chair and all board members of the body and be able to remove individuals whose performance or conduct is unsatisfactory.
- The minister should meet the chair on a regular basis.
- There should be a requirement to inform Parliament and the public of the work of the body in an annual report (or equivalent publication) proportionate to its role.
- The body must be compliant with data protection legislation.
- The body should be subject to the Public Records Acts 1958 and 1967.

Roles and Responsibilities

Role of the Sponsoring Department - Principles

The departmental board ensures that there are appropriate governance arrangements in place with the NDPB (with Advisory Functions).

There is a sponsor team within the department that provides appropriate oversight and scrutiny of, and support and assistance to, the body.

Supporting provisions

- Depending on the risks to the department's wider objectives and/or the size of the advisory body, the following arrangements may need to be put in place:
 - The departmental board's agenda should include scrutiny of the performance of the body proportionate to its size and role.
 - There should be a document in place which sets out clearly the terms of reference of the body. It should be accessible and understood by the sponsoring department and by the chair and members of the body. It should be regularly reviewed and updated.
 - There should be a dedicated sponsor team within the sponsor department. The role of the sponsor team should be clearly defined.
 - There should be regular and ongoing dialogue between the sponsoring department and the body.
 - There should be an annual evaluation of the performance of the body and any supporting committees – and of the chair and individual members.

Role of the Chair - Principle

The chair is responsible for leadership of the NDPB (with Advisory Functions) and for ensuring its overall effectiveness.

Supporting provisions

- The body should be led by a non-executive chair.
- There should be a formal, rigorous and transparent process for the appointment of the chair. This should be compliant with the code of practice issued by the Commissioner for Public Appointments. The chair should have a clearly defined role in the appointment of non-executive board members.
- The duties, role and responsibilities, terms of office and remuneration (if only expenses) of the chair should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance and with any statutory requirements. The responsibilities of the chair will normally include:
 - representing the body in any discussions with ministers;
 - advising the sponsoring department and ministers about member appointments and the performance of members ;
 - ensuring that the members have a proper knowledge and understanding of their role and responsibilities. The chair should ensure that new members undergo a proper induction process and is normally responsible for undertaking an annual assessment of non-executive board members' performance;
 - ensuring that the body, in reaching decisions, takes proper account of guidance provided by the sponsoring department or ministers;
 - ensuring that the body carries out its business efficiently and effectively; and
 - representing the views of the body to the general public, when required.

Role of other members - Principle

The members should provide independent, expert advice.

Supporting provisions

- There should be a formal, rigorous and transparent process for the appointment of members to the NDPB (with Advisory Functions). This should be compliant with the code of practice issued by the Commissioner for Public Appointments.
- Members should be properly independent of the department and of any vested interest (unless serving in an ex-officio or representative capacity).
- Members should be drawn from a wide range of diverse backgrounds, but should have knowledge and expertise in the field within which the body has been set up to advise ministers. The body as a whole should have an appropriate balance of skills, experience, independence and knowledge.
- The duties, role and responsibilities, terms of office and remuneration of members should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance and with any statutory requirements.
- All members must allocate sufficient time to the body to discharge their responsibilities effectively.
- There should be a proper induction process for new members. This should be led by the chair. There should be regular reviews by the chair of individual members' training and development needs.
- All members should ensure that high standards of corporate governance are observed at all times. This should include ensuring that the body operates in an open, accountable and responsive way.

Communications - Principle

The NDPB (with Advisory Functions) should be open, transparent, accountable and responsive.

Supporting provisions

- The body should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000.
- The body should make an explicit commitment to openness in all its activities. Where appropriate, it should establish clear and effective channels of communication with key stakeholders. It should engage and consult with the public on issues of real public interest or concern. This might include holding open meetings or annual public meetings. The results of reviews or inquiries should be published.
- The body should proactively publish agendas and minutes of its meetings.
- There should be robust and effective systems in place to ensure that the body is not, and is not perceived to be, engaging in political lobbying. There should also be restrictions on members attending party conferences in a professional capacity.

Conduct and behaviour - Principle

Members should work to the highest personal and professional standards. They should promote the values of the NDPB (with Advisory Functions) and of good governance through their conduct and behaviour.

Supporting provisions

- A code of conduct must be in place setting out the standards of personal and professional behaviour expected of all members. This should follow the Cabinet Office Code. All members should be aware of the code. The code should form part of the terms and conditions of appointment.
- There are clear rules and procedures in place for managing conflicts of interest. There is a publicly available register of interests for members. This is regularly updated.

- There must be clear rules in place governing the claiming of expenses. These should be published. Effective systems should be in place to ensure compliance with these rules.
- There are clear rules and guidelines in place on political activity for members and that there are effective systems in place to ensure compliance with any restrictions.
- There are rules in place for members on the acceptance of appointments or employment after resignation or retirement. These are enforced effectively.

Annex D: Additional Guidance for Reviews of Public Sector Research Establishments

Introduction

Public sector research establishments (PSREs) are a diverse collection of public bodies carrying out research. This research supports a wide range of Government objectives, including informing policy making, statutory and regulatory functions and providing a national strategic resource in key areas of scientific research. They can also provide emergency response services. They interact with businesses around a wide array of innovation-related functions.

Purpose of the Guidance

This guidance provides a set of high-level principles to be considered for use alongside other existing guidance to inform decision making when reviewing the role and delivery model of PSREs. It provides a framework for considering the role, function and form of the PSRE and which delivery model best serves the role it is required to provide to the Government. It supplements the guidance contained in the core of this document with additional context for reviews of PSREs.

How to use the guidance

This guide is to be used alongside the methodology described in this tailored review guidance and other Cabinet Office guidance on executive agencies⁴². Additionally reviewers should consult the Director of Business Innovation at the Department for Business, Energy and Industrial Strategy in order to ensure growth impacts are properly considered and to explore scope for efficiencies.

This guidance concentrates on the function and form of the PSRE. It provides a set of questions to be considered, and a framework which can be used when doing this.

Overview of areas for consideration

Due to the unique nature of PSREs, sponsoring departments need to consider the functional areas alongside the delivery model which best serves them. The three key themes are:

- a) Policy and Regulation - the policy, regulatory and emergency response roles played by the PSRE which is supported by its scientific and technical expertise/capabilities and resources. This should also include services provided across Government, and in an international context. The PSRE may also support Government in enabling it to be an 'intelligent customer' for evidence and research.
- b) Science - the special scientific and technical capabilities, facilities and resources held or maintained by the PSRE and the importance of these to national or international research capability. The PSRE may also have a role in advanced scientific training and education, and the exploitation of technology.
- c) The economic / innovation system - the broader economic roles the PSRE plays in local, regional, national or international systems, such as knowledge transfer, commercialisation activity. It may also provide an advisory service, or have a role in setting and monitoring national or international standards and accreditation.

⁴² To be found at <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

Review principles

The review must identify each of the functions of the body, and decide whether those functions are still required. Once decisions have been made on the future of those functions, the review can move on to consider each function in more depth.

The following basic principles should underpin the review process. They are split into two areas – the function and form of the PSRE.

Function:

- A PSRE must support Government policy and decision-making through its capabilities, expertise and the assets it holds, and the activities it performs, playing a unique or distinctive role in policy/regulatory, science or economic/innovation systems. This is reflected in the PSRE's ability to support the goals, priorities, operations and service delivery of the sponsor and other departments, and to wider science and economic and innovation systems.
- Government needs to consider the public value it seeks to obtain in the short, medium and long-term, and how this can best be obtained. Not only must sponsors and customers be as clear as possible about their likely future needs, but the review must take into consideration cross-Government requirements and over-arching priorities.
- PSREs also function as supports to business in different ways of innovation and firm growth. The review should establish a clear understanding of these functions.

Form:

- The review must focus on selecting a sustainable business model that can maintain the capabilities, expertise and assets required in the short, medium and long term whilst maximising value for money and avoiding state aid issues. The real costs of maintaining the capabilities, expertise and assets under alternative business models should also be fully considered.
- The possible risks and benefits of closer collaboration with other organisations where synergies might be achievable, within or, where appropriate, outside of the UK, should be considered as part of the business model review.
- The business model should maximise the exploitation of assets, knowledge, technology or expertise for economic benefit, so long as this does not jeopardise their ability to fulfil the role required by Government in the short, medium and longer term. The review must consider not simply the risks and opportunities to the sponsor or customer of alternative business models but must also consider cross-Government risks and opportunities.
- The existing business model should be as rigorously tested as any alternative models, and presumption should not be that the status quo must be the best way.

Process

It is important to note that the review should not be a closed process involving only the sponsor and the PSRE. Users, including those in industry, audiences and cross-government stakeholders should be genuinely engaged in the review.

The review should ensure that it identifies and takes account of the strategic challenges and opportunities facing the PSRE. It is critical that this is done in consultation with stakeholders who understand the role and potential of the organisation (including those with experience of commercialising research) to help identify the range of opportunities available. This will help to develop a clear sense of the strategic priorities for the PSRE moving forward. Strategic thinking tools such as SWOT analysis and gap analysis may be useful in this regard.

The review framework on page 36 can be used to set out the issues identified with the roles and delivery model of the PSRE. The questions below should be used to supplement the framework.

Reviewing the function of the PSRE

The first stage of the review should identify and examine the key functions of the PSRE. It should assess how the functions contribute to the core business of PSRE, the sponsor and wider stakeholders including the Government Office for Science, and should consider whether the functions are still needed.

1. Does the PSRE have a unique or distinctive role in national or international policy or regulatory systems?
 - a. Does it provide a statutory or regulatory service?
 - b. What policy advice or support roles does it have?
 - c. Does it provide an emergency response role for government?
 - d. Does it carry out foresight or horizon-scanning research, assessing future threats or challenges, and support longer term UK interests?
 - e. Does the PSRE contribute to cross government functions and capabilities?
 - f. Does the PSRE act as the intelligent customer for evidence and research commissioned from other bodies?
 - g. Does the PSRE perform an international policy role or otherwise contribute to the international obligations of government, for instance, participation in or monitoring for, intergovernmental or treaty bodies, collaboration with partner institutes in other countries?
 - h. Does the PSRE directly develop technology necessary to support one of the functions of Government?
2. Does the PSRE play a unique or distinctive role in its science field, either domestically or internationally?
 - a. Does the PSRE provide special expertise in particular research fields/problem areas? Does it play a distinctive role in major national or international research networks/collaborations/communities in these areas? Are there any barriers to collaboration that need to be addressed by this review?
 - b. Does the PSRE have particular expertise in specific techniques or research methods that are considered to be nationally or internationally important?
 - c. Does the PSRE hold unique resources such as research facilities, sample or specimen collections, datasets, or other resources that are considered to be nationally or internationally important?
 - d. Does the PSRE play a critical role in advanced scientific training and education in its research fields, problem areas, or in relation to its resources that is considered to be regionally, nationally or internationally important?
3. Does the PSRE play a unique or distinctive role/s in local, national, sectorial or international innovation systems, e.g. through the provision of expertise, contract research, special facilities, knowledge transfer, technical services, certification, accreditation, advisory or extension services, or through the provision of other support services or other kinds of 'public good' that the market would otherwise fail to provide?
 - a. Does the PSRE play a role in specific sectors or range of sectors, nationally or internationally?

- b. Does the PSRE provide a service which the market would otherwise fail to provide, or does not have the capabilities to do so?
- c. Does the PSRE play a role in a local economic zone or cluster?
- d. Does the PSRE play a special role in the setting of national standards?
- e. Does the PSRE play a special role in international standards setting activities?
- f. Does the PSRE have a role in encouraging inward UK investment through its international policy advice, monitoring or other roles?
- g. Does the PSRE support patterns of training and mobility that support particular sectors?
- h. Does the PSRE play a role in promoting translation of research?

Reviewing the delivery model of the PSRE

The review should then consider how the function of the PSRE might best be delivered. The existing business model should be as rigorously tested as any alternative models. A checklist of delivery options is available at Annex A on page 10 of this document.

Reviewers should also consider the following questions:

1. How does the PSRE's business model support its particular role e.g. the governance relationship with its sponsor, financial accountability, performance management, HR issues, access to complementary funding streams, relationship with other clients inside/outside government, relationships with other countries, etc.? Could its role be underpinned sustainably by alternative business models? Could this be undermined by alternative business models? Could an alternative business model enhance its ability to carry out its role?
2. Are there other actors capable of playing or contributing to those roles?
3. Are there any constraints which affect the extent to which other actors might perform those roles? For instance, the specialised nature of the expertise/capabilities, resources or training in question, or the need to maintain expertise, facilities or resources required to underpin the special policy roles discussed above, capacity of the parent department/sponsor to act as an intelligent customer/commissioner may be constraints. Are there other reasons why these roles still need to be performed by the PSRE under the current business model? Even with such constraints, can these actors still be involved in some way?
4. Does the business model allow the PSRE to maximise commercial activities without compromising their ability to fulfil the role required by Government and its stakeholders? Would any change minimise complexity or reduce administration costs?
5. Does the business model have a positive or negative impact on the PSRE's eligibility for new or existing funding streams, or are there state aid issues which could arise? Are there implications on VAT exemptions which could affect its tax liability?

Review framework	Theme 1: Policy & Regulation	Theme 2: Science	Theme 3: Economic/ Innovation/ System	Is this supported by the current business model?	Can other actors undertake this role?	What are the constraints on which other actors could perform this role and are there benefits?
Does the PSRE play a unique role in this area?						
Does the PSRE have distinctive expertise?						
Does the PSRE play a specific government /statutory function?						
Does the PSRE have a cross government function?						
Does the PSRE have an international function?						
Does the PSRE have the potential to commercialise this role?						
Does the PSRE support businesses on innovation and growth?						

Summary of Considerations

1. What are the short/medium/long term objectives of the government and how does the PSRE contribute to them?
2. Are other actors capable of playing, or contributing to, or offering assets in support of the roles and activities needed to fulfil the functions of the PSRE? Are there alternative business models which can deliver increased impact and/or overcome any current constraints including allowing other actors be involved?
3. Are there reasons why these roles should continue to be performed by the PSRE and how are the capabilities, assets, expertise and activities which support Government policy and UK interests sustainably underpinned by the current or a revised business model?
4. To what extent could alternative business models support the delivery of the PSRE's functions?
5. Under which business model is the PSRE most likely to maximise the exploitation of assets, knowledge, technology or expertise without risking the ability to generate the public value sought by Government in the short, medium and long term and without creating state aid issues or having an adverse impact on sources of funding?

Next Steps

After examining the role of the PSRE and the most appropriate delivery model, the review should move to scrutinising the governance arrangements of the organisation and the scope for the body delivering efficiencies.

Annex E: Additional Guidance for Reviews of NDPBs that Provide Scientific Advice to Government

Scientific Advisory Committees or Councils (both terms are abbreviated to SAC) help government departments (and other executive public bodies) access, interpret and understand the full range of relevant scientific information, and to make judgements about its relevance, potential and application. Such committees give advice on a very wide range of issues, spanning everything from the food we grow and eat, to the quality of our environment, the safety of our roads and transport, and the design of buildings we live and work in. They review, and sometimes commission scientific research, and offer independent expert judgement, including highlighting where facts are missing and where uncertainty or disagreement exists. SACs may be required to provide advice on the state of current knowledge, the application of information to specific issues, or both.

SACs that are NDPBs are subject to tailored review. Government Office for Science should be consulted as part of reviews of such NDPBs (with Advisory Functions), at a minimum as part of the development of the terms of reference of the review, and then later in the process once emerging recommendations are in place.

Further advice on the operation of Scientific Advisory Committees are available in guidance maintained by Government Office for Science, including the principles of scientific advice to government and the Code of Practice for Scientific Advisory Committees.⁴³

⁴³ To be found at <https://www.gov.uk/government/publications/scientific-advisory-committees-code-of-practice>