



Cabinet Office

# Triennial Reviews: Guidance on Reviews of Non-Departmental Public Bodies

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## 1. Introduction

1.1 The landscape for public bodies is undergoing significant reform to increase transparency and accountability, to cut out duplication of activity, to discontinue activities which are no longer needed, and to drive efficiency in those bodies which remain. The Government undertook a review of public bodies and functions in 2010, encompassing over 900 public bodies across 17 departments. After first asking whether the function(s) delivered by the body needed to be carried out at all, the Government applied tests to determine whether a public body was the right delivery model. This review resulted in the rationalisation of the public bodies landscape, through abolitions, mergers and general reforms of public bodies. Those public bodies retained will remain at arm's length from Government, but will be expected to become more open, accountable and efficient.

1.2 The regular challenge and review of Non-Departmental Public Bodies (NDPBs) is central to the Public Bodies Reform agenda. This guidance sets out the principles and process by which departments should review their NDPBs. It sets out the requirements underpinning the review process, notes the principles by which all reviews should be conducted, and provides guidance on the review process itself.

1.3 NDPB is an administrative term for those public bodies that operate at arm's length from Ministers, but for which Ministers are ultimately accountable. NDPBs can be statutory or non-statutory. There are four main kinds, all of which are covered by this guidance:

- Executive NDPBs;
- Advisory NDPBs;
- Tribunal NDPBs; and
- Independent Monitoring Boards.

1.4 This guidance replaces the guidance published by Cabinet Office in June 2011. It is valid for any review commenced on 1<sup>st</sup> April 2014 or later. It brings together in one place guidance on reviews of NDPBs and the relevant corporate governance codes to which they should adhere.

1.5 Any questions on the guidance, or on the review process more generally, should be directed to the Cabinet Office Public Bodies Reform Team. Contact details as follows:

Public Bodies Reform Team

Cabinet Office

Email: [PublicBodiesReform@Cabinet-Office.gsi.gov.uk](mailto:PublicBodiesReform@Cabinet-Office.gsi.gov.uk)

## 2. Key Principles

2.1 All reviews must be conducted in line with the following principles.

**Challenge** Reviews must be challenging. They should take a first principles approach to whether the function of a body is still needed, and if it is what the best form for delivery of that function is. Reviews should not just seek to evidence the status quo. They should be robust and rigorous and provide evidence for all recommendations. They must consider issues of efficiency, including the potential for efficiency savings<sup>1</sup>, and make relevant recommendations. They should consider the performance of the body, and whether it could provide better value for money, including in terms of the body's contribution to economic growth<sup>2</sup>. A description of how the review will be structured to meet this aim should be set out clearly in the Terms of Reference, which will be agreed between the department and Cabinet Office.

**Proportionality** Reviews must not be overly bureaucratic and should be appropriate for the size and nature of the NDPB being reviewed. Where appropriate, reviews of similar bodies should be combined or clustered to ensure the maximum benefit in terms of streamlining the review process, identifying synergies across departments and NDPBs, and considering efficiency.

**Contextual** Reviews should not be undertaken in silos, but should wherever possible be integrated with other departmental policy initiatives, efficiency reviews, landscape reviews, and seek to look across departmental boundaries to cluster reviews of bodies to further enable informed discussions about potential efficiencies. Departments should consider the potential for integration when building their Triennial Review timetable, and Cabinet Office will assist departments in doing this. More guidance on clustering reviews is given in the annexes to this document.

**Pace** Reviews must be completed quickly to minimise the disruption to the NDPB's business and reduce uncertainty about its future. Reviews should normally take no more than six months. Timetables, including start and completion dates, for individual reviews will be agreed with Cabinet Office at the beginning of each review.

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<sup>1</sup> More detail is given on this in Annex B

<sup>2</sup> As committed to in the Government's response to the Heseltine Review into economic growth – available at <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>

**Inclusivity** Reviews must be open and inclusive. The NDPB being reviewed must be engaged and consulted at both an Executive and a Non-Executive level<sup>3</sup>. Users and stakeholders must have the opportunity to comment and contribute. Parliament must be informed about the commencement and conclusions of reviews. Departmental Select Committees must be given the opportunity to input.

**Transparency** All reviews must be announced formally, both to Parliament and to the public. All review reports must be published once clearance has been given by the Minister for the Cabinet Office. The results of reviews must be announced to Parliament.

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<sup>3</sup> This is, in the main, a requirement for larger NDPBs. Smaller bodies won't necessarily have both Executive and Non-Executive representation.

### 3. Scope and Timing

- 3.1 All NDPBs, both statutory and non-statutory, should be reviewed at least once in every three year review cycle by their sponsoring department. This includes:
- Executive NDPBs;
  - Advisory NDPBs;
  - Tribunal NDPBs; and
  - Independent Monitoring Boards.
- 3.2 Any exceptions must be agreed with Cabinet Office. There are some types of body which, due to their nature, will be reviewed on a different cycle. Specifically, sports bodies will be reviewed on a four-yearly Olympic cycle, and museums and galleries on a five-yearly cycle.
- 3.3 These reviews must be conducted in accordance with the principles, procedures and processes set out in this guidance. Departments will draw up programmes of reviews for their NDPBs in consultation with Cabinet Office. When drawing up this programme, departments should consider:
- What opportunities there are for bodies to be clustered in the timetable;
  - What other reviews are being undertaken of the body which could be combined with its Triennial Review;
  - Whether issues have been picked up in previous reviews (both Triennial and other types of review) which would indicate a particular timing for a review; and
  - Developments in the policy environment which may influence the timing of the Triennial Review.
- 3.4 Departments should consider any public appointments due to take place to the body over the period of the review cycle, and ensure that Ministers are fully sighted on further details on these appointments at the time of commencing the review. Cabinet Office can offer further advice on this issue.
- 3.5 Cabinet Office officials will support and advise departments on all these issues, and will in particular help to broker clustered reviews across departments.

- 3.6 The overall programme of reviews will be agreed at the beginning of the period by Secretaries of State and the Minister for the Cabinet Office. This programme will then be ratified on an annual basis by both departmental Secretaries of State, and the Minister for the Cabinet Office. Once the timetable is finalised, any requests to move reviews in the timetable must be agreed in advance with Cabinet Office. Cabinet Office will publish the forward timetable of reviews each year.
- 3.7 Reviews should be completed quickly, and normally should take no more than six months. Cabinet Office will agree the timeline for individual reviews with departments at the start of each review process. Departments should ensure they allocate sufficient resource to reviews to enable them to be delivered within the agreed time frames. They should also provide sufficient time to clear the review with departmental Secretaries of State and the Minister for the Cabinet Office before making any formal announcement.
- 3.8 The Cabinet Office maintains an up-to-date list of NDPBs, and can advise on any questions of status.
- 3.9 It is good practice for all other types of Arms-Length Body, while not formally covered by this guidance, to be reviewed on a regular basis. Departments are encouraged, where appropriate, to utilise the principles set out in this guidance to undertake those reviews.



## 4. Purpose

4.1 Triennial Reviews have two aims:

- To provide a robust challenge of the continuing need for individual NDPBs – both their functions and their form; and
- Where it is agreed that a body remain as an NDPB, to review:
  - its capacity for delivering more effectively and efficiently, including identifying potential for efficiency savings and its ability to contribute to economic growth; and;
  - the control and governance arrangements in place to ensure that the public body and the sponsoring department are complying with recognised principles of good corporate governance. This should also include an assessment of the body's performance.

4.2 Reflecting this, Triennial Reviews have two distinct stages:

### Stage One

4.3 This stage will identify and examine the key functions of the NDPB. It must assess how the functions contribute to the core business of the NDPB, the sponsor department and to Government as a whole and assess whether the functions are still needed.

4.4 Where the review concludes that a function is still needed, it should then consider how best this function can be delivered. This should be a first principles examination, and should not assume the status quo is naturally the best way.

4.5 When assessing how functions should be delivered, the review must examine a wide range of delivery options. This should include whether the function can be delivered by local government, voluntary or private sectors, including considering new more commercial models and considering the potential for partnering with more commercial bodies. It must also include an examination of different central government delivery models, including whether the function can be delivered by the sponsoring department, by a new or existing Executive Agency, or by another existing central government body. Departments should also consider relevant international comparisons for similar bodies.

- 4.6 It is Government policy that NDPBs should only be set up, or remain in existence, where the NDPB model can be clearly evidenced as the most appropriate and cost-effective model for delivering the function in question. A checklist of delivery options is provided at Annex A.
- 4.7 Reviews must provide evidence that functions have been assessed against a wide range of delivery options. It may be the case that some delivery options can be quickly rejected as inappropriate. However, for each function under consideration, the review should identify all viable delivery options and undertake a more detailed assessment of these. Where appropriate, this must include a cost benefit analysis which must include an assessment of any staffing issues<sup>4</sup>. Departments may also find it useful to refer to the guidance issued by Cabinet Office on the impact of, and resultant actions from, reforms – the Checklist for Departments – which can be found on the Cabinet Office website<sup>5</sup>.
- 4.8 Delivery models of a more commercial nature should be considered, particularly for Executive NDPBs. Annex C contains a list of questions to support departments in considering whether a more commercial model is appropriate or if there are reforms that could be enacted now that would enable the body to move to a more commercial basis in future.
- 4.9 Some NDPBs will also be Public Sector Research Establishments. Where that is the case, there are some additional requirements that must be considered by the review. These can be found in the Additional Guidance for Reviews of Public Sector Research Establishments guidance.
- 4.10 Some Advisory NDPBs may provide scientific advice to government. Where that is the case, there are specific requirements that must be considered by the review. These can be found in the Reviews of Advisory NDPBs that Provide Scientific Advice to Government guidance.
- 4.11 In the case of Tribunal NDPBs, the review should consider whether it is appropriate for the functions of the body to move to the First-Tier or Upper Tribunal administered by the

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<sup>4</sup> The National Audit Office has published a memorandum on reorganising arms-length bodies. This includes good practice principles to help identify, manage and realise costs and benefits:

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

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/62131/120329-Public-Bodies-Reforms-Checklist-for-Departments-FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62131/120329-Public-Bodies-Reforms-Checklist-for-Departments-FINAL.pdf)

Ministry of Justice. This unified structure brings together in a single judicial body the majority of tribunal jurisdictions for appeals against the decisions of most central government bodies. The review should undertake a cost benefit analysis to determine whether it is appropriate for functions to be transferred. The Ministry of Justice is developing guidance in this area.

4.12 Government policy states that if a public function is needed, it should be undertaken by a body that is democratically accountable at either national or local level. A body should only exist at arm's length from government as an NDPB if it meets one or more of three tests:

- it performs a technical function which needs external expertise to be delivered – for example a function that could not be delivered in a department by civil servants, and where it would not be appropriate to recruit staff with the necessary skills to the department to undertake the function;
- its activities need to be, and be seen to be, delivered with absolute political impartiality – for example where political involvement, or perceived involvement, could adversely affect commercial considerations, growth, or the financial markets, or could lead to criticism of partiality; or
- it needs to act independently of Ministers to establish facts and/or figures with integrity – for example in the compilation of National Statistics.

4.13 As such, when assessing delivery models, an assessment against these three tests for any proposed NDPB model must be undertaken.

## **Stage Two**

4.14 If the outcome of stage one is that the functions should still be performed by the existing NDPB, the department, working with both Executive and Non-Executive members of the NDPB, should go on to consider the potential for securing efficiencies from within the bodies. This should be based on clear and robust management information and the report of the review must clearly set out what savings can be made and over what period. Where work is already ongoing to secure such savings, or where previous work has resulted in savings, departments should reference it. Cabinet Office can provide additional information on the consideration of efficiency, including discussing appropriate benchmarking data for similar organisations, which will support any assessment of potential savings. More information is given in Annex B.

- 4.15 Some NDPBs will make a contribution to supporting economic growth, or have the potential to do so. Where that is the case, an assessment should be made of how the body does this, and if there are ways in which it could go further<sup>6</sup>. This could be, for example, by streamlining or aligning processes for end users, particularly small and medium sized enterprises, to make it easier for business to interact with the body. Or this could be an assessment of how the body's outcomes could be promoted or exported on an international stage. This assessment is over and above any consideration in Stage One as part of the review of potential commercial delivery models, and the scope of this assessment will be agreed as part of the Terms of Reference of the review.
- 4.16 Finally, the review should consider the control and governance arrangements in place to ensure that the NDPB is operating in line with recognised principles of good corporate governance. In making this assessment, departments should include a consideration of the outputs and performance of the body. This is also an opportunity for the department, and the body being reviewed, to consider ways in which the body contributes to the transparency agenda and the department's own Open Data Strategy, and assess if there are further steps that could be taken.
- 4.17 Departments must assess the controls, processes and safeguards in place in the NDPB against the principles and supporting provisions set out in the appropriate code of good corporate governance. In line with the comply or explain approach to corporate governance in the UK (set out in Annex D), the department and the NDPB will need to work together to identify any areas of non-compliance. Where appropriate they should either recommend improvements to enable the body to comply in future, or explain why any alternative approaches have been adopted, and how these alternative approaches contribute to good corporate governance. This assessment should take the form of a table in the report which takes each principle and supporting provision in turn. Cabinet Office can provide further advice on this assessment. Further guidance on good governance of Executive NDPBs and Advisory NDPBs is available online.

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<sup>6</sup> As committed to in the Government's response to the Heseltine Review into economic growth – available at <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>

## 5. Planning and Preparation

5.1 Departments must plan effectively for reviews. In particular, departments should ensure that appropriate resources are identified, that robust review structures are in place, and that reviewers and review teams have the necessary skills, experience and seniority. An appropriate plan for the review must be put in place, which clearly shows the time line for the review. Departments should consult with the body being reviewed over the plan for undertaking the review.<sup>7</sup>

5.2 Departments must consult Cabinet Office at the beginning of the planning process. Cabinet Office will work with departments to agree the scope and Terms of Reference for each review, the project plan including start and end dates, and the review team Chair or lead reviewer. Cabinet Office will also work with departments to determine whether a Challenge Group is needed, and where it is will agree the membership and Chair<sup>8</sup>. As part of this process, departments and Cabinet Office will agree the priority areas that each review will focus on.

5.3 The cost of reviews must be met from within existing resources. In keeping with the core principles of proportionality and value for money, the costs of reviews must be kept to the minimum necessary. Ultimately, it will be for departments to evidence that any individual review is demonstrating value for money.

5.4 Departments should ensure they explore options for conducting joint or clustered<sup>9</sup> reviews of NDPBs in both their own department and across Government. Departments must also consider combining the requirements of an NDPB review within the scope of any other already planned reviews or evaluations of their public bodies. On both these points, Cabinet Office officials will support departments to identify appropriate clusters or other reviews.

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<sup>7</sup> See also the Clustered Reviews guidance for more on clustered reviews.

<sup>8</sup> See section 6 for more on Challenge Groups.

<sup>9</sup> See the Clustered Reviews guidance for more on clustered reviews.

## 6. The Review Team and Challenge Group

- 6.1 Departments are responsible for carrying out reviews, with the support and input of Cabinet Office who have a formal role in both the set-up of the review and the sign off of the recommendations once the review is completed<sup>10</sup>. Departments will provide all the resources for reviews, including lead reviewers and review teams. Cabinet Office can support departments in identifying resources for reviews where necessary.
- 6.2 When reviews are completed they represent the view of their Department and should be considered as such. Reviews can be carried out by an individual or by a team, depending on the size and nature of the NDPB under review, but should always be carried out in close consultation with the body being reviewed and with Cabinet Office.
- 6.3 Departments should consider the benefits of bringing external expertise into the process. This could be achieved by building an element of “peer review” into the process, or by inviting a senior official or Board member from another NDPB onto the review team or onto the Challenge Group. Departments could also consider bringing in specialist expertise, such as business strategy, commercial, accounting or audit. Where reviews are undertaken by an individual, suitable challenge to the recommendations of the review should be made by the department. This could be achieved by way of an overarching Project Board or through departmental performance mechanisms such as the departmental Board.
- 6.4 Reviews must not be led by the team charged with sponsoring the body or by someone who could have a conflict of interest. Sponsor teams can be involved in the reviews, as members of review teams and assisting in gathering evidence, however the review must be, and be seen to be, independent of the sponsorship relationship.
- 6.5 Similarly, reviews must not be led by the bodies themselves. Members of bodies should not be on the review team, or be members of the Challenge Group. However, bodies should be fully consulted throughout the review, from planning stages to emerging recommendations<sup>11</sup>.
- 6.6 Departments should consider the appropriate seniority of reviewer when setting up the review team. Cabinet Office can provide advice on this, and can also support departments

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<sup>10</sup> See also section 5

<sup>11</sup> See section 7 on engagement

in identifying lead reviewers. As part of the planning phase, Cabinet Office and departments will agree the Chair of the review team or lead reviewer.

6.7 Reviews of the larger NDPBs should be overseen by a Challenge Group. The role of the Challenge Group is to rigorously and robustly test and challenge the assumptions and conclusions of the review. They should also agree the Terms of Reference for the review and key lines of enquiry.

6.8 The Challenge Group should provide appropriate senior challenge of reviews. Members of the Challenge Group should be independent of the NDPB and the sponsoring unit within the department. The group should have the right balance of skills and experience to be able to provide effective challenge to the review. Members of the Challenge Group should not have, or be seen to have, any conflicts of interest which might call into question their independence. The Challenge Group must include a non-executive member of the departmental Board. The Cabinet Office must be represented on the Group. As part of the planning phase, Cabinet Office and departments will agree the membership of the Challenge Group, including the Chair.

6.9 Whether or not an individual review merits a Challenge Group will be agreed by Cabinet Office and the sponsor department as part of the planning phase of the review. The general criteria for a Challenge Group is set out below. However, there may be occasions where reviews outside of this criteria require a Challenge Group.

6.10 Good practice suggests that the Challenge Group should meet at least three times (at the beginning, mid-point and end of the review), although departments should define this and other aspects of the Challenge Group as part of the Terms of Reference of the review in consultation with Cabinet Office.

### **Challenge Group Criteria**

For a review to warrant a Challenge Group, the body being reviewed would normally have to meet at least one of the following criteria:

1. The body has substantial spend – £50m or over.
2. The body has a large number of staff – 100 or over
3. The body has characteristics which would suggest potential for commercialisation.
4. The body operates in a high profile or sensitive policy environment.

## **7. Announcing Reviews and Engagement**

- 7.1 At a minimum, departments must announce the commencement of reviews by Written Ministerial Statement. This should be in both the House of Commons and the House of Lords. Departments must also write to all the relevant Select Committees, and alert key stakeholders and partners. Should departments need to announce reviews when Parliament isn't sitting, they should approach Cabinet Office who will be able to offer advice.
- 7.2 The NDPB being reviewed must be consulted as part of the review process, at both Executive and Non-Executive level. The NDPB must have the opportunity to input and comment from the planning stage onwards, and absolutely must have the chance to comment on emerging conclusions and recommendations.
- 7.3 Key stakeholders must also have the opportunity to input into review, and evidence of that engagement must be included in the report of the review. Departments should define what form that engagement should take – and could consider, for example, holding a workshop with all relevant stakeholders, writing to key parties, sharing draft reports and recommendations, or inviting key partners to sit on the Challenge Group. In keeping with the core principles underpinning all reviews, engagement must be proportionate, timely and provide clear value for money for users and taxpayers. Departments should consider developing a stakeholder map which can then be included within the Terms of Reference of the review.
- 7.4 Parliament must also have the opportunity to input into individual reviews and to scrutinise the outcomes. Departments must, therefore, alert all relevant select committees when starting reviews and ensure that the committee(s) has the chance to comment and contribute. When announcing the results of reviews, departments must ensure that a copy of the announcement and the report is sent to their select committee.



## 8. Clearance

- 8.1 Cabinet Office must be formally consulted on the outcomes of all reviews. Where there is a potential spending or fiscal impact from the outcome of the review, the Cabinet Office and the department must also liaise with HM Treasury before any final decisions are taken. In addition, when reviewing Public Sector Research Establishments, the department must also consult with officials in the Departmental for Business, Innovation and Skills and in particular with the Director of Innovation.
- 8.2 When reviewing Advisory NDPBs that provide scientific advice to government, the department should consult Government Office for Science, 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.
- 8.3 Formal Ministerial clearance from the Minister for the Cabinet Office must be sought and received on the review and its recommendations. The results of reviews must not be communicated publicly until the Minister for Cabinet Office has agreed to the review being published. Once that agreement is given, departments are responsible for publishing the report of the review and notifying relevant stakeholders including the relevant select committees. Departments will publish one combined report which covers all stages of the review. Any exceptions will be agreed with Cabinet Office on a case by case basis.
- 8.4 Where the recommendation of the review is to make substantive structural change to the body, departments should consider whether additional clearance may be necessary, for example through Home Affairs Committee or other Cabinet Committees. Cabinet Office officials can support departments on this. Similarly, in cases where a body's function crosses departmental boundaries, or where a clustered review has taken place, departments should consider whether they need to consult with other departmental Ministers with an interest.

## 9. Supplementary Guidance

9.1 The Cabinet Office has provided supplementary guidance, available online, to assist departments in completing reviews.

9.2 This covers:

- Further guidance on the Principles of Corporate Governance for:
  - Executive NDPBs
  - Advisory NDPBs
- Clustered Reviews – guidance on taking a more strategic approach to reviews by clustering or grouping public bodies with similar functions or within a common policy area;
- Next Generation Shared Services Programme – how to ensure departments consider achieving greater efficiencies from shared services when conducting reviews;
- Additional Guidance for Reviews of Public Sector Research Establishments – specific guidance for reviewing public bodies where they carry out research, including to inform policy making, statutory and regulatory functions and key areas of scientific research; and
- Reviews of Advisory NDPBs that Provide Scientific Advice to Government – where departments are reviewing bodies that help government departments access, interpret and understand scientific information.

# ANNEXES

## Annex A - Checklist of Delivery Options

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

Option	Questions
Abolish	<p>Why does the function need to continue?</p> <p>How does this contribute to the core business of the sponsor department?</p> <p>How does this contribute to wider Government policy objectives?</p> <p>Is there a demand for the function or activity?</p> <p>Is there a legal requirement for the function?</p> <p>Is providing the function a justifiable use of tax payers' 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>12</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 sector 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>13</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 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>

<sup>12</sup> In the case of Advisory NDPBs, this option should include assessing whether the functions of the body can be provided by engaging directly with users, stakeholders, sectors and communities.

<sup>13</sup> See also Annex C on commercial models.

Bring in-house	<p>Why does the function need to be delivered at arms-length from Ministers?</p> <p>Can the function be delivered more efficiently or effectively by the sponsor department or by an existing Executive Agency of the sponsor department?</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>
Merger 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 vice versa?</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 other 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 internal 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 an 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<sup>14</sup>?</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>

<sup>14</sup> The three tests are: is this a technical function (which needs external expertise to deliver)?; is this a function which needs to be, and be seen to be, delivered with absolute political impartiality?; or is this a function that needs to be delivered independently of Ministers to establish facts and/or figures with integrity?

## **Annex B - Efficiency**

When reviewing Executive NDPBS, departments should ensure that questions of whether, how and where efficiencies can be made within bodies are fully considered as part of the review process. This annex provides a number of issues departments should consider when undertaking this assessment. All types of funding (CDEL, RDEL, AME) should be considered. In addition, Annex C and additional online guidance provides further detail on two specific areas – moving to more commercial delivery models and shared services.

The analysis of each of these areas should be based on clear, robust and comparable management information. Departments should also use benchmarks where appropriate to assess NDPBs' performance against other organisations. Comparisons could be made with other NDPBs by function and with other NDPBs sponsored by that department. The Cabinet Office are currently working with departments to extend standardised reporting in order that benchmarking can be done more easily through use of the Government Interrogating Spending Tool and the Comparative Analysis Tool. The Cabinet Office can discuss with departments suitable benchmarks, as well as providing further support and guidance in exploring potential savings.

### **Reported Savings**

Where proposals to deliver efficiency savings are identified through the triennial review, these should be set out clearly within the report. Cabinet Office will provide additional guidance on what the report will be expected to include. Progress against these identified savings will be reported on formally in the next triennial review undertaken, and in the period between reviews will be monitored through the regular Benefits Realisation exercise undertaken by the Cabinet Office.

### **Digital by Default**

Departments should look at the potential to derive savings from shifting current services to digital channels and transforming transactional services to be digital by default as outlined in the Digital Efficiency Report<sup>15</sup>. This should follow the principles set out in the Government Digital

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<sup>15</sup> <http://publications.cabinetoffice.gov.uk/digital/efficiency/#what-are-the-savings-from-digitising-transactional-services>

Strategy<sup>16</sup> and Departmental Digital Strategies<sup>17</sup> and specifically look at £cost per transaction. All new or redesigned transactions with over 100,000 users will need to meet the Digital By

Default Service Standard<sup>18</sup> from April 2014. Departments should also ensure that any data is consistent with what has been published on the transactions explorer<sup>19</sup> website.

a. What savings can be made by shifting to digital

- In what years?
- By cost type? (i.e. pay bill, suppliers etc)

To assess this, the department should consider:

- How a service is currently delivered:
  - a. Value by channel
  - b. Cost per channel
  - c. FTE per channel
- What is the current spend in this area(s)?
- What does the channel mix (digital, telephone, face-to-face etc) look like now, and what plans are there to shift to digital?
- What will the spend be after transformation?
- When will savings start to be realised?
- What will be the reduction in average cost per transaction?

b. Is there potential in other areas of the body's activities to consider digital work that will contribute to spending reductions and improved services?

## **Commercial Models – see Annex C**

Departments should consider whether the function delivered by the body could be better delivered by the private sector, under contract by the voluntary or private sector, or through a mutual. Annex C gives more detailed guidance on the sorts of questions departments should consider as part of the review.

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<sup>16</sup> <http://publications.cabinetoffice.gov.uk/digital/>

<sup>17</sup> <http://publications.cabinetoffice.gov.uk/digital/#departmental-strategies>

<sup>18</sup> <https://www.gov.uk/service-manual/digital-by-default>

<sup>19</sup> <https://www.gov.uk/performance/transactions-explorer>

## Property

Departments should consider the size of the office estate occupied by the body, and consider how savings may be derived from lease breaks or consolidation.

- a. What is the gross annual running cost of the estate of the body?
- b. How many square metres does the body occupy and how many people (FTEs including contractors) currently occupy it? Will the NDPB meet the Government's workplace standard by 2015, which comprises: 10m<sup>2</sup> or less per FTE overall; and adoption of flexible working (such as hot-desking)?
- c. Are there any major estate changes planned e.g. freehold sales, PFI hand backs, leasehold exits, MOTOS, acquisitions, refurbishments, workplace transformation, moves, asset management, FM procurement? Please also consider estate related changes planned on building access and desktop IT.

## Shared Services – See also Next Generation Shared Services guidance

The Next Generation Shared Services (NGSS) programme will deliver efficiencies in Government's back office transactional costs including Finance, HR, Payroll and Procurement. The NGSS Strategy was agreed by the Public Expenditure (Efficiency & Reform) Committee (PEX(ER)) in February 2012 and published in December 2012. As part of the Triennial Review, departments should consider whether separate back office functions are needed and cost effective. Departments should make the case for why their NDPBs are not delivering these functions through shared services in their review. More detail on the sorts of questions departments should consider is given in the Next Generation Shared Service guidance.

## Procurement of Common Goods and Services

Departments should consider the volume of spend from the body that currently goes through centralised procurement arrangements, and what savings could be made by further centralising all spend on common goods and services. Savings might derive from achieving lower prices and/or demand management. There would also be an expectation of a reduction in overheads (e.g. workforce reductions) as a result of shifting spend to centralised arrangements.

- a. How much will the body spend on common goods and services?
- b. Where applicable, to what extent is the body complying with the central government mandate that all common goods and services will be channelled through centralised arrangements?



- c. What proportion of spend on common goods and services is outside of centralised arrangements and what is the justification for this?

### **Areas subject to Cabinet Office Spending Controls**

Unless agreed with the Cabinet Office by exception, the Cabinet Office controls cover NDPBs. If NDPBs are expecting to commit expenditure in the following areas, approval will be needed. Please see the Cabinet Office Controls guidance<sup>20</sup>. The controls cover expenditure in:

- a. Advertising and marketing and communications;
- b. Strategic Supplier Management, including disputes;
- c. Commercial models;
- d. Digital/Technology
- e. External Recruitment;
- f. Consultancy;
- g. Redundancy and Compensation;
- h. Learning and Development; and
- i. Property.

What are the body's five biggest business cases that will be subject to Spending Controls for 2014/15-2016/17?

### **Major Projects**

Unless otherwise agreed by Cabinet Office and Treasury, all projects of NDPBs or other arms-length organisations that meet the criteria for inclusion on the Government Major Projects Portfolio (GMPP) come under the Major Projects Authority's (MPA) scrutiny and assurance processes. This includes the provision of project data to MPA on a quarterly basis in the form of GMPP returns, publication of key project facts in the MPA Annual Report under the transparency agenda, and projects being subject to MPA led assurance reviews throughout their lifecycle.

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## **Workforce**

Departments should consider the size of the retained workforce within the body devoted to particular areas.

- a. What workforce reductions have already been agreed for the body? Is there potential to go further? (Please link to digital savings, referenced earlier)
- b. What will the size of the body's workforce be in terms of headcount and cost for the following functional categories? (Cabinet Office can provide standard definitions for each functional category):
  - i. HR
  - ii. Finance
  - iii. Legal
  - iv. IT
  - v. Estates
  - vi. Procurement
  - vii. Communications
  - viii. Internal Audit

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

## **Commercial Relationships**

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

- a. What contracts with a total contract value of £5m or more are held by the body or by the department on their behalf (by total contract value, annual value, start and expiry date, and supplier)?
- b. What opportunities will there be to renegotiate major contracts still in force for between 2014 and 2017?
- c. What major procurements with a total project contract value of £5m or more will be conducted during 2014-17?

## Technology infrastructure

Departments should consider what savings can be made on the body's current technology spend, following the Government Service Design Manual<sup>21</sup> and the Technology Code of Practice.<sup>22</sup>

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

## Construction

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

- a. What CDEL do you project for the body for each financial year 2014/15-2016/17?
- b. What major construction projects are planned?
- c. What will the change in costs be against published benchmarks?

## Fraud, Error and Debt

Departments should consider what savings can be made through the prevention and early detection of Fraud and Error and, where appropriate, the quicker, cheaper collection of overdue debt.

- a. What is the current level of losses due to Fraud and Error?
- b. What will be the savings from the body's efforts to prevent loss through Fraud & Error or by detecting it earlier?
- c. What is the current level of debt?
- d. How much debt was written off in the last financial year?
- e. What savings could the body deliver through preventing debt arising upstream and using more effective and efficient routes for debt collection?
- f. How will the body reduce the value of debts remitted or written off?

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<sup>21</sup> <https://www.gov.uk/service-manual>

<sup>22</sup> <https://www.gov.uk/service-manual/technology/code-of-practice.html>

## Annex C - Commercial Models

The following list of questions will help departments decide whether the body being reviewed may be suitable for a more commercial delivery model.

- Does the body receive funding and / or have turnover / revenue of at least £10m?
- Does the body perform a service that is also provided by / within other Government departments?
- Does the body provide a service that could be marketed outside of government (UK and / or outside the UK)?
- Are there businesses in the private sector that provide a similar service to the body?
- If so, do they generally tend to perform more cost efficiently (e.g. with lower employee cost / turnover, total cost / turnover)?
- Does the body have a higher cost ratio (than its private sector “peers”) simply because it is restricted to providing services to government?
- Does the body have IT infrastructure that needs upgrading to be compatible with today’s standards? Are there private sector “peer” companies equipped with better / more modern IT infrastructure? Is there a digital element to the body’s service delivery?
- Does the body have a management team and / or staff that would be better motivated / engaged by a Mutual ownership structure?

In the event that the answer to any of these questions is yes, then there might be opportunities for exploration of commercial models. The department should contact Cabinet Office who will be able to provide further advice. There may be bodies that don’t meet this criteria where departments still consider there is value in considering more commercial solutions. Cabinet Office can still offer support and advice in these cases.

In addition, departments should consider whether there are changes that could be made to the body as part of the review that would help it to develop more commercial characteristics in the future and put it in a position where commercialisation is a viable option.

## Annex D – Principles of Good Corporate Governance

Corporate governance is:

“the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation’s objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.”<sup>23</sup>

### Principles of Good Corporate Governance

Good corporate governance is central to the effective operation of all public bodies. As part of the review process, therefore, the governance arrangements in place in NDPBs should be reviewed. This 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<sup>24</sup>. 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. 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.

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<sup>23</sup> Corporate governance in central government departments: July 2011

<sup>24</sup> This approach will also ensure that proper use is made of existing assurance and audit reports and help avoid duplication.