



Cabinet Office

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

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# 1. Next Generation Shared Services Programme

## Introduction

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.

The strategy details a new model of five shared service centres (SSCs) across government instead of the current eight – two independent centres (ISSC1 and ISSC2) and three standalone (MOD, HMRC, MoJ/HO). The plan states that all departments and their Arm's Length Bodies (ALB's) should use one of the shared services centres (dependent on a positive business case) for the transactional element of the stated functions.

By April 2015 all in-scope departments will have migrated into the new model along with a number of their ALBs who are also engaged with the programme.

## Crown Oversight

A Crown Oversight Function (COF) in the Cabinet Office manages the contractual relationship with ISSC1 and ISSC2 and the performance management of the three standalone centres. COF is the gateway to the NGSS programme, acting as an independent entity able to advise departments and their NDPBs 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 NDPBs as it is to departments. As part of the Triennial Review, departments should consider why separate back office functions are needed and cost effective. Specific areas to explore with NDPBs are:

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

If they haven't already, departments should support in NDPBs 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 a back office transformation?
- What potential drivers there are for change?

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

## **2. Clustered Reviews**

To date, Triennial Reviews have in the main focused on individual bodies within departmental boundaries. In future, where appropriate, reviews should seek to look across those boundaries and consider bodies by cluster - either by policy area or function. There are a number of benefits from this:

- It provides the opportunity to look across departmental boundaries, identify synergies, and consider potential economies of scale that could lead to further simplification of the public bodies landscape;
- It enables a more focused allocation of resource – with a review team looking at a number of bodies together, rather than multiple review teams looking at bodies in isolation; and
- It provides a lever for more effective conversations to be had around, for example, shared services and other efficiency measures.

Such reviews should not be seen purely as a vehicle for mergers. While it may be the case that some reviews would consider merger, it is just as likely that such a review would look at best practice across bodies dealing with similar issues that could lead to bodies performing their individual roles more efficiently.

### **Key success factors of clustered reviews**

- They should be cost effective – the review of a cluster of bodies by one review team should require less resource than reviewing the bodies individually and should enable pooling of resource and expertise.
- They should be quicker and less bureaucratic – a clustered review should enable evidence to be gathered from a range of stakeholders quickly and efficiently.
- They should allow informed decisions on rationalisation of back office functions and shared services, and efficiency savings that can be made.

## **Process for clustered reviews**

A cluster of reviews should bring together a number of bodies which either work in the same policy sphere, or provide a similar function. There is no minimum or maximum number of bodies in a cluster.

A “lead” department should be identified for each review, and they will be the central co-ordination point and bring together the other sponsoring departments.

In most cases, the review will be undertaken by a project team made up of representatives from each of the sponsor departments. The review will, in common with the general principles of Triennial Reviews, be headed up by an independent Chair/lead reviewer.

The Secretaries of State for each sponsor department should be formally consulted on the results of the review, and should write jointly to the Minister for the Cabinet Office to seek agreement to the reviews outcomes and recommendations.

### **3. Additional Guidance for Reviews of Public Sector Research Establishments**

#### **Introduction**

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, including that contained within the body of this document, 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 existing Cabinet Office guidance on Executive Agencies and Reviews of NDPBs. Additionally reviewers should consult the Director of Innovation at the Department for Business, Innovation and Skills in order to ensure growth impacts are properly considered and to explore scope for efficiencies.

Cabinet Office guidance on reviewing NDPBs is split into 2 distinct stages

- a. Consider the key functions of the NDPB, whether those functions are still needed, and if they are, how those functions are best delivered
- b. Consider whether the body could deliver more efficiently and effectively, and review the control and governance arrangements.

It outlines the process, timing, scope, purpose, planning and preparation, stakeholder engagement and review governance. The guidance also provides a checklist of delivery options and principles of good governance.

This guidance concentrates on the first phase – 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 it. 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.

## **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 11 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 in the Cabinet Office Guidance on Reviews of NDPBs.

Reviewers should also consider the following questions:

1. How does the PSRE's business model support its particular role? (e.g. 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 sustainably underpinned 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 sponsor department to act as an intelligent customer/commissioner) or 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?

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

## Summary of Considerations

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

## Next Steps

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

## **4. Additional Guidance for Reviews of Advisory 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 Advisory NDPBs are subject to Triennial Review. Government Office for Science should be consulted as part of reviews of such ANDPBs, 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.

## 5. Executive 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>1</sup> and Cabinet Office/HM Treasury spending controls. The public body must operate within the limits of its statutory authority and in accordance with any delegated authorities agreed with the sponsoring department<sup>2</sup>.
- The public body should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000. It should have a comprehensive Publication Scheme. It should proactively release information that is of legitimate public interest where this is consistent with the provisions of the Act.
- The public body must be compliant with Data Protection legislation.
- The public body should be subject to the Public Records Acts 1958 and 1967.

#### 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

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<sup>1</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

<sup>2</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.



training and induction. The public body should be compliant with the requirements set out in “Managing Public Money<sup>3</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 public 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.
- The public body’s annual accounts should be laid before Parliament. The Comptroller and Auditor General should be the external auditor for the body.

## **Ministerial Accountability - Principle**

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

### **Supporting provisions**

- The Minister and sponsoring department should exercise appropriate scrutiny and oversight of the public body.
- Appointments to the board should be made in line with any statutory requirements and, where appropriate, with the Code of Practice issued by the Commissioner for Public Appointments.
- The Minister will normally appoint the Chair and all non-executive board members of the public body and be able to remove individuals whose performance or conduct is unsatisfactory.
- The Minister should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment<sup>4</sup>.

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<sup>3</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

<sup>4</sup> Where the Chief Executive will also be Accounting Officer for the public body, the Principal Accounting Officer in the sponsor department (usually the Permanent Secretary) should also be consulted.

- The Minister should meet the Chair and/or Chief Executive on a regular basis.
- A range of appropriate controls and safeguards should be in place to ensure that the Minister is consulted on key issues and can be properly held to account. These will normally include:
  - a requirement for the public body to consult the Minister on the corporate and/or operational business plan;
  - a requirement for the exercise of particular functions to be subject to guidance or approval from the Minister;
  - a general or specific power of Ministerial direction over the public body;
  - a requirement for the Minister to be consulted by the public body on key financial decisions. This should include proposals by the public body to: (i) acquire or dispose of land, property or other assets; (ii) form subsidiary companies or bodies corporate; and (iii) borrow money; and
  - a power to require the production of information from the public body which is needed to answer satisfactorily for the body's affairs.
- There should be a requirement to inform Parliament of the activities of the public body through publication of an annual report.

## **ROLES AND RESPONSIBILITIES**

### **Role of the Sponsoring Department - Principles**

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

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

### **Supporting provisions**

- The departmental board's regular agenda should include scrutiny of the performance of the public body. The departmental board should establish appropriate systems and processes to ensure that there are effective arrangements in place for governance, risk management and internal control in the public body.

- There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the public body and the respective roles and responsibilities of the Minister, the sponsoring department and the public body. This should follow relevant Cabinet Office and HM Treasury guidance<sup>5</sup>. The Framework Document should be published. It should be accessible and understood by the sponsoring department, all board members and by the senior management team in the public body. It should be regularly reviewed and updated.
- 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 public body. Senior officials from the sponsoring department may as appropriate attend board and/or committee meetings. There might also be regular meetings between relevant professionals in the sponsoring department and the public body.

## **Role of the Board - Principles**

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

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

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

## **Supporting provisions**

- The board of the public body should:
  - meet regularly;
  - retain effective control over the body; and
  - effectively monitor the senior management team.
- The size of the board should be appropriate.
- Board members should be drawn from a wide range of diverse backgrounds.
- The board should establish a framework of strategic control (or scheme of delegated or reserved powers). This should specify which matters are specifically reserved for the

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<sup>5</sup> [http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)

collective decision of the board. This framework must be understood by all board members and by the senior management team. It should be regularly reviewed and refreshed.

- The Board should establish formal procedural and financial regulations to govern the conduct of its business.
- The Board should establish appropriate arrangements to ensure that it has access to all such relevant information, advice and resources as is necessary to enable it to carry out its role effectively.
- The Board should make a senior executive responsible for ensuring that appropriate advice is given to it on all financial matters.
- The Board should make a senior executive responsible for ensuring that Board procedures are followed and that all applicable statutes and regulations and other relevant statements of best practice are complied with.
- The Board should establish a remuneration committee to make recommendations on the remuneration of top executives<sup>6</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 public body and should have line responsibility for all aspects of executive management.
- There should be an annual evaluation of the performance of the board and its committees – and of the Chair and individual board members<sup>7</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

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<sup>6</sup> In Government departments, the committee's responsibilities include setting bonus payments and scrutinising succession planning.

<sup>7</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.

Appointments<sup>8</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>9</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;
  - representing the views of the board to the general public; and
  - developing an effective working relationship with the Chief Executive and other senior staff.
- The roles of Chair and Chief Executive should be held by different individuals.

### **Role of Non-Executive Board Members - Principle**

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

### **Supporting provisions**

- There should be a majority of non-executive members on the board.
- There should be a formal, rigorous and transparent process for the appointment of non-executive members of the board. This should be compliant with the Code of Practice issued by the Commissioner for Public Appointments<sup>10</sup>

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<sup>8</sup> <http://www.publicappointmentscommissioner.org/>

<sup>9</sup> "Making and Managing Public Appointments", Cabinet Office, 2006 <https://update.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

<sup>10</sup> <http://www.publicappointmentscommissioner.org/>

- 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>11</sup> and with any statutory requirements. The corporate responsibilities of non-executive board members (including the Chair) will normally include:
  - establishing the strategic direction of the public body (within a policy and resources framework agreed with Ministers);
  - overseeing the development and implementation of strategies, plans and priorities;
  - overseeing the development and review of key performance targets, including financial targets;
  - ensuring that the public body complies with all statutory and administrative requirements on the use of public funds;
  - ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsoring department;
  - ensuring that high standards of corporate governance are observed at all times. This should include ensuring that the public body operates in an open, accountable and responsive way; and
  - representing the board at meetings and events as required.
- All non-executive Board members must be properly independent of management<sup>12</sup>.
- All non-executive board members must allocate sufficient time to the board to discharge their responsibilities effectively. Details of board attendance should be published (with an accompanying narrative as appropriate).
- There should be a proper induction process for new board members. This should be led by the Chair. There should be regular reviews by the Chair of individual members' training and development needs.

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<sup>11</sup> "Making and Managing Public Appointments", Cabinet Office, 2006 <https://update.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

<sup>12</sup> "Independence" on private sector boards is determined according to criteria set out in the UK Corporate Governance Code (para B.1.1).

## Effective financial management - Principle

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

### Supporting provisions

#### Annual Reporting

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

#### Internal Controls

- The public body must have taken steps to ensure that effective systems of risk management are established as part of the systems of internal control.
- The public body must have taken steps to ensure that an effective internal audit function is established as part of the systems of internal control. This should operate to Government Internal Audit Standards and in accordance with Cabinet Office guidance.<sup>13</sup> The effective internal audit function could be provided by a cross-government supplier – e.g. XDIAS.
- There must be appropriate financial delegations in place. These should be understood by the sponsoring department, by board members, by the senior management team and by relevant staff across the public 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 public body should proactively publish information on expenses claimed by board members and senior staff.
- The annual report should include a statement on the effectiveness of the body's systems of internal control.

#### Audit Committee

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

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<sup>13</sup> Section 5, Chapter 6, “Public Bodies: A Guide for Departments”, Cabinet Office, 2006

## **External Auditors**

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

## **Communications - Principle**

The Public Body is open, transparent, accountable and responsive.

## **Supporting provisions**

### **Communications with Stakeholders**

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

### **Communications with the Public**

- The public body should make an explicit commitment to openness in all its activities. It should engage and consult with the public on issues of real public interest or concern. This might be via new media. It should publish details of senior staff and board members together with appropriate contact details.
- The public body should consider holding open board meetings or an annual open meeting.
- The public body should proactively publish agendas and minutes of board meetings.
- The public body should proactively publish performance data.
- In accordance with transparency best practice, public bodies should consider publishing their spend data over £500. By regularly publishing such data and by opening their books for public scrutiny, public bodies can demonstrate their commitment to openness and transparency and to making themselves more accountable to the public.
- The public body should establish effective correspondence handling and complaint procedures. These should make it simple for members of the public to contact the public body and to make complaints. Complaints should be taken seriously. Where appropriate, complaints should be subject to investigation by the Parliamentary Ombudsman<sup>14</sup>. The public body should monitor and report on its performance in handling correspondence.

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<sup>14</sup> This requires the public body to be listed in the Parliamentary Commissioner Act 1967.



## Marketing and PR

- The public body must comply with the Government's conventions on publicity and advertising<sup>15</sup>. These conventions must be understood by board members, senior managers and all staff in press, communication and marketing teams.
- Appropriate rules and restrictions must be in place limiting the use of marketing and PR consultants.
- The public body should put robust and effective systems in place to ensure that the public body is not, and is not perceived to be, engaging in political lobbying. This includes restrictions on board members and staff attending Party Conferences in a professional capacity<sup>16</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 public body and of good governance through their conduct and behaviour.

## Supporting provisions

### Conduct

- A Code of Conduct must be in place setting out the standards of personal and professional behaviour expected of all board members. This should follow the Cabinet Office Code<sup>17</sup>. All members should be aware of the Code. The Code should form part of the terms and conditions of appointment.
- The public body has adopted a Code of Conduct for staff. This is based on the Cabinet Office model Code<sup>18</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.

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<sup>15</sup> "Public Bodies: A Guide for Departments", Cabinet Office, 2006

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

<sup>16</sup> <http://www.cabinetoffice.gov.uk/resource-library/public-bodies-reform-proposals-change>

<sup>17</sup> "Code of Conduct for Board Members of Public Bodies", Cabinet Office, 2011

<http://www.civilservice.gov.uk/about/resources/public-appointments.aspx>

<sup>18</sup> "Public Bodies: A Guide for Departments", Cabinet Office, 2006 <http://www.cabinetoffice.gov.uk/content/public-bodies-and-appointments>

- 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.

### **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.

## 6. Advisory NDPBs: 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 sponsor department. Advisory bodies are usually accounted for through the accounts of the sponsor 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 are drawn from the principles for executive NDPBs set out in Guidance on Reviews of Non-Departmental Public Bodies . 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 - 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 and 1967.

## **ROLES AND RESPONSIBILITIES**

### **Role of the Sponsoring Department - Principles**

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