



**CABINET OFFICE**

**GUIDANCE ON REVIEWS OF NON DEPARTMENTAL PUBLIC BODIES**

**JUNE 2011**



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## 1. **INTRODUCTION**

1.1 This guidance sets out the principles and process by which departments should review their non-departmental public bodies (NDPBs). It sets out the requirements underpinning the review process, lists the principles by which all reviews should be conducted and provides advice and guidance on the review process itself.

1.2 Any questions on the guidance, or on the review process more generally, should be directed towards the Cabinet Office. Contact details as follows:

Public Bodies Team

Cabinet Office

Tel: 020 7276 0387/0269

Email: [ndpbreviews@cabinet-office.x.gsi.gov.uk](mailto:ndpbreviews@cabinet-office.x.gsi.gov.uk)

1.3 This guidance replaces Chapter 9 (“*Reviewing a Public Body*”) of the Cabinet Office publication “*Public Bodies: A Guide for Departments*”<sup>1</sup>. Additional copies of the guidance can be downloaded from:

[www.cabinetoffice.gov.uk/content/public-bodies-and-appointments](http://www.cabinetoffice.gov.uk/content/public-bodies-and-appointments)

## 2. **KEY PRINCIPLES**

2.1 All reviews should be conducted in line with the following key principles. Reviews should be:

**Proportionate**. Reviews must not be overly bureaucratic and should be appropriate for the size and nature of the NDPB in question.

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<sup>1</sup> *Public Bodies: A Guide for Departments*, Cabinet Office, 2006, [www.cabinetoffice.gov.uk/content/public-bodies-and-appointments](http://www.cabinetoffice.gov.uk/content/public-bodies-and-appointments)

**Timely**. Reviews should be completed quickly – the first stage ideally within three months – to minimise disruption to the NDPB’s business and reduce uncertainty about the NDPB’s future.

**Challenging**. Reviews should be robust and rigorous. They should evidence the continuing need for individual functions and examine and evaluate as wide a range as possible of delivery options.

**Inclusive**. Reviews should be open and inclusive. Individual NDPBs must be engaged in reviews. Key users and stakeholders should have the opportunity to contribute to reviews. Parliament should be informed about the commencement and conclusions of reviews.

**Transparent**. All reviews should be announced and all reports of reviews should be published.

**Value for Money**. Reviews should be conducted in a way that represents value for money for the taxpayer.

### **3. SCOPE**

- 3.1 All NDPBs<sup>2</sup> must be regularly reviewed by their sponsoring Department in line with the principles and procedures set out in this guidance<sup>3</sup>.
- 3.2 The Cabinet Office maintains an up-to-date list of NDPBs and can advise on any questions of status.

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<sup>2</sup> This includes executive NDPBs, advisory NDPBs, Tribunal NDPBs and Independent Monitoring Boards. When reviewing the smaller NDPBs, Departments must ensure that the review process is proportionate to the size and nature of the NDPB in question.

<sup>3</sup> Although not covered by this guidance, national public corporations, non-Ministerial Departments and other arm’s length bodies should also be subject to regular review.

#### **4. TIMING**

4.1 NDPBs should be reviewed at least once every three years. Any exceptions to this must be agreed with the Cabinet Office.

4.2 Individual Departments, working with the Cabinet Office, will draw up a three year forward programme of reviews for their NDPBs. The Cabinet Office will update and publish the forward programme of reviews on an annual basis.

#### **5. PURPOSE**

5.1 Reviews have two principal aims:

- (i) to provide a robust challenge of the continuing need for individual NDPBs – both their functions and their form; and
- (ii) where it is agreed that a particular body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance.

#### **6. FORMAT AND CONTENT**

6.1 Reviews will have two distinct stages reflecting the two principal aims above.

##### *First Stage*

6.2 The first stage of the review should identify and examine the key functions of the NDPB. It should assess how the functions contribute to the core business of the NDPB and the sponsor Department and consider whether the functions are still needed. Where the Department concludes that a particular function is still needed, the review should then examine how this function might best be delivered.

- 6.3 When assessing how functions should be delivered, the review should examine a wide range of delivery options. This should include whether the function can be delivered by the local government, voluntary or private sectors. It should also include an examination of different central government delivery models, including whether the function can be delivered by the sponsoring Department, by a new or existing Executive Agency or by another existing central government body. It is Government policy that NDPBs should only be set up, and remain in existence, where the NDPB model can be clearly evidenced as the most appropriate and cost-effective model for delivering the function in question. A checklist of key delivery options is attached at **Annex A**. Reviews must evidence that functions have been assessed against a wide range of delivery options.
- 6.4 In many cases, some delivery options can be quickly rejected. However, for each function under consideration, the review should identify all viable delivery options and undertake a fuller assessment of these options<sup>4</sup>. Where appropriate, this should include a cost and benefits analysis<sup>5 6</sup>. If one of the delivery options is the NDPB option, this must also include an assessment against the Government's "three tests"<sup>7</sup>. Based on these fuller assessments, the department can then make an informed decision on how the function should be delivered in the future.

### Second Stage

- 6.5 Where the outcome of the first stage of the review is that the NDPB will remain, the Department, working with the Chair and CEO of the NDPB

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<sup>4</sup> This might include not delivering the function at all.

<sup>5</sup> The National Audit Office has published a memorandum on reorganising arms length bodies. This includes good practice principles to help identify, manage and realise costs and benefits:

[http://www.nao.org.uk/publications/1011/pasc\\_memo\\_arms\\_length\\_bodies.aspx](http://www.nao.org.uk/publications/1011/pasc_memo_arms_length_bodies.aspx)

<sup>6</sup> This should include an assessment of any employment implications.

<sup>7</sup> The "three tests" are: 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 (such as certain regulatory or funding functions); or is this a function which needs to be delivered independently of Ministers to establish facts and/or figures with integrity.

concerned, should then review the control and governance arrangements in place to ensure that the public body is operating in line with recognised principles of good corporate governance. This includes requirements on openness, transparency and accountability.

- 6.6 Guidance on principles of good corporate governance in executive NDPBs<sup>8</sup> is attached at **Annex B**. As a minimum, Departments should assess the controls, processes and safeguards in place in their executive NDPBs against the principles set out in this Annex. In keeping with the “comply or explain” approach to corporate governance in the UK, the Department and NDPB will need to identify in 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.

## **7. PLANNING AND PREPARATION**

- 7.1 Departments should plan effectively for reviews. In particular, Departments should ensure that appropriate resources are identified, that robust review structures are in place and that reviewers and review teams have the necessary skills, experience and seniority. Departments should also ensure that reviews make good use of existing relevant work and information.
- 7.2 As part of the forward planning process, Departments should ensure that they fully explore options for conducting joint reviews of related NDPBs. Departments should also consider combining the requirements of a NDPB review within the scope of any already planned reviews or evaluations of their public bodies.

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<sup>8</sup> Separate guidance for advisory NDPBs is currently being drafted.

## **8. THE REVIEW TEAM**

8.1 Departments are responsible for carrying out reviews. Reviews can be carried out by an individual or by a team, depending on the size and nature of the NDPB under review. In many cases, reviews will be conducted by departmental civil servants<sup>9</sup> - but Departments should consider the benefits of bringing external expertise into the review process. This might be achieved by building an element of “peer review” into the process by inviting a senior official or board member from another NDPB onto the review team or onto the Challenge Group (see paragraph 11.4 below).

## **9. ANNOUNCING REVIEWS**

9.1 As a minimum, Departments should announce the commencement of reviews by Written Ministerial Statement<sup>10</sup>. This should be in both the House of Commons and the House of Lords. Departments should also inform relevant select committees and alert key stakeholders and partners as appropriate.

## **10. STAKEHOLDER INVOLVEMENT**

10.1 Individual NDPBs must be consulted on reviews and have the opportunity to input and comment from the planning process onwards (and must absolutely have the chance to comment on emerging conclusions and recommendations).

10.2 Key stakeholders should also have the opportunity to input into reviews, particularly of the larger NDPBs. This might be achieved by inviting comments or contributions from interested parties, by inviting key partners to sit on the Challenge Group or by sharing draft reports and recommendations with key stakeholders. In keeping with the core principles underpinning

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<sup>9</sup> Reviews should not, however, be conducted exclusively by civil servants involved in the day-to-day sponsorship of the NDPB – although sponsor teams can be involved in reviews.

<sup>10</sup> The WMS can be a very short, straightforward announcement – signposting further information as appropriate.

reviews, any engagement must be proportionate, timely and provide clear value for money for users and taxpayers.

- 10.3 Parliament must also have the opportunity to input into individual reviews and to scrutinise the outcomes. Departments must, therefore, alert the relevant departmental select committee when starting reviews and ensure that the committee has the opportunity to comment and contribute. When announcing the results of reviews, Departments should ensure that a copy of the announcement and of all relevant reports is made available to the select committee.

## **11. REVIEW GOVERNANCE**

### *The Role of Departments*

- 11.1 Departments are ultimately responsible for ensuring that their NDPBs are regularly reviewed in line with the principles and procedures set out in this guidance.
- 11.2 Together with the Cabinet Office, Departments should agree a three-year programme of reviews covering all their NDPBs. Any significant changes to the programme once agreed must be approved by Cabinet Office.
- 11.3 Departments will provide all the resources for reviews, including reviewers and review teams.
- 11.4 Reviews of the larger NDPBs should be overseen by a Challenge Group<sup>11</sup>. The role of the Challenge Group is to rigorously and robustly test and challenge the assumptions and conclusions of the review. Members of the Challenge Group should be independent of the NDPB and of the sponsoring unit within the Department. The Group should include a non-executive

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<sup>11</sup> There must be appropriate senior challenge of reviews. Where Departments propose to deliver this through a mechanism other than a Challenge Group, this needs to be agreed in advance with Cabinet Office.

member of the Departmental Board. The Cabinet Office should be invited to join the Group.

- 11.5 The results of reviews should be agreed and approved by the relevant Departmental Minister and by the Departmental Board (in line with any relevant processes and procedures put in place by individual Boards).

*The Role of the Cabinet Office*

- 11.6 The Cabinet Office will provide central oversight of the NDPB review programme. In particular:
- (i) Cabinet Office will provide advice and guidance to departments on reviews, build up a library of reviews and identify and share good practice in conducting reviews;
  - (ii) Cabinet Office will agree and publish a forward programme of reviews;
  - (iii) Cabinet Office will be invited to be a member of all Challenge Groups; and
  - (iv) Cabinet Office will be formally consulted on the outcomes of all reviews. This must include consultation at Ministerial level. Where there is a potential spending or fiscal impact from the outcome of a review, the Cabinet Office and the department must also liaise with HM Treasury before any final decisions are taken.

## 12. **ANNOUNCING THE RESULTS OF REVIEWS**

- 12.1 As a minimum, Departments should announce the outcomes of reviews by Written Ministerial Statement. This should be in both the House of Commons and the House of Lords<sup>12</sup>.
- 12.2 The results of reviews should be published<sup>13</sup>. Copies should be placed in the Libraries of the House. A copy of the announcement and of all relevant publications should also be made available to the relevant departmental select committee.

### **COST**

- 13.1 The cost of reviews should be borne from within existing resources. In keeping with the core principles of proportionality and value for money, the cost of reviews should be kept to the minimum necessary.
- 13.2 The reports of reviews must set out in full any additional<sup>14</sup> costs arising from the review process.

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<sup>12</sup> The WMS can be a very short, straightforward announcement – signposting further information as appropriate.

<sup>13</sup> Where reports contain confidential or sensitive data, this does not need to be published. But the published reports must contain sufficient detail to allow readers to understand and assess the basis on which decisions have been made. The presumption must be to publish as much information as possible.

<sup>14</sup> “*Additional costs*” mean any extra costs arising as a direct result of reviews. This should include, for example, the costs of any external consultancy or advice or any T&S costs directly attributable to the review. This should also include any extra costs incurred by the body under review.



**CHECKLIST OF DELIVERY OPTIONS**

This checklist sets out a range of delivery options that Departments should consider when reviewing the functions of their NDPBs. This is not an exhaustive list – and Departments are encouraged to think creatively when reviewing how functions might be delivered. However, as a minimum, Departments should be able to evidence that they have considered all of the options set out in this checklist when reviewing the functions of their NDPBs.

**DELIVERY OPTIONS**

- **Abolish**. Why does the function need to continue? How does this contribute to the core business of the NDPB and the parent Department? How does this contribute to wider Government policy objectives? Is there a demand for the function or activity from users? Is providing the function a justifiable use of taxpayers' money? What would be the cost and effects of not delivering the function?
  
- **Move out of Central Government**<sup>15</sup>. Why does central government need to deliver this function? Can the function be delivered by local government, by the voluntary sector or by the private sector? Is there an existing provider (or providers) in the local government, voluntary or private sector that could deliver this function? Can the function be privatised or delivered under contract by the voluntary or private sector? Can the function be delivered by a mutual, Community Interest Company or social enterprise? What are the risks and benefits of moving the function out of central government?

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<sup>15</sup> In the case of Advisory NDPBs, this option should include assessing whether the functions of the body can be provided by engaging directly with users, stakeholders, sectors and communities.

- **Bring In-House**<sup>16</sup>. Why does the function need to be delivered at arms length from Ministers? Can the function be delivered more efficiently or effectively by the parent Department or by an existing Agency of the parent Department? What would be the cost and benefits of bringing the function in-house?
- **Merge with another body**<sup>17</sup>. Are there any other areas of central government delivering similar or complimentary functions? Does the function duplicate work undertaken elsewhere? Could the function be merged with those of another public body?
- **Delivery by a new Executive Agency**. Could the function be delivered by a new Executive Agency? What would be the costs and benefits of this?
- **Continued delivery by a NDPB**. Does the function pass at least one of the Government's "three tests"<sup>18</sup>? How well is the NDPB currently delivering the function? What is the view of users and stakeholders? Are the freedoms and flexibilities inherent in the NDPB model being used to deliver the function? Have all other possible delivery options been examined and evaluated?

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<sup>16</sup> In the case of Advisory NDPBs, this option should include assessing whether the functions of the body can be delivered through more informal ad hoc arrangements, or by internal committees of civil servants and/or wider public servants.

<sup>17</sup> In the case of Tribunal NDPBs, the clear expectation is that, wherever possible, functions will move to the First-tier or Upper Tribunal administered by Ministry of Justice. This Tribunal brings together in a single judicial body the tribunal jurisdictions for appeals against the decisions of most central government bodies.

<sup>18</sup> The "three tests" are: 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 (such as certain regulatory or funding functions); or is this a function which needs to be delivered independently of Ministers to establish facts and/or figures with integrity.

**PRINCIPLES OF GOOD CORPORATE GOVERNANCE IN EXECUTIVE NDPBs**

**Corporate Governance**

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.”*

**Principles of 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 executive NDPBs should be reviewed. This should be led by the sponsoring Department, working closely with the Chair and CEO who will have a key responsibility for ensuring that strong and robust corporate governance arrangements are in place<sup>19</sup>. As a minimum, the controls, processes and safeguards in place in executive NDPBs should be assessed against the principles and policies 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 the draft *Corporate Governance in Central Government Departments: Code of Good Practice*. For NDPBs established as companies, or which have charitable status, the public body must also be fully compliant with relevant statutory and administrative requirements.

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<sup>19</sup> This approach will also ensure that proper use is made of existing assurance and audit reports and help avoid duplication.

## **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.

# **EXECUTIVE NDPB: PRINCIPLES OF GOOD CORPORATE GOVERNANCE**

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**EXECUTIVE NDPB:**  
**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”<sup>20</sup> and Cabinet Office/HM Treasury spending controls.
- The public body must operate within the limits of its statutory authority and in accordance with any delegated authorities agreed with the sponsoring department<sup>21</sup>.
- The public 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 public body must be compliant with Data Protection legislation.
- The public body should be subject to the Public Records Acts 1958 and 1967.

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<sup>20</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

<sup>21</sup> 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.

## **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 public body should be compliant with the requirements set out in “Managing Public Money<sup>22</sup>”, 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 Office responsibilities are being appropriately discharged. This includes, without reservation, appropriate access of the PAO’s internal audit service into the NDPB.
- The public body should establish appropriate arrangements to ensure that public funds:
  - are properly safeguarded;
  - used economically, efficiently and effectively;

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<sup>22</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

- used in accordance with the statutory or other authorities that govern their use; and
  - deliver value for money for the Exchequer as a whole.
- The public 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 public 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 public 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 employment<sup>23</sup>.

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<sup>23</sup> 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.

- 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 public 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 public body;
  - a requirement for the Minister to be consulted by the public body on key financial decisions. This should include proposals by the public 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 public 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 public 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 arm's length 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 public body. The departmental board should establish appropriate systems and processes to ensure that there 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 public body and the respective roles and responsibilities of the Minister, the sponsoring department and the public body. This should follow relevant Cabinet Office and HM Treasury guidance<sup>24</sup>. 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 public body. It should be regularly reviewed and updated.

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<sup>24</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

- There should be a dedicated sponsor team within the parent department. The role of the sponsor team should be clearly defined.
- There should be regular and ongoing dialogue between the sponsoring department and the public 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 public 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.
- The Board should establish a remuneration committee to make recommendations on the remuneration of top executives<sup>25</sup>. 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.

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<sup>25</sup> In Government Departments, the committee's responsibilities include setting bonus payments and scrutinising succession planning.

- 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 public 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 members<sup>26</sup>.

## **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 Appointments<sup>27</sup>. 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 guidance<sup>28</sup> and with any statutory requirements. The responsibilities of the Chair will normally include:

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<sup>26</sup> 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.

<sup>27</sup> <http://www.publicappointmentscommissioner.org/>

<sup>28</sup> "Making and Managing Public Appointments", Cabinet Office, 2006  
<https://update.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

- 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.

### **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 Appointments<sup>29</sup>
- 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 guidance<sup>30</sup> 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 public 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;

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<sup>29</sup> <http://www.publicappointmentscommissioner.org/>

<sup>30</sup> “*Making and Managing Public Appointments*”, Cabinet Office, 2006  
<https://update.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

- ensuring that high standard of corporate governance are observed at all times. This should include ensuring that the public body operates in an open, accountable and responsive way; and
  - representing the board at meetings and events as required.
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- All non-executive Board members must be properly independent of management<sup>31</sup>.
  - 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.

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<sup>31</sup> "Independence" on private sector boards is determined according to criteria set out in the *UK Corporate Governance Code* (para B.1.1).

## **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.

#### ***Internal Controls***

- The public body must have taken steps to ensure that effective systems of risk management are established as part of the systems of internal control.
- The public 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 guidance<sup>32</sup>
- 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 public body. Effective systems should be in place to ensure compliance with these delegations. These should be regularly reviewed.

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<sup>32</sup> Section 5, Chapter 6, “*Public Bodies: A Guide for Departments*”, Cabinet Office, 2006.

- 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 public 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 Public 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 boards members together with appropriate contact details.
- The public body should consider holding open board meetings or an annual open meeting.
- The public body should proactively publish agendas and minutes of board meetings.
- The public body should proactively publish performance data.
- In accordance with transparency best practice, public bodies should consider publishing their spend data over £500. By regularly publishing such data and by opening their books for public scrutiny, public bodies can demonstrate their commitment to openness and transparency and to making themselves more accountable to the public.

- The public body should establish effective correspondence handling and complaint procedures. These should make it simple for members of the public to contact the public body and to make complaints. Complaints should be taken seriously. Where appropriate, complaints should be subject to investigation by the Parliamentary Ombudsman<sup>33</sup>. The public 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 advertising<sup>34</sup>. 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 public 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 capacity<sup>35</sup>.

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<sup>33</sup> This requires the public body to be listed in the Parliamentary Commissioner Act 1967.

<sup>34</sup> "Public Bodies: A Guide for Departments", Cabinet Office, 2006

<http://www.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

<sup>35</sup> <http://www.cabinetoffice.gov.uk/resource-library/public-bodies-reform-proposals-change>

## **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 public 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 Code<sup>36</sup>. All members should be aware of the Code. The Code should form part of the terms and conditions of appointment.
- The public body has adopted a Code of Conduct for staff. This is based on the Cabinet Office model Code<sup>37</sup>. 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.

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<sup>36</sup> ["Code of Conduct for Board Members of Public Bodies", Cabinet Office, 2011  
<http://www.civilservice.gov.uk/about/resources/public-appointments.aspx>]

<sup>37</sup> "Public Bodies: A Guide for Departments", Cabinet Office, 2006  
<http://www.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

- 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.