



Cabinet Office

# Tailored Reviews: Guidance on Reviews of Public Bodies

May 2019

## Contents

Introduction .....	4
Scope of this Guidance .....	5
Purpose .....	5
Key Principles .....	5
Proportionality .....	6
Challenge .....	6
Terms of Reference .....	6
Devolution.....	6
The UK Leaving the EU .....	7
Good Corporate Governance .....	7
Partnerships Code of Good Practice .....	7
Transparency.....	7
Efficiency .....	7
Review Team.....	9
Challenge Panel.....	9
Being Strategic.....	9
Review Scope and Timing.....	9
Pace.....	10
Inclusivity .....	10
Transparency of Reviews .....	11
Publication .....	11
Departmental Clearance .....	11
Priority Reviews .....	11
Non-Executive Director Oversight and Involvement .....	12
Annex A – Delivery Options, the ‘Three Tests’ and the Devolved Context .....	13
Checklist of delivery options .....	13
The ‘Three Tests’.....	14
Understanding the devolved context.....	14
Annex B – Identifying and Realising Improvements in Efficiency and Effectiveness and Wider Benefits.....	15
Designing Reviews for Impact .....	15
Identifying and Specifying Benefits .....	16
Assessment of Barriers to Implementation.....	17
Role of the Public Bodies Team in Benefits Realisation .....	18

The Relationship with Other Programmes and Cross-Functional Specialisms .....	19
Digital Service Standards .....	19
Technology Infrastructure .....	20
Commercial Models .....	20
Property.....	21
Procurement of Common Goods and Services .....	23
Commercial Relationships .....	23
Areas Subject to Cabinet Office Spending Controls .....	23
Major Projects .....	23
Workforce.....	24
Construction .....	24
Fraud, Error, Debt and Grants .....	24
Shared Services .....	26
Annex C: Principles of Good Corporate Governance .....	30
Good Corporate Governance.....	30
Comply or Explain .....	30
NDPBs: Principles of Good Corporate Governance.....	31
Accountability.....	31
Roles and Responsibilities .....	32
NDPBs (with Advisory Functions): Principles of Good Corporate Governance.....	38
Accountability.....	38
Roles and Responsibilities .....	39
Annex D: Additional Guidance for Reviews of Public Sector Research Establishments.....	42
Annex E: Additional Guidance for Reviews of NDPBs that Provide Scientific Advice to Government .....	48

## Introduction

Our public bodies have an important part to play in delivering the Government's vision of high quality services for all our citizens. To do so effectively they need to be set up correctly, be well-governed, and observe high standards of transparency and efficiency. 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 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 now include executive agencies and non-ministerial departments.

The 2015-20 tailored review programme was agreed at a point when it was envisaged that Parliament would be dissolved in 2020, in line with the provisions of the Fixed-term Parliaments Act 2011. This also coincided with the last year of the Spending Review period. Following the 2017 General Election, the programme was not re-set to the new term of the Parliament, but to continue as planned until 2020. A new programme of reviews of arm's length bodies will be put in place from 2020, learning from the current tailored review programme, this will, as part of its focus ensure bodies not covered by the current programme are assessed for early review. Therefore, any references to 'this Parliament' in this guidance should be read as meaning the period 2015-2020.

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 Bodies 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, and is an update of the *Tailored Reviews: Guidance on Reviews of Public Bodies* published in 2016. It 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 introduced in 2016 included:

- 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 this Parliament; and
- a move away from the two stages to a more seamless approach to reviews.

This update includes new requirements for review teams to:

- consider the effectiveness of the relationship between the body being reviewed and its sponsoring department (paras 12-14);

- consider the body's compliance with central government requirements on transparency (paras 15-17); and
- ensure that they comply with the Public Sector Equality Duty (para 35).

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

**Chloe Smith MP**  
Minister for the Constitution

## 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 Constitution (MfC) who is responsible for public body policy. The MfC will clear the terms of reference for all tailored reviews. The MfC will also clear the final report of all Tier 1 priority reviews<sup>1</sup>.

## Key Principles

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

---

<sup>1</sup> 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.

## 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.
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 context<sup>2</sup>. In some instances the scope and reach of a body 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 nations of Scotland, Wales and Northern Ireland. Understanding the remit and reach of the body, dependencies and stakeholders within each of the devolved nations as well as within England, should be a fundamental part of scoping the review.

---

<sup>2</sup> More detail is given in **Annex A**.

## 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 will 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. Therefore, as part of the review process, 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 sectors and in particular, draw from the principles and approach set out in *Corporate Governance in Central Government Departments: Code of Good Practice*<sup>3</sup>.

## Partnerships Code of Good Practice

12. Reviews should consider the effectiveness of the relationship between the body and its sponsoring department and whether it is consistent with the principles set out in the Partnerships Code of Good Practice<sup>4</sup>. This should include a proper focus on the departmental arrangements and side of the relationship as well as the arm's length body (ALB).
13. The Code recognises that partnerships will vary according to the purpose, size, structure and public interest in the body. However, they should be underpinned by common principles:
  - **Purpose** - the purpose of the arm's length body should be clear and well understood;
  - **Assurance** - there should be a proportionate approach to assurance;
  - **Value** - departments and arm's length bodies should share skills and experience; and
  - **Engagement** - partnerships should be based on open, honest and constructive working relationships.
14. Departments and arm's length bodies have been asked to use the Code to jointly assess the effectiveness of their partnerships. It should also form the basis for any partnership with a newly created arm's length body. The principles should be formalised in framework documents and other partnership agreements.

## Transparency

15. Public bodies should operate in an open and transparent manner, which shows clear accountability for their resources and performance.
16. Reviews should consider bodies' compliance against central government

---

<sup>3</sup> Cabinet Office and HM Treasury, Corporate governance in central government departments: Code of Practice, April 2017, <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

<sup>4</sup> Cabinet Office, Partnerships between departments and arm's length bodies: Code of Good Practice, February 2017 <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>

requirements on transparency, specifically those set out in the guidance *How to publish central government transparency data*<sup>5</sup> and against any other best practice principles and standards of transparency for public bodies issued by the Cabinet Office.

17. Reviews should determine whether transparency data is published in a timely manner, in an open format that is consistent with cross-government guidance and is easy to find on both the body's website and Find Open Data ([data.gov.uk](https://data.gov.uk)).

### Efficiency

18. Reviews should consider issues of efficiency, including the potential for efficiency savings<sup>6</sup>, 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 growth<sup>7</sup>. 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 efficiencies<sup>8</sup>.
19. 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.
20. 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.
21. Where review teams identify efficiency savings, they should provide a written explanation of the methodology they have used to derive these figures. Anticipated savings should be set out in terms of the financial years in which they will be released, and should be broken down to identify the elements which make up the total savings. The data should be presented in an easily understandable format in order to ensure clarity and transparency.

---

<sup>5</sup> Cabinet Office, How to publish central government transparency data, <https://www.gov.uk/government/collections/how-to-publish-central-government-transparency-data>

<sup>6</sup> More detail is given in **Annex B**

<sup>7</sup> As committed to in the Government's response to the Heseltine Review into economic growth, March 2013 <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>

<sup>8</sup> For further details please contact the PBT at: [publicbodiesreform@cabinetoffice.gov.uk](mailto:publicbodiesreform@cabinetoffice.gov.uk)

22. Where the review draws upon other material, that material should be referenced and hyperlinked where published, or appended where not.

### **Review Team**

23. 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. However, reviews should not 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.
24. 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 department should lead and how best to involve all others. Cabinet Office can assist in facilitating these conversations.

### **Challenge Panel**

25. Reviews may be subject to the scrutiny of a Challenge Panel, whose purpose is to test and challenge the assumptions and conclusions of the review rigorously and robustly. 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**

26. 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.
27. 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 at a later date .
28. 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.

29. 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 Cabinet Office has produced an assurance toolkit to assist with this process and will support departments in completing this process for Tier 1 and 2 priority reviews.
30. 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.
31. In formulating or revising 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 Comprehensive 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 MfC approval.
32. The Cabinet Office has worked with departments to agree the prioritisation of reviews. While departments' plans should reflect this prioritisation, they are also encouraged to continue with reviews that fall outside it.

### **Pace**

33. 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**

34. 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 may also include discussion with Trade Unions. It will be for departments to define the form such engagement should take, and how it is evidenced in the published report.
35. When conducting a review, the review team must comply with the Public Sector

Equality Duty, as set out in the Equality Act 2010<sup>9</sup>. It should have regard to the equality impact of any of its recommendations on the staff of the body or the customers who benefit from the public services that the body delivers. An acknowledgement that this has been done should be included in the final review report, and a record of these considerations should be retained. Legal advice should be sought where appropriate.

36. 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 of Reviews

### Publication

37. The final report should set out any recommendations, including any that address areas of non-compliance with corporate governance. Any such issues of non-compliance<sup>10</sup> should be considered by the sponsor. An implementation plan for the agreed recommendations should be agreed between the public body and the sponsor.
38. 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.
39. 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.

### Departmental Clearance

40. Departments should determine their 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

41. 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.
42. 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

---

<sup>9</sup> Government Equalities Office, Equality Act 2010: guidance, <https://www.gov.uk/guidance/equality-act-2010-guidance>

<sup>10</sup> Principles of Good Corporate Governance for NDPBs are set out at **Annex C** and follow a 'comply or explain' methodology. The principles of good corporate governance for executive agencies are set out in The Cabinet Office's Executive Agencies: a guide for departments, March 2018 <https://www.gov.uk/government/publications/executive-agencies-characteristics-and-governance>. Departments may wish to adopt these principles for reviews of other types of public body.

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.

43. For Tier 1 priority reviews, the Cabinet Office will review emerging findings, and the MfC will sign off on the final report before publication. For Tier 2 priority reviews, the Cabinet Office will review the emerging findings and then sign off on the final report before publication. For Tier 3 reviews, the Cabinet Office will audit a sample of reviews across the programme.
44. Scrutiny will be applied at a corresponding level for departmental reviews. For example, the MfC will need assurance that Tier 1 priority reviews are conducted in line with the principles of tailored reviews.
45. Cabinet Office involvement in priority reviews will depend on the public body under review but will normally involve input from the PBT in clearing terms of reference and MfC clearance of the final report. 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**

46. 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.
47. 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 <sup>11</sup>	<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 <sup>12</sup>	<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 sponsoring department or by an existing executive agency of the sponsoring 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>

<sup>11</sup> 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.

<sup>12</sup> See also Annex B on commercial models.

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> <p>What would be the costs and benefits of merger?</p> <p>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?</p> <p>Could the function be delivered by an informal stakeholder group?</p> <p>Could the function be delivered by an expert committee?</p> <p>What would be the costs and benefits of moving to a less formal structure?</p> <p>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?</p> <p>What would be the costs and benefits of this?</p> <p>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?</p> <p>How well is the NDPB currently delivering its functions?</p> <p>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) and the Territorial Offices to understand better devolution issues in the policy and delivery areas in question. They can also access the Devolution Toolkit,<sup>13</sup> 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.

<sup>13</sup> A devolution toolkit, January 2017 <https://www.gov.uk/government/publications/devolution-toolkit>

## Annex B – Identifying and Realising Improvements in Efficiency and Effectiveness and Wider Benefits

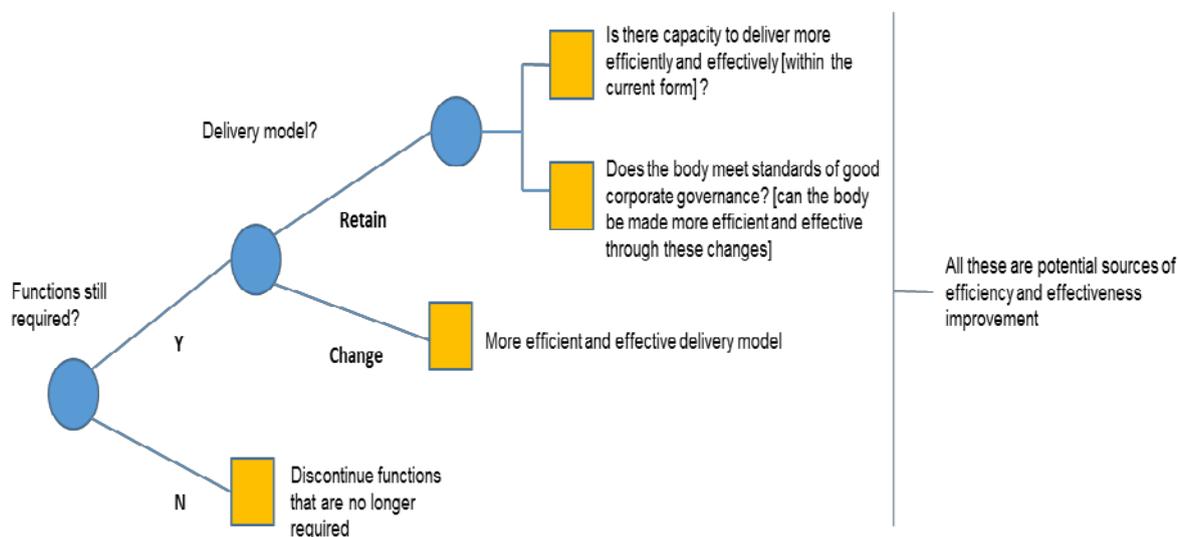
When reviewing public bodies, departments should ensure that questions of whether, how and where efficiencies can be made within bodies are considered as part of the review process, whilst maintaining a proportionate approach, including recognising the progress that may have already been made by ALBs in previous Spending Review periods. 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. Additionally, opportunities to generate income to reduce the amount of funding from the Exchequer should also be considered.

Tailored reviews should be designed to identify real and tangible improvements in the efficiency and effectiveness of the body being reviewed. Improvements in efficiency and effectiveness are part of an integrated approach to benefits realisation.

Where changes to a particular body may create efficiency opportunities or other benefits to bodies or sectors outside the organisation under consideration for the tailored review (for example, benefits to business), the Cabinet Office is also interested in understanding these effects.

Incorporating efficiency, effectiveness and wider benefits into a tailored review should not be seen as an independent or separate exercise to the process for conducting a review outlined in this document. Figure 1 below demonstrates how the consideration of efficiencies fits into questions around form, function and appropriate delivery models for ALBs.

**Figure 1**



### Designing Reviews for Impact

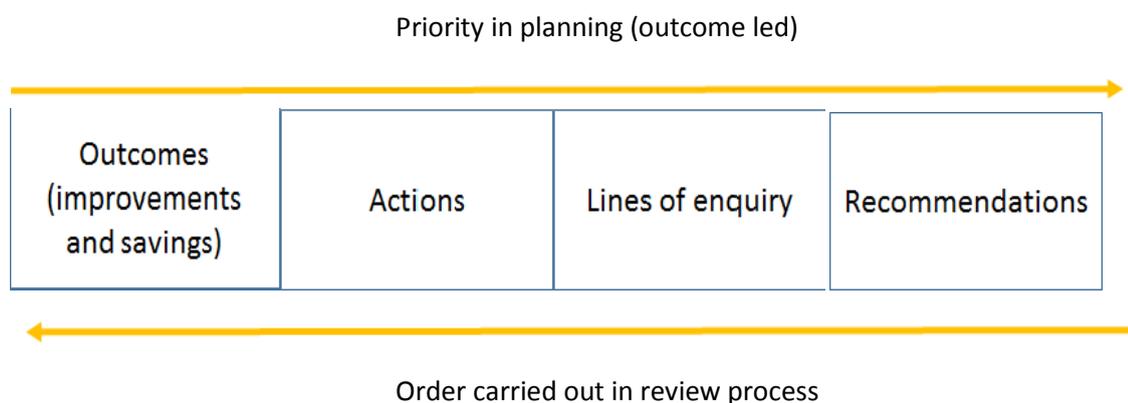
Delivering real benefits from reviews will not happen automatically. Reviews should be planned with a purpose. Reviews should consider the identification, specification and

measurement of benefits throughout the process, from inception through to the recommendations made, to subsequent implementation.

There should be a 'golden thread', traceable in both directions from the benefits sought, to the recommendations made, to the evidence and analysis gathered from the lines of enquiry followed.

This is not to say that reviews cannot, or should not evolve over time. On the contrary, the review's lines of enquiry can be a living document that is added to and refined based on the emerging findings.

**Figure 2**



The Cabinet Office will challenge review teams on the extent to which benefits realisation is integrated into the plans for each review. There is no prescribed format but they should take account of:

- the key lines of enquiry set out in the tailored review guidance;
- the body's objectives;
- existing efficiency commitments; and
- cross-government functional agendas (see below for specific areas and questions that should be considered).

## Identifying and Specifying Benefits

Reviews should seek and recognise three types of benefit:

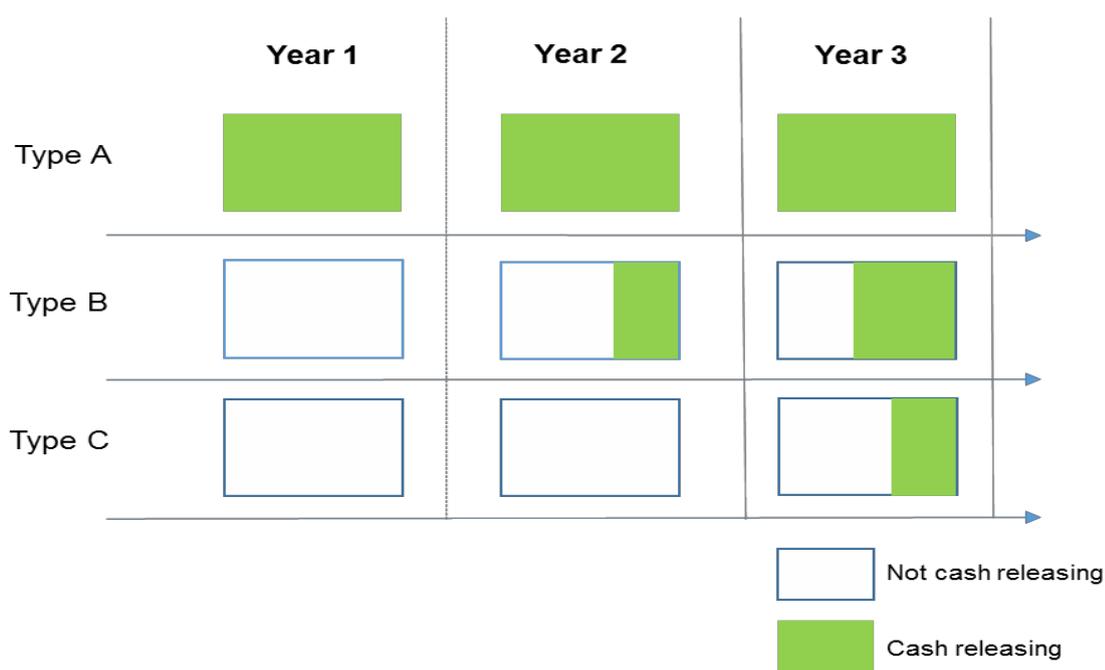
**Type A** – cash releasing or cash generative benefits, for example, an increase in charging or better debt recovery: *these benefits should be reflected in immediate cashable savings.*

**Type B** – efficiencies or improvements in outcomes, for example, greater use of shared services, release of resources to front-line activity: *these benefits should result in increased productivity/other improved performance outcomes of which some will be cashable in the short-medium term.*

**Type C** – wider benefits, for example, improved governance, transparency, accountability, or staff engagement: *these benefits may not result in cashable savings immediately, but some may yield or prompt cashable savings in the medium term.*

Benefits do not always manifest immediately as efficiency improvements. However, other types of benefits that reviews often identify, such as improvements in governance, decision-making and staff morale, should over the longer term, contribute to a more efficient, effective and productive organisation.

**Figure 3**



Benefits are relevant for as long as they are live but will only score as cashable benefits within the relevant Spending Review period from which they originate.

We will track actions as they are implemented working on the principle that improvements in governance, processes and decision making today should lead to savings efficiencies and performance improvements in the future.

### Assessment of Barriers to Implementation

Potential benefits should be assessed for the difficulty or ease with which they can be realised. Benefits that rely on a long delivery chain, such as those that require significant actions from other bodies or departments that are not directly influenced by the review, may be more difficult to realise than implementation actions entirely within the control of the body leading the review. Another example of a barrier could be the cost of investment required to realise the efficiency, weighed against the benefits gained.

## Key elements of proposed approach within each review

Review stage	Key actions for chairs and review boards
1. <b>Planning</b>	<p>A description of how the review will be structured to deliver benefits should be set out clearly in the terms of reference. This should include potential sources of efficiency and effectiveness improvements and wider benefits, according to the scheme set out above. The planned approach should be proportionate to the body's size, budget and influence.</p> <p>The scale of likely benefits needs to be estimated in broad terms at this stage.</p>
2. <b>Mid-way</b>	<p>Review chairs should firm up estimates of specific benefits including some categorisation of benefits into, for example, workforce, property, commercial and digital.</p> <p>At this stage, it would be helpful if an indicative timescale for benefits could also be included.</p>
3. <b>Completion and action planning</b>	<p>The review sign off process requires review chairs to sign off an implementation action plan, setting out, for each of the recommendations and benefits, the actions, owners and timescales.</p> <p>The action plan will form the basis of follow-up and the Cabinet Office will track implementation of the recommendations and actions to which the department and the body have committed.</p> <p>At this stage, a benefits realisation methodology needs to be agreed for key benefits.</p>
4. <b>Follow-up and tracking</b>	<p>Key actions and benefits will be tracked and followed up by the Cabinet Office through normal reporting channels between sponsor teams and the Public Bodies Team. Any tracking will be done in a proportionate way according to the resources available to departments.</p>

## Role of the Public Bodies Team in Benefits Realisation

The Public Bodies Team (PBT) has an important challenge role within the review process, but is also a key source of support, both directly and through its enabling role:

- **Challenge** – we will be providing constructive challenge throughout the review process on the extent to which benefits management is integrated.
- **Direct support and guidance** – we will support departments and review teams with

guidance and follow up support on integrating benefits realisation into review plans. We will help with technical queries, advise on the process, and signpost good practice.

- **Enabling** – we are a gateway to a wider pool of expertise within the Cabinet Office and beyond. We want departments to have access to the best support that the Cabinet Office can provide. We encourage departments to think early about where potential efficiencies and other benefits might arise so that we can broker support from specialists and experts in commercial, property, grants, fraud and error and other functional specialisms.
- **Tracking** - Key actions and benefits will be tracked and followed up by the Cabinet Office through normal reporting channels between sponsor teams and the Public Bodies Team. Any tracking will be done in a proportionate way according to the resources available to departments.

For any queries please contact [publicbodiesreform@cabinetoffice.gov.uk](mailto:publicbodiesreform@cabinetoffice.gov.uk).

## The Relationship with Other Programmes and Cross-Functional Specialisms

Reviews do not take place in a vacuum. In many cases there will be other reviews or ongoing functional agendas that are already aimed at delivering efficiencies or other improvements. These should still be identified and specified. The tailored review should not duplicate the effort put into these reviews, and should not be a competitor to them. It should, however, be used to facilitate, accelerate, and expand the benefits realised from the collective effort. The section below refers to the functional areas in which Cabinet Office has expert teams which can support reviews if required. This list of functions is not intended to be exhaustive with regard to types of efficiency opportunity nor will every functional area be relevant to all arm's length bodies.

### Digital Service Standards

Departments should look at the potential to derive savings from shifting current services to digital channels and transforming transactional services in accordance with the [Digital Service Standard](#). They should follow [the design principles](#) when transforming their services and these services should conform to the Equalities Act 2010 and provide a good quality service to all users, regardless of disability.

ALBs should also use the products GDS runs on behalf of government, including [GOV.UK Notify](#), [Verify](#), [Pay](#), [PaaS](#) and [Data registers](#); and feedback to GDS (via these pages) any factor that might justify not using these services.

These activities should follow the principles set out in the [Government Transformation Strategy](#). All public facing transactional services must meet the [Digital Service Standard](#).

Departments should also ensure that data is consistently published on the [Performance Platform](#)

Departments should think about:

- What user needs will be met by redesigning their service to be digital?
- 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:

- What users need from the service
- How a service is currently delivered
- What does the channel mix (e.g. online, telephone, face-to-face) look like now, and what plans are there to encourage users to shift online
- Value by channel
- Cost per channel / cost per transaction
- Full-time equivalent staff (FTE) per channel
- What is the current spend in this area or areas?
- How many transactions are received by the service per channel (online, phone, paper, face to face)
- How many of these transactions end in an outcome, and a user's intended outcome?
- How many phone calls, letters or in-person visits are there to the service?
- What are the reasons for those phone calls, letters or in-person visits (to get information, chase progress, challenge a decision etc)
- What will the expenditure be after transformation?
- When will savings start to be realised?
- What will be the reduction in average cost per transaction, service or channel?
- 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 Manual](#) and the [Technology Code of Practice](#).

Things to be aware of:

- 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](mailto:commercialmodels@cabinetoffice.gov.uk)) who will be able to provide further advice. There may be bodies 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.

Furthermore, the *Building our Industrial Strategy* Green Paper<sup>14</sup> committed to reviewing the location of arm's length bodies (ALBs) to help support regional economic growth. Departments should ensure that all new ALBs are established outside London and the South-East unless there are overriding reasons why this cannot be the case. Similarly, location will be given greater consideration during tailored reviews and/or any change in ALB structure.

The Office of Government Property (OGP) 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<sup>15</sup>.

---

<sup>14</sup> Building our Industrial Strategy Green Paper, January 2017, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/611705/building-our-industrial-strategy-green-paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/611705/building-our-industrial-strategy-green-paper.pdf)

<sup>15</sup> Cabinet Office, State of the estate report: 2015 to 2016, February 2017, <https://www.gov.uk/government/publications/state-of-the-estate-report-2015-to-2016>

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. The 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.

OGP 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?

OGP report on net running costs in SOFTE

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.

Departments are expected to have met 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 OGP 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 ensure that all public procurement is based on achieving value for money and that they follow procurement processes that comply with UK public procurement policy.

For the procurement of common goods and services, departments and their arm's length bodies, should make use of the Crown Commercial Service's expertise, frameworks and centralised deals. By bringing to bear its specialist category knowledge and buying capabilities, as well as aggregating demand, the Crown Commercial Service (CCS) helps both central government and the wider public sector access the right suppliers and the most competitive prices for common goods and services, achieving better value for the taxpayer.

### **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 £5 million 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 £5 million or more will be conducted during 2017-21?

### **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.UK. The controls currently cover expenditure in:

- Advertising, marketing and communications
- Commercial Control, and dispute disclosure
- Digital and technology, including ID assurance
- Consultancy
- Property, including facilities management (FM)
- Redundancy and compensation
- External recruitment
- Learning and development (Civil Service Learning)

### **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:
  - Commercial
  - Communications
  - Corporate Finance
  - Digital
  - Finance
  - Fraud, Error, Debt and Grants
  - Human Resources
  - Internal Audit
  - Legal
  - Project delivery
  - Property

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.

## Construction

Collective action under the mandate of *Government Construction Strategy 2011-15* delivered £3 billion of efficiency savings over the life of the strategy. Departments should continue to consider increased productivity and savings the public body can make in line with the *Government Construction Strategy 2016-20*<sup>16</sup>, and should push as far as possible for these to enable the forecast efficiency savings of £1.7 billion by 2020, set out in the strategy, to be exceeded.

## 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

- Does the organisation have the Counter Fraud Functional Standards in place?
- Does the organisation have a culture that embraces finding fraud and actively talks about and looks for it?
- Does the organisation have a comprehensive fraud risk assessment? Are the top five fraud risks understood at a senior level?

---

<sup>16</sup> Cabinet Office, *Government Construction Strategy: 2016-2020*, March 2016 <https://www.gov.uk/government/publications/government-construction-strategy-2016-2020>

- 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?
- 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?

## 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?
- Does the department, and each public body know:
  - The level of overdue debt in the last financial year?
  - How much debt was written off or remitted in the last financial year?
  - How much debt has the department collected, both internally and through external debt collection agencies, in the last financial year?
  - What savings could be delivered through preventing overdue debt arising upstream and using more effective and efficient routes for debt collection?
  - How to reduce losses due to writing off or remitting debt?
- Do you have a specific strategy or activity to increase recovery of fraud loss?
- Have you assessed your internal debt management capability?
- Do you have the capacity to actively manage your debt book and if not, have you considered use of the private sector to add capacity?

## Grants

For general grants made using Exchequer funding, departments should ensure that their public bodies are aware of and compliant with the minimum standards for government grants, published in December 2016<sup>17</sup>.

Departments should consider for their public bodies what are the appropriate funding mechanisms in delivering policies. 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?

## 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

<sup>17</sup> The minimum standards for government grants and accompanying guidance is published on gov.uk: Cabinet Office, Grants Standards <https://www.gov.uk/government/publications/grants-standards>

review. More detail on the sorts of questions departments should consider is given in the NGSS guidance.

A comprehensive review of Shared Services has begun across all departments which includes arm's length bodies.

### *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?

**Annex 1: 'Menu' of example benefits**

	<b>Example benefits</b>	<b>Cash releasing or income generating?</b>	<b>Type of benefit</b>	<b>Examples</b>	<b>Possible Quantitative measures</b>
Efficiency and effectiveness	Greater efficiency in support functions or increased use of shared services	Yes	A or B	The review assesses the body's performance relative to its peers and recommends changes to improve performance.	£ Reduction in workforce or property costs compared to baseline year.
	More efficient use of estate	Yes	A or B	The review assesses the properties occupied and concludes that efficiencies could be generated by implementing hot desking measures, reconfiguring office space or occupying fewer buildings.	More efficient and cost-effective use of space (sq.m per FTE), (£/sq.m) or £ reduction in estates contract costs compared to baseline year.
	More efficient and flexible procurement and commercial contracts	Yes	A	Contract renegotiation through a competitive tender may yield cheaper delivery of services. This could include having a diversity of suppliers where this brings an advantage.	£ Reduction in costs of Commercial contracts; Reduction in costs of procured commercial goods compared to baseline year.
	Improved performance outcomes	Potentially	B or C	The Arm's Length Body is able to process more customer queries for the same amount of money or lower expenditure by implementing some improvements in its operational processes.	Improved unit costs
	Improved income generation or return on capital employed	Yes (cash generative)	A	Services that have been provided to other organisations for free are now chargeable or charges are increased to the level of full costs where they were previously below this level.	£ generated/saved
	Increased user or customer satisfaction	Potentially	C	The body undertakes an analysis to understand the main sources of customer complaints. It then improves processes to avoid those complaints happening in the first place, improving customer satisfaction.	Better user outcomes; better customer satisfaction measured through surveys or other feedback mechanisms.

Purpose, Form and governance	Better alignment of ALB outcomes and objectives to strategic department priorities	Potentially (by focusing activity on value adding or priority areas, or stopping doing things that are not required).	C	<p>The review assesses the success of the body in delivering on its priorities/KPIs and recommends actions to improve performance</p> <p>The review assesses the suitability of the strategy/priorities/KPIs with reference to the department's Strategic Delivery Plan and recommends changes so that they are more closely aligned.</p>	Comparison Between Strategic Delivery Plans between different years showing an improved alignment.
	Improvement in staff morale	Potentially	C	Management take action on poor feedback from staff. This could eventually lead to higher productivity.	Staff engagement scores from surveys
	Stronger internal controls and governance; Better risk management processes	Potentially	C	<p>Review identifies that there is no framework document and recommends that one is produced.</p> <p>Review identifies that the composition of the board does not comply with the principles of good corporate governance, for example, there are no Non-Executive Directors, and recommends changes to address this.</p>	£ Reduction in losses relating to fraud, error and debt
	Clearer or more clearly stated organisational purpose, or mission	Potentially (by focusing activity on value adding or priority areas, or stopping doing things that are not required).	B or C	Users are placed more clearly at the heart of the organisation's mission	£ - Reduction in expenditure or improved performance outcomes for key areas.
	A more appropriate form for the function the body delivers	Potentially	C	The body is an NDPB with an advisory function and the review recommends that it becomes an expert committee.	Change in numbers of NDPBs
	Ensuring the body's remit is fit for purpose	Potentially (by focusing activity on value adding or priority areas, or Stopping doing things that are not required).	C	The National DNA Database Ethics Advisory Group's review identified areas where practice had moved on (for example, because of advances in technology). The review identified opportunities to revise the body's remit to cover these advances.	Revised governance documents that make the purpose of the ALB clearer.
	Improved relationship with sponsor body / OGDs	Potentially (less staff time spent on engaging with ALB as more trust is developed)	C	Review identifies issues in the relationship between the ALB and sponsor department and recommends how this can be improved.	Engagement / relationship index
	Better board effectiveness and NED engagement	Potentially	C	<p>Improved visibility of the body at departmental board</p> <p>Greater involvement and engagement with ALB NEDs.</p>	<p>Number or ratio of NEDs.</p> <p>Feedback from the Chair.</p>

## 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.<sup>18</sup>

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.”<sup>19</sup>

### Good Corporate Governance

Good corporate governance is central to the effective operation of all public bodies. Departments should aim to introduce effective governance arrangements when setting up a new public body, and scrutinise these arrangements when the body undergoes a review. The review of governance arrangements should be led by the sponsoring department, working closely with the chair, and for executive NDPBs the CEO, who will have a key responsibility for ensuring that strong and robust corporate governance arrangements are in place. 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*<sup>20</sup>. 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.

---

<sup>18</sup> The principles of good corporate governance for executive agencies are published in the Cabinet Office’s Executive Agencies: a guide for departments, March 2018, <https://www.gov.uk/government/publications/executive-agencies-characteristics-and-governance>. Additional guidance for non-ministerial departments will be published in due course.

<sup>19</sup> Cabinet Office and HM Treasury, Corporate governance in central government departments: Code of Practice, April 2017, page 9 <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

<sup>20</sup> As above

## 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*<sup>21</sup> 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 department<sup>22</sup>.
- 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.

#### 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*<sup>23</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 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.

---

<sup>21</sup> HM Treasury, *Managing Public Money*, September 2018, <https://www.gov.uk/government/publications/managing-public-money>

<sup>22</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.

<sup>23</sup> HM Treasury, *Managing Public Money*, September 2018, <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 Governance Code on Public Appointments<sup>24</sup>.
- 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 employment<sup>25</sup>.
- The minister should meet the chair and/or chief executive on an appropriately 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.
- The minister should ensure Parliament is informed 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 within 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.

---

<sup>24</sup> Cabinet Office, Governance Code for Public Appointments, December 2016, <https://www.gov.uk/government/publications/governance-code-for-public-appointments>

<sup>25</sup> Where the Chief Executive will also be Accounting Officer for the public body, the Principal Accounting Officer in the sponsoring department, usually the Permanent Secretary, should also be consulted.

### *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 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 the template set out in *Managing Public Money*<sup>26</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 body. It should be regularly reviewed and updated.
- The department should set out its accountability relationship with the body within the Accounting Officer System Statement.
- 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.

---

<sup>26</sup> HM Treasury, *Managing Public Money*, Annex 7.2 <https://www.gov.uk/government/publications/managing-public-money>

- 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>27</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.
- 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 members<sup>28</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>29</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>30</sup> 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;

---

<sup>27</sup> In government departments, the committee's responsibilities include setting bonus payments and scrutinising succession planning.

<sup>28</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>29</sup> Cabinet Office, Governance Code for Public Appointments, December 2016, <https://www.gov.uk/government/publications/governance-code-for-public-appointments>

<sup>30</sup> Cabinet Office, Public Appointments: Guidance to Departments, March 2015 <https://www.gov.uk/government/publications/code-of-practice-for-ministerial-appointments-to-public-bodies>

- 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 Governance Code for Public Appointments<sup>31</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>32</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 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 management<sup>33</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.

### **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.

---

<sup>31</sup> Cabinet Office, Governance Code for Public Appointments, December 2016, <https://www.gov.uk/government/publications/governance-code-for-public-appointments>

<sup>32</sup> Cabinet Office, Code of Conduct for Board Members of Public Bodies, June 2011, <https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>

<sup>33</sup> "Independence" on private sector boards is determined according to criteria set out in the UK Corporate Governance Code <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>

The report must comply with HM Treasury guidance.

### 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 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 the Public Sector Internal Audit Standards<sup>34</sup>. The effective internal audit function could be provided by a cross-government supplier – e.g. Government Internal Audit Agency.
- 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 identify 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.

---

<sup>34</sup> HM Treasury, Public Sector Internal Audit Standards, August 2017, <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

- 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 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 Ombudsman<sup>35</sup>. 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 advertising<sup>36</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 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>37</sup>.

## 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 Code<sup>38</sup>. 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 code<sup>39</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.
- 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.

---

<sup>35</sup> This requires the public body to be listed in the Parliamentary Commissioner Act 1967. A list of bodies covered can be found at <https://www.ombudsman.org.uk/>

<sup>36</sup> Government Communication Service, Propriety Guidance, <https://gcs.civilservice.gov.uk/guidance/propriety/>

<sup>37</sup> Cabinet Office, Code of Conduct for Board Members of Public Bodies, June 2011, Section 3, <https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>

<sup>38</sup> Cabinet Office, Code of Conduct for Board Members of Public Bodies, June 2011, <https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>

<sup>39</sup> Cabinet Office, Public Bodies Guide for Departments Chapter 5: Public Body Staff, June 2016, <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

- Whistle-blowing procedures consistent with the Public Interest Disclosure Act<sup>40</sup> are in place.

## 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

Advisory NDPBs 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 sponsoring department. Advisory bodies are usually accounted for through the accounts of the sponsoring department. By contrast, executive 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 advisory NDPBs. 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 advisory NDPBs. 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 advisory NDPB.

#### *Supporting provisions*

- The minister and sponsoring department should exercise appropriate scrutiny and oversight of the advisory NDPB. This includes oversight of any public monies spent by, or on behalf of, the body.
- Appointments to the advisory NDPB 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 advisory NDPB 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 advisory NDPB in an annual report (or equivalent publication) proportionate to its role.
- The advisory NDPB must be compliant with data protection legislation.
- The advisory NDPB should be subject to the Public Records Acts 1958.

---

<sup>40</sup> The Charity Commission, The Public Interest Disclosure Act, May 2013, <https://www.gov.uk/government/publications/the-public-interest-disclosure-act>

## Roles and Responsibilities

### Role of the Sponsoring Department - Principles

The departmental board ensures that there are appropriate governance arrangements in place with the advisory NDPB.

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

#### *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 advisory NDPB proportionate to its size and role.
  - There should be a document in place which sets out clearly the terms of reference of the advisory NDPB. It should be accessible and understood by the sponsoring department and by the chair and members of the advisory NDPB. It should be regularly reviewed and updated.
  - There should be a dedicated sponsor team within the sponsoring department. The role of the sponsor team should be clearly defined.
  - There should be regular and ongoing dialogue between the sponsoring department and the advisory NDPB.
  - There should be an annual evaluation of the performance of the advisory NDPB and any supporting committees – and of the chair and individual members.

### Role of the Chair - Principle

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

#### *Supporting provisions*

- The advisory NDPB 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 advisory NDPB 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 advisory NDPB, in reaching decisions, takes proper account of guidance provided by the sponsoring department or ministers;
  - ensuring that the advisory NDPB carries out its business efficiently and effectively; and
  - representing the views of the advisory NDPB 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 advisory NDPB. 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 advisory NDPB 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 advisory NDPB 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 advisory NDPB operates in an open, accountable and responsive way.

## **Communications - Principle**

The advisory NDPB should be open, transparent, accountable and responsive.

### *Supporting provisions*

- The advisory NDPB should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000.
- The advisory NDPB 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 advisory NDPB should proactively publish agendas and minutes of its meetings.
- There should be robust and effective systems in place to ensure that the advisory NDPB 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 advisory NDPB 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 agencies<sup>41</sup>. 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.

---

<sup>41</sup> Cabinet Office's Executive Agencies: a guide for departments, March 2018, <https://www.gov.uk/government/publications/executive-agencies-characteristics-and-governance>

## 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 46 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 14 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?

<b>Review framework</b>	<b>Theme 1: Policy &amp; Regulation</b>	<b>Theme 2: Science</b>	<b>Theme 3: Economic/ Innovation/ System</b>	<b>Is this supported by the current business model?</b>	<b>Can other actors undertake this role?</b>	<b>What are the constraints on which other actors could perform this role and are there benefits?</b>
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 advisory NDPBs, 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.<sup>42</sup>

---

<sup>42</sup> Government Office for Science, Scientific advisory committees: code of practice, November 2011  
<https://www.gov.uk/government/publications/scientific-advisory-committees-code-of-practice>