



Cabinet Office

Partnerships between departments and arm's-length bodies:

Code of Good Practice

February 2017

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2 Partnerships between departments and arm's-length bodies: Code of Good Practice

About this Code

Introduction

“Arm’s-length bodies represent an extension of the department’s delivery, so really we should think about a department and its arm’s-length bodies as a total delivery system. For the system to work well, the relationship between a department and its bodies cannot be just about oversight. An effective partnership must be based on trust, clarity of accountability, and a shared understanding of purpose and outcomes.”

John Manzoni, Chief Executive of the Civil Service and Cabinet Office Permanent Secretary

Effective relationships between departments and arm’s-length bodies are critical to the delivery of high quality public services.

This Code aims to bring greater consistency to relationships between departments and arm’s-length bodies. It was developed in response to reports by the National Audit Office¹ and the Public Accounts Committee,² which recommended that the varied approaches departments took to managing relationships with arm’s-length bodies should be underpinned by common principles based on learning of what works well.

Within this model the Code recognises that partnerships will vary according to the purpose, size, structure and public interest in the body. However, whilst partnerships will vary, all effective partnerships will be underpinned by common principles: the purpose of the arm’s-length body should be clear and well understood; there should be a proportionate approach to assurance; departments and arm’s-length bodies should share skills and experience; and most importantly, partnerships should be based on open, honest and constructive working relationships.

The Code sets out these common principles. Departments and arm’s-length bodies should ensure that they comply with them in order to develop effective partnerships. However, within the principles, and in consultation with arm’s-length bodies, it is for departments to determine the most appropriate model of partnership. There is “no one size fits all”³ to partnerships between departments and arm’s-length bodies.

¹ National Audit Office, [‘Departments’ oversight of arm’s-length bodies: a comparative study](#), July 2016.

² Public Accounts Committee, [‘Departments’ oversight of arm’s-length bodies](#), October 2016.

³ Ibid.

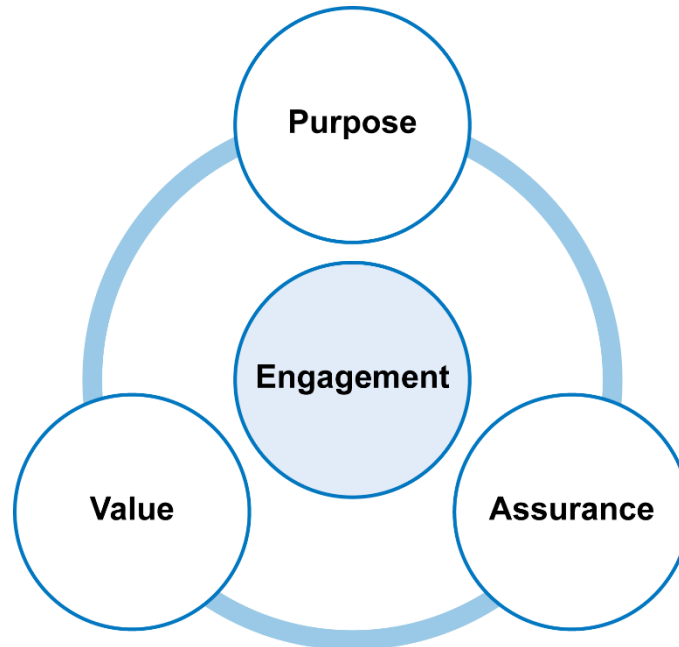
The four principles

The principles have been developed collaboratively by a working group comprised of representatives from government departments and arm's-length bodies.⁴ The principles are:

PURPOSE
<i>Partnerships work well when the purpose, objectives and roles of arm's-length bodies are mutually understood; reviewed on a regular basis; and clearly set out in relevant documents. There is absolute clarity about lines of accountability between departments and arm's-length bodies. In exercising statutory functions arm's-length bodies have clarity about how their purpose and objectives align with those of departments.</i>
ASSURANCE
<i>Partnerships work well when departments adopt a proportionate approach to assurance, based on arm's-length bodies' purpose and a mutual understanding of risk. Arm's-length bodies have robust governance arrangements in place; departments give arm's-length bodies the autonomy to deliver effectively. Management information exists to enable departments and arm's-length bodies to assess performance.</i>
VALUE
<i>Partnerships work well when departments and arm's-length bodies share skills and experience in order to enhance their impact and deliver more effectively. Arm's-length bodies are able to contribute to policy making and broader departmental priorities. There is a focus on innovation, and on how departments and arm's-length bodies work together to deliver value for money.</i>
ENGAGEMENT
<i>Partnerships work well when relationships between departments and arm's-length bodies are open, honest, constructive and based on trust. There is mutual understanding about each other's objectives and clear expectations about the terms of engagement.</i>

⁴ See Annex A for Working Group membership.

The four principles are interrelated, with good Engagement underpinning Purpose, Assurance and Value. Adherence to the principles will PAVE the way for effective partnerships between departments and arm's-length bodies.



How this Code should be used

The Code's principles are expected to act as a set of common standards for departments and arm's-length bodies to live by and measure their relationships against, on a continuing basis.

Departments and arm's-length bodies should use this Code of Good Practice to jointly assess how effective their partnerships are at regular intervals. For example, alignment with the Code's principles could be discussed at regular meetings between departments and arm's-length bodies, to assess the 'health' of their continuing relationship. It should also form the basis for any partnership with a newly created arm's-length body. The principles should be formalised in framework documents and other partnership agreements.

The four principles are based on a number of standards. The standards draw on best practice from across government, and whilst they will not all be relevant to every partnership, they enable departments and arm's-length bodies to assess the extent to which they meet each principle.

Scope of the Code

This Code applies to arm's-length bodies as defined in the Cabinet Office Classification Guide.⁵ However, departments may choose to apply the principles and standards set out here in relation to other bodies where this is relevant. Arm's-length bodies with subsidiaries may choose to do the same.

The Code complements documents such as Managing Public Money,⁶ the Corporate Governance Code for Central Government Departments,⁷ and other relevant existing guidance.

The Code does not override any provisions governing relationships between departments and arm's-length bodies that might exist in statute, or other formal arrangements. In all cases, these existing provisions take primacy.

⁵ Cabinet Office, '[Classification of Public Bodies: information and guidance](#)', April 2016.

⁶ HM Treasury, '[Managing Public Money](#)', November 2016.

⁷ HM Treasury, Cabinet Office, '[Corporate Governance Code for Central Government Departments](#)', July 2016.

1. Purpose

Principle

1.1 *Partnerships work well when the purpose, objectives and roles of arm's-length bodies are mutually understood; reviewed on a regular basis; and clearly set out in relevant documents. There is absolute clarity about lines of accountability between departments and arm's-length bodies. In exercising statutory functions arm's-length bodies have clarity about how their purpose and objectives align with those of departments.*

Standards

1.2 The purpose, objectives, accountabilities and roles of the arm's-length body are mutually understood and clearly defined in relevant documentation, including single departmental plans, framework documents and accounting officer system statements.

1.3 The framework document (or equivalent) is reviewed and updated regularly, and complies with Managing Public Money.⁸

1.4 There is an agreed process for reviewing the framework document (or equivalent). Reviews may be required following a significant change in government policy relating to the arm's-length body's business or as a result of a spending review. As a minimum, written agreements should be reviewed formally at least once every three years. A light touch annual review for continuing relevance may be useful.

1.5 Formal delegations have been established with the arm's-length body, including the accounting officer (if appropriate). In such cases the arm's-length body accounting officer understands the conditions of Managing Public Money.⁹

1.6 There is a good strategic alignment between the purpose and objectives of the arm's-length body and the department (where appropriate). This is expressed in relevant documentation.

⁸ HM Treasury, '[Managing Public Money](#)', November 2016.

⁹ Ibid.

2. Assurance

Principle

2.1 Partnerships work well when departments adopt a proportionate approach to assurance, based on arm's-length bodies' purpose and a mutual understanding of risk. Arm's-length bodies have robust governance arrangements in place; departments give arm's-length bodies the autonomy to deliver effectively. Management information exists to enable departments and arm's-length bodies to assess performance.

Standards

2.2 The department's approach to assurance is based on an effective assessment of the risk posed by the arm's-length body.

2.3 The department's approach to assurance has been agreed with the arm's-length body, and does not overlap with existing governance arrangements in the body.

2.4 The departmental board, the departmental audit and risk committee, and departmental non-executive directors have an appropriate overview of operations of the arm's-length body, proportionate to its purpose, risk and required degree of independence.

2.5 The department and the arm's-length body have a shared understanding of the risks that may impact on each other, and reflect them appropriately in their respective risk registers.

2.6 The arm's-length body has established governance arrangements appropriate to its business and scale. These comply with Managing Public Money.¹⁰

2.7 The department is assured that the arm's-length body has the right capability to deliver effectively. The arm's-length body is assured the department has the skills to develop an effective partnership.

2.8 The department and arm's-length body have access to the data they need to assess the body's performance and to drive forward improvements. Where appropriate benchmarks are used to draw comparisons with other relevant sectors and organisations.

¹⁰ HM Treasury, '[Managing Public Money](#)', November 2016.

2.9 The arm's-length body, the department, HM Treasury and the Cabinet Office have agreed what management and financial information will be required over the course of a year. Central government and the department are mindful of the need to avoid duplicate requests for the same information, and recognise the need to minimise reporting costs for arm's-length bodies. The arm's-length body is clear about why the management and financial information is necessary and how it will be used.

2.10 The department and the arm's-length body work with the Cabinet Office and others to participate in agreed reviews.

3. Value

Principle

3.1 *Partnerships work well when departments and arm's-length bodies share skills and experience in order to enhance their impact and deliver more effectively. Arm's-length bodies are able to contribute to policy making and broader departmental priorities. There is a focus on innovation, and how departments and arm's-length bodies work together to deliver value for money.*

Standards

3.2 There is a regular exchange of skills and experience between the department and arm's-length bodies, different arm's-length bodies within the departmental group, as well as arm's-length bodies outside of the departmental group. This may include secondments, joint programme or project boards, targeted recruitment from staff within bodies or the department, and forums for staff from bodies and departments to learn from each other.

3.3 The department and arm's-length bodies within the departmental group, and arm's-length bodies outside of the departmental group (where relevant), work together in a targeted way on projects according to the expertise and experience required. Departments play a coordinating role to facilitate this.

3.4 The department and the arm's-length body maximise the expertise and experience of their non-executive directors. This may include inviting non-executive directors to participate in reviews of arm's-length bodies as well as broader corporate priorities across the integrated delivery system. Departments may also consider inviting the non-executive directors of arm's-length bodies to sit on departmental boards.

3.5 Where appropriate, the arm's-length body is involved as a partner in policy development and provides advice on policy implementation.

4. Engagement

Principle

4.1 *Partnerships work well when relationships between departments and arm's-length bodies are open, honest, constructive and based on trust. There is mutual understanding about each other's objectives and clear expectations about the terms of engagement.*

Standards

4.2 The department and the arm's-length body work to develop constructive working relationships based on trust, respect and shared values.

4.3 The department and the arm's-length body have agreed and documented the terms of engagement in an engagement plan within a framework document or similar agreement. This is reviewed whenever there is a change in senior leadership. Meetings are scheduled at an appropriate frequency and at an appropriate level of seniority. There is a clear sense of 'the way we do business together' which is communicated to staff.

4.4 The department and the arm's-length body engage with each other in a coordinated and consistent manner.

4.5 The department and the arm's-length body induct new senior leaders, non-executive directors and working level contacts. Staff from the department and the arm's-length body take the time to understand each other's business and the challenges they face when they are appointed.

4.6 The department and the arm's-length body are given notice of public announcements, in line with the independence of the arm's-length body and the department's need to know. The arm's-length body understands the department's strategic objectives. The department understands the arm's-length body's remit, core business and audiences.

4.7 There is a clear and well understood process to resolve disputes.

4.8 The department and the arm's-length body review the strength of their relationship periodically. Actions are agreed to address any weaknesses.

Annex A – Code of Good Practice Working Group membership

Partnerships between departments and arm's-length bodies: Code of Good Practice was developed by a working group comprising of the following departments and arm's-length bodies:

Cabinet Office

Defence Science and Technology Laboratory

Department for Business, Energy and Industrial Strategy

Department for Culture, Media & Sport

Department for Education

Department for the Environment, Food & Rural Affairs

Department for Transport

Department for Work & Pensions

Department of Health

Environment Agency

Health and Safety Executive

Historic England

HM Treasury

Legal Ombudsman

Ministry of Defence

Ministry of Justice

Social Security Advisory Committee

